Social Security Amendments of 1939

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76TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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SOCIAL SECURITY ACT AMENDMENTS OF 1939

JUNE 2, 1939.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 6635]

The Committee on Ways and Means, to whom was referred the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

DIVISIONS OF THE BILL

This bill amends the Social Security Act and certain sections of subchapters A and B of chapter 9 of the Internal Revenue Code (formerly titles VIII and IX of the Social Security Act).

The bill is divided into nine titles:

Title I—Amendments to title I of the Social Security Act (grants to States for old-age assistance).
Title II—Amendments to title II of the Social Security Act (Federal old-age benefits).
Title III—Amendments to title III of the Social Security Act (grants to States for Unemployment Compensation Administration).
Title IV—Amendments to title IV of the Social Security Act (grants to States for aid to dependent children).
Title V—Amendments to title V of the Social Security Act (grants to States for maternal and child welfare, etc.).
Title VI—Amendments to the Internal Revenue Code (provisions formerly in titles VIII and IX of the Social Security Act).
Title VII—Amendments to title X of the Social Security Act (grants to States for aid to the blind).
Title VIII—Amendments to title XI of the Social Security Act (general provisions).
Title IX—Miscellaneous amendments.

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SUMMARY OF PRINCIPAL CONTENTS OF BILL

TAXES

1. The old-age insurance tax has been frozen at 1 percent on the worker and 1 percent on the employer for the 3 years 1940, 1941, and 1942 as against the 1½-percent rates on each under the present act. This will save employers and workers about $275,000,000 in 1940, or a total of $825,000,000 in the 3 years.

2. Provision is made so that the States may reduce their unemployment-insurance contributions if a certain reserve fund has been attained and minimum benefit standards have been provided. All except about five States will be able to take advantage of this change during 1940. This may save employers from $200,000,000 to $250,000,000 during 1940 if the States reduce their contribution rates from an average of 2.7 to 2 percent.

3. Only the first $3,000 an employer pays an employee for a year is taxed under the unemployment-compensation provisions. This is already the case in old-age insurance. This will save employers about $65,000,000 a year.

4. Provision is made for refunds and abatements to employers who paid their 1936, 1937, and 1938 unemployment-compensation contributions late to the States. This will save employers about $15,000,000.

5. Thus the savings above mentioned, through 1940, may aggregate some $580,000,000. In addition, such savings for the ensuing 2 years may amount to approximately $1,130,000,000. This represents total savings of approximately $1,710,000,000.

BENEFITS

The old-age insurance benefits have been liberalized, benefits provided for aged wives, and for widows, children, and aged dependent parents, and the date for beginning monthly benefit payments has been advanced to January 1, 1940. About $1,755,000,000 in benefits is estimated to be disbursed during 1940–44, or about $1,200,000,000 above what it is estimated would be spent under existing law during these 5 years.

The total cost of these benefits over the next 45 years will be about the same as the cost of the present benefits would be during that period of time. Of course, the cost in the early years will be more but the cost in the later years will be less.

COVERAGE

1. Certain services, including services for agricultural and horticultural associations, voluntary employees' beneficiary associations, local or ritualistic services for fraternal beneficiary societies, and services of employees earning nominal amounts (less than $45 per quarter) of nonprofit institutions exempt from income tax, are exempted from old-age insurance and unemployment compensation in order to eliminate the nuisance cases of inconsequential tax payments.

2. The term "agricultural labor" is defined so as to clarify its meaning and to extend the exemption to certain types of service which, although not at present exempt, are an integral part of farming activities.

3. About 1,100,000 additional persons (seamen, bank employees, and employed persons age 65 and over) are brought under the old-age insurance system and about 200,000 under unemployment insurance (chiefly bank employees).

VOCATIONAL REHABILITATION

Provision is made for a $1,000,000-per-year increase in the authorization for Federal grants to the States for vocational rehabilitation work. This will increase the present Federal authorization from $1,938,000 to $2,938,000.

ADMINISTRATION

1. A Federal old-age and survivor insurance trust fund is created for safeguarding the insurance benefit funds. The Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board are made trustees of this fund.
2. Provision is made to restrict the use of information concerning recipients of State old-age assistance (particularly their names and addresses) to purposes directly connected with the administration of old-age assistance. This is designed to prevent the use of such information for political and commercial purposes.
3. Other amendments are recommended to simplify and clarify administration of the law.

History of Legislation

The Social Security Act became law on August 14, 1935, after many months of deliberation in Congress. The bill was passed by an overwhelming majority in both the House and the Senate, the votes being 372 to 33 and 77 to 6, respectively. The insurance provisions of the act (substantially as reported out by this committee) were upheld by the United States Supreme Court in the cases of *Steward Machine Co.* v. *Davis* (301 U. S. 548); *Helvering* v. *Davis* (301 U. S. 619); and *Carmichael* v. *Southern Coal Co.* (301 U. S. 495).

The enactment of the Social Security Act marked a new era, the Federal Government accepting, for the first time, responsibility for providing a systematic program of protection against economic and social hazards. Though admittedly not perfect or all inclusive, the Social Security Act did embrace the broadest program for social security ever launched at one time by any government.

Relieving and reducing dependency.—The Social Security Act aimed to attack the problem of insecurity upon two fronts: First, by providing safeguards designed to reduce future dependency, and second, by improving the methods of relieving existing needs. The first objective was promoted by providing a Federal system of old-age insurance and by granting Federal aid to State-administered programs of unemployment compensation; the second objective was promoted by providing Federal grants to State programs of aid to the needy aged, aid to dependent children, and aid to the needy blind. Funds were also provided to stimulate development and extension of various health and welfare services.

Public assistance.—Under the Social Security Act, great progress has already been made. As a result of the Federal aid provided in the Social Security Act, the States were enabled to extend their assistance programs to the needy aged, dependent children, and the needy blind.

All the States, the District of Columbia, Alaska, and Hawaii now have approved plans for old-age assistance and receive Federal funds to supplement their contributions. Forty States, the District of Columbia, and Hawaii participate in the Federal-State program for aid to dependent children, and an equal number are receiving Federal grants for aid to the needy blind. Some 2,500,000 needy individuals are now receiving regular cash assistance under these cooperative Federal-State programs. From the beginning of the system through March 1939, over $1,177,000,000 of Federal, State, and local funds have been spent in States with plans approved by the Social Security Board. During the calendar year 1938 the total Federal, State, and local expenditures were over $495,000,000, of which $391,000,000 was for old-age assistance, $93,000,000 for aid to dependent children, and $11,000,000 for aid to the blind.

Unemployment compensation.—The incentives provided in the Social Security Act stimulated rapid passage of State unemployment compensation laws. Before the act was passed, only 1 State, Wisconsin, had a going system of unemployment insurance; now all the 48 States and Alaska, Hawaii, and the District of Columbia have approved laws. Benefits are already being paid to unemployed covered workers under all but 2 of these laws; the last 2 States (Illinois and Montana) will start benefit payments on July 1 of this year. More than 27,500,000 workers are covered by these laws and about 3,800,000 temporarily unemployed workers received benefits amounting to nearly $400,000,000 during the year 1938. In addition, about $145,000,000 has been paid to unemployed workers during the first 4 months of 1939.

Old-age insurance.—The full effect of the Federal old-age insurance program will not be felt until monthly benefits begin to be paid. In the meantime, however, the Social Security Board has established wage-record accounts for nearly 44,000,000 persons, of whom more than 32,000,000 have already had wages reported in either 1937 or 1938, thus enabling these individuals to build up rights to protection for themselves and their dependents upon a sound basis. In addition, lump-sum benefits, amounting to 3½ percent of accumulated covered earnings, totaling about $17,200,000, have been paid up to April 30, 1939, to or on behalf of nearly 345,000 who reached age 65 or died.

Revision of Social Security Act.—Tremendous as is the scope of this program, it was recognized from the beginning that changes would have to be made as experience and study indicated lines of revision and improvement. Congress, therefore, expressly provided in the Social Security Act that the Social Security Board should study and make recommendations as to methods of providing more effective economic security.

Further to facilitate necessary revision, an Advisory Council on Social Security was created in May 1937. It was composed of outstanding citizens representing employers, employees, and the public. The Advisory Council spent more than a year in study and deliberation and transmitted its final report and recommendations on December 19, 1938.

The recommendations of the Social Security Board, based upon 3 years of intensive study, were submitted to the President of the United States on December 30, 1938. The President transmitted the Board's report to Congress, with a special message on January 16,

1939. The President's message and the Board's report were then referred to this committee.

The committee held extended public hearings on these recommendations and alternative proposals relating to social security, including more than 90 bills introduced in the House. These hearings lasted from February 1 to April 7, during which period the committee sat 48 days and took 2,500 pages of testimony. Among the 164 individuals who testified in person there were 3 Senators, 41 Congressmen, 14 Government officials (Federal and State), 21 labor representatives, 27 employer representatives, 16 economists, and 42 others, representing themselves or various organized groups of citizens. Many of these witnesses filed supplementary statements for the record. Some twenty or thirty other statements from individuals unable to appear before the committee in person were also placed in the record.

Since the conclusion of the public hearings these various proposals have received the constant attention of the committee. Executive sessions have been held over a period of 6 weeks. The committee has realized the importance of this subject and has taken seriously its responsibility to recommend to Congress the best possible legislation for supplementing and improving our system of social security. The committee therefore recommends immediate enactment of this bill.

General Purpose and Scope of Amendments

The present bill aims to strengthen and extend the principles and objectives of the Social Security Act. The foundations of a permanent program have been laid and it seems wise to build upon the present structure.

Old-age insurance, unemployment compensation, and public assistance are now accepted as permanent in our fabric of social services. The present bill is designed to widen the scope and to improve the adequacy and the administration of these programs without altering their essential features. Benefits will continue to be payable as a matter of right to workers covered by the insurance programs; aid will continue to be related to need under the assistance programs.

Federal Old-age and Survivor Insurance Benefits

The number of aged persons in our population is steadily growing. In 1900 there were only 3,080,000 persons 65 and over, representing 4.1 percent of the population. This figure reached 6,634,000, or 5.4 percent, in 1930, and it is estimated there are about 8,200,000, or 6.3 percent, at the present time. Recent estimates indicate that by 1980 we may have over 22,000,000 persons aged 65 and over, representing 14 to 16 percent of the total population. Recognizing these facts, it is possible to foresee that we shall have a growing number of aged persons for whom some provision must be made. This has been the experience of all industrial countries.

In the course of its study of the problem, the committee has become increasingly impressed by the need to revise the existing old-age insurance program in the direction of fitting the structure of benefits more closely to the basic needs of our people, now and in the future. With limited funds available for this type of insurance protection individual savings and other resources must continue to be the chief reliance for security. As a means of affording basic protection, how-

ever, the existing system can be much improved. With the advantage of more than 3 years of study and experience since the passage of the act, and with a greatly enhanced public understanding of the method of social insurance, the time seems ripe for the revision of the program to afford more adequate protection to more of our people. Under the present old-age insurance system monthly benefits would not begin until 1942; for a considerable number of years thereafter benefits would remain small and would in many cases have to be supplemented by old-age assistance. Such assistance, based on individual need, is also necessary for those already old, and will continue to be necessary for groups outside the insurance system. For insured groups, however, it is both desirable and possible to provide immediately more adequate protection within the framework of the contributory system.

Old-age insurance is designed to prevent future old-age dependency; old-age assistance is designed to relieve existing needs. A contributory system of old-age insurance keeps the cost of old-age assistance from becoming excessive and assures support for the aged as an earned right. If the contributory system is strengthened and liberalized, the cost of old-age assistance for uncovered groups will not increase so rapidly in future years when the proportion of aged in the population will be much higher than at present.

It is essential then that the contributory basis of our old-age insurance system be strengthened and not weakened. Contributory insurance is the best-known method of preventing dependency in old age by enabling wage earners to provide during their working years for their support after their retirement. By relating benefits to contributions or earnings, contributory old-age insurance preserves individual thrift and incentive; by granting benefits as a matter of right it preserves individual dignity. Contributory insurance therefore strengthens democratic principles and avoids paternalistic methods of providing old-age security. Moreover, a contributory basis facilitates the financing of a social-insurance scheme and is a safeguard against excessive liberalization of benefits as well as a protection against reduction of benefits.

The contributory method in social insurance is no innovation. It had its beginning several hundred years ago in several countries when small groups of workmen banded together in mutual-benefit societies to build up group protection against unforeseen contingencies. These early friendly societies developed the insurance method of protection which, by a gradual process of evolution, led to modern social insurance with the Government entering to strengthen cooperative thrift and mutual protection. The contributory method of social insurance has stood the test of time and experience. Proof of this is the fact that no country which has once adopted a system of contributory social insurance has ever abandoned it. Many foreign countries, as does the United States, supplement their contributory scheme with a noncontributory pension scheme based on individual need, but no country has ever given up the former system in favor of the latter.

Under the present old-age insurance system only taxes have been payable since 1937, while monthly benefits are not payable until January 1, 1942. So long as only taxes are payable and monthly benefits are postponed, the general public is under a misapprehension as to the financial operations of the plan and lacks a concrete demonstration of the effectiveness of the plan in providing protection. The

recommendations of this committee with respect to the old-age insurance plan, it is hoped, will help to improve the understanding of the aims of a contributory social-insurance plan.

Providing more effective benefits.—The basic problem confronting the committee was how to provide more adequate and effective benefits, particularly in the early years of operation, without increasing the future cost of the old-age insurance system. The committee has solved this problem in two principal ways, as follows:

1. Monthly benefits to wives, children, widows, orphans, and surviving dependent parents are substituted for the present 3½-percent lump sums payable to the estates of deceased workers.

2. The benefits of both single and married persons retiring in the early years are increased but the benefits of single persons with high earnings retiring years hence are reduced somewhat. However, the benefits proposed for single persons are higher than could be purchased with the employee's own contributions, except possibly in a very few extreme cases.

In other words, the effect of these changes will be to provide for larger benefits in the early years than under the present law and larger than could be purchased by an insured worker from a private insurance company with the amount he has paid the Government. This is particularly true in the case of married persons. However, this does not mean that unmarried persons who will contribute for many years will receive less protection from the Government than they could purchase from a private insurance company with their own contributions. It does mean, however, that a larger proportion of the employer's contributions are used to pay benefits to those retiring in the early years, particularly married persons.

Thus, various changes made by the committee are designed to afford more adequate protection to the family as a unit. The present law provides for only two general types of benefits, (1) monthly old-age benefits to qualified individuals and (2) lump-sum payments to nonqualified individuals and upon death. The present law is, therefore, limited in its scope in that it does not provide current monthly benefits to the surviving wife of an aged annuitant, nor to the surviving widow with dependent children. The payment of these survivorship benefits and supplements for the wife of an annuitant are more in keeping with the principle of social insurance than the 3½-percent lump-sum payments now provided. Under a social-insurance plan the primary purpose is to pay benefits in accordance with the probable needs of the beneficiaries rather than to make payments to the estate of a deceased person regardless of whether or not he leaves dependents. There is ample precedent for such provision, since 15 out of 22 old-age insurance systems of foreign countries make provision for survivor benefits.

Cost of more adequate benefits.—The net effect of the changes is that the annual cost of the benefits payable in the early years will be greater, the annual cost of the benefits payable in the later years will be less, and the average annual cost over the next 40 years, as testified to by the Chairman of the Social Security Board, will be about the same as under the present system. A more detailed explanation of the cost figures will be found on pages 15–17.

TABLE 1.—*Comparison of benefit payments under present Federal old-age insurance plan and under revised plan on the basis of the intermediate retirement rate estimates*

Calendar year	Present title II	Revised plan	Additional expenditure
1940	$46,000,000	$88,000,000	$42,000,000
1941	42,000,000	211,000,000	169,000,000
1942	92,000,000	350,000,000	258,000,000
1943	150,000,000	508,000,000	358,000,000
1944	221,000,000	598,000,000	377,000,000
1945	290,000,000	713,000,000	423,000,000
1946	403,000,000	855,000,000	452,000,000
1947	501,000,000	997,000,000	496,000,000
1948	615,000,000	1,134,000,000	519,000,000
1949	725,000,000	1,265,000,000	540,000,000
1950	834,000,000	1,389,000,000	555,000,000
1951	971,000,000	1,523,000,000	552,000,000
1952	1,078,000,000	1,621,000,000	543,000,000
1953	1,193,000,000	1,719,000,000	526,000,000
1954	1,338,000,000	1,843,000,000	505,000,000
Total 1940-54, inclusive	8,469,000,000	14,814,000,000	6,315,000,000

Before beginning a more detailed explanation of the revised benefit provisions, the following summary presents a brief outline of the new benefit plan.

SUMMARY OUTLINE OF BENEFIT PROVISIONS UNDER THE REVISED FEDERAL OLD-AGE AND SURVIVOR INSURANCE PLAN

EFFECTIVE DATE—JANUARY 1, 1940

OLD-AGE RETIREMENT BENEFITS

1. *Old-age benefit.*—Each fully insured individual who has reached the age of 65 is eligible to receive a monthly primary (old-age) insurance benefit determined as follows:

(*a*) A basic amount computed by applying: 40 percent of average monthly wages, up to the first $50, plus 10 percent of average monthly wages in excess of $50.

(*b*) Such amount to be increased 1 percent for each year of coverage ($200 or more wages).

2. *Supplement for wife.*—In addition, the wife, age 65 and over, of an individual entitled to primary insurance benefits, if she is living with such individual, is eligible for a supplement which, when added to her primary insurance benefit, if any, equals one-half of a primary old-age insurance benefit of her husband.

3. *Supplement for children.*—In addition each unmarried dependent child, under age 18, of an individual entitled to primary insurance benefits, is eligible for a supplement of one-half of a primary insurance benefit of the parent.

SURVIVOR BENEFITS

1. *Widows' old-age insurance benefits.*—A widow of a fully insured individual, who has attained age 65 and who was living with such individual when he died, is eligible for a monthly benefit which when added to her primary insurance benefit, if any, is equal to three-fourths of a primary insurance benefit of her husband.

2. *Orphans' monthly insurance benefits.*—A fully or currently insured individual's unmarried dependent orphan under age 18 is eligible for

an orphan's benefit equal to one-half of a primary insurance benefit of the parent.

3. *Current monthly insurance benefit to widow with children.*—A widow, regardless of age, of a fully or currently insured individual, who was living with such individual when he died, and has in her care one or more children entitled to child's benefits receives a monthly benefit which, when added to her primary insurance benefit, if any, is equal to three-fourths of his primary insurance benefit.

4. *Parents' insurance benefits.*—A parent of a fully insured individual who dies leaving no widow and no unmarried child under age 18, if such parent has attained age 65, has not married since the fully insured individual's death, and was wholly dependent upon such individual at the time of such death, is eligible for a monthly benefit which, when added to the parent's other monthly benefits, if any, is equal to one-half of the primary insurance benefit of such fully insured individual.

5. *Lump-sum death payment.*—Upon the death of a fully or currently insured individual, leaving no one immediately entitled to a monthly benefit, a lump sum equal to six times the monthly primary insurance benefit is payable to a surviving close relative, or if no close relative, the person assuming responsibility for the funeral expenses of the deceased to the extent of his actual disbursements.

MINIMUM AND MAXIMUM BENEFITS

The minimum benefit payable shall be not less than $10 per month. The maximum benefit or benefits payable shall be not more than double the primary insurance benefit, 80 percent of average wages, or $85, whichever is the smallest.

EFFECTIVE DATE

The first major change proposed is to advance the date for beginning the payment of monthly old-age insurance benefits from January 1, 1942, to January 1, 1940. From an administrative standpoint such an amendment is entirely practicable since the maintenance of wage records is already functioning successfully. Personnel has been trained and experience has been acquired in all phases of the program. Approximately 44,000,000 account numbers have been assigned, and the individual account for each worker set up by the Social Security Board. Furthermore, a network of over 300 field offices has been set up and is functioning. These offices have already handled over 360,000 claims for lump-sum benefits. The experience obtained in adjudicating these claims indicates that the necessary groundwork has been laid to permit the payment of monthly benefits in 1940. The payment of monthly benefits in 1940 is in keeping with the experience under the social insurance laws of Great Britain, Czechoslovakia, and Germany where old-age insurance benefits were paid within 2 years after contributions first began.

LIBERALIZED AMOUNTS

The second major change proposed is the liberalization of benefits to insured workers retiring in the early years of the system. This liberalization is effected by two important changes. First, the benefit base is changed from total accumulated wages to average wages; second, supplementary benefits are provided in those cases

where the annuitant has an aged wife (as well as in the rare cases where there are dependent children). Under the present law the average monthly old-age insurance benefit payments in 1942 were originally estimated at about $17.50 per month. Under the revised plan the average for single individuals will be about $25.85 and for an eligible husband and wife about $38.78 per month. Table 2 shows illustrative monthly old-age insurance benefits under the present plan and under the revised plan.

TABLE 2.—*Illustrative monthly old-age insurance benefits under present plan and under revised plan* [1]

	Present plan	Revised plan		Present plan	Revised plan	
		Single	Married [2]		Single	Married [2]
	Average monthly wage of $50			Average monthly wage of $100		
Years of coverage:						
3	([3])	$20.60	$30.90	([3])	$25.75	$38.63
5	$15.00	21.00	31.50	$17.50	26.25	39.38
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of $150			Average monthly wage of $250		
3	([3])	$30.90	$46.35	([3])	$41.20	$61.80
5	$20.00	31.50	47.25	$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

[1] It is assumed, with respect to the revised plan, that an individual earns at least $200 in each year of coverage in order to be eligible to receive the 1-percent increment. If this were not the case, the benefit would be somewhat lower.
[2] Benefits for a married couple without children where wife is eligible for a supplement.
[3] Benefits not paid until after 5 years of coverage.

REVISED BENEFIT FORMULA

An average wage formula will relate benefits more closely to normal wages during productive years. Since the object of social insurance is to compensate for wage loss, it is imperative that benefits be reasonably related to the wages of the individual. This insures that the cost of the benefits will stay within reasonable limits and that the system will be flexible enough to meet the wide variations in earnings which exist.

An average wage formula will also have the effect of raising the level of benefits payable in the early years of the system, but it will reduce future costs by eliminating unwarranted bonuses payable under the present formula to workers in insured employment only a few years. These bonuses result from the greater weight now given to the first $3,000 of accumulated wages. They are justified, if a total wage formula is used, in the case of older and low-paid workers who retire in the early years of the system and have not time in which to build up substantial benefit rights. In the long run, however, such bonuses are unwise and endanger the solvency of the system by permitting disproportionately large benefits to workers who migrate between uninsured and insured employments and accumulate only small earnings in insured employment.

In order to relate benefits to length of employment, as well as to average wages, a 1 percent increment for each year of covered earnings of $200 or more is added to the basic benefit. Thus, the longer a worker is in the system the larger will be his benefit.

Supplementary benefits.—The supplementary benefit payable an aged wife is one-half of the primary insurance benefit of the annuitant. (The same amount is payable for each dependent child.) Because most wives, in the long run, will build up wage credits on their own account, as a result of their own employment, these supplementary allowances will add but little to the ultimate cost of the system. They will, on the other hand, greatly increase the adequacy and equity of the system by recognizing that the probable need of a married couple is greater than that of a single individual.

These changes in the benefit pattern are primarily designed to increase the adequacy of the system during the early years without altering the long-run cost proportions of the existing plan. They are not temporary improvements, however, but represent constructive changes, which will increase the adequacy of the Federal old-age insurance system.

SURVIVOR BENEFITS

The bill contains a third major change, designed to improve the long-run effectiveness of our insurance system. This amendment proposes to establish monthly survivor benefits. The Social Security Act now provides a certain amount of survivor protection in the form of lump-sum payments. These are small and inadequate in the early years of the system and entirely unrelated to the needs of the recipients. However, eventually, they will be rather costly and may not provide protection where most needed. The new plan will eliminate most lump-sum benefits and will substitute monthly benefits for those groups of survivors whose probable need is greatest. These groups are widows over 65, widows with children, orphans, and dependent parents over 65. The monthly benefits payable to these survivors are related in size to the deceased individual's past monthly benefit or the monthly benefit he would have received on attaining age 65.

In the case of a widow, the monthly benefit is three-fourths of the deceased's monthly benefit or prospective benefit. In the case of an orphan or dependent parent, it is one-half of the deceased's monthly benefit or prospective benefit.

A monthly benefit will be payable to a parent only if no widow or unmarried child under age 18 survived, and only if the parent was wholly dependent upon the deceased at time of death. While it would thus be necessary for a parent to prove dependency at the time of death, once that fact had been established no subsequent showing of need would be required. Ample precedent for such provisions is found in the State workmen's compensation laws, which constitute the oldest form of social insurance in this country.

Illustrative benefits are shown in table 3. As has already been stated, these new monthly benefits can be provided without exceeding the eventual costs of the system as now set up, because of the reduction in lump-sum death benefits and the future benefits to single persons.

TABLE 3.—*Illustrative monthly survivor benefits* [1]

	One child or parent 65 or over	Widow, 65 or over	Widow and one child	One child or parent 65 or over	Widow, 65 or over	Widow and one child
	Average monthly wage of deceased, $50			Average monthly wage of deceased, $100		
Years of coverage:						
3	$10.30	$15.45	$25.75	$12.88	$19.31	$32.19
5	10.50	15.75	26.25	13.13	19.69	32.81
10	11.00	16.50	27.50	13.75	20.63	34.38
20	12.00	18.00	30.00	15.00	22.50	37.50
30	13.00	19.50	32.50	16.25	24.38	40.63
40	14.00	21.00	35.00	17.50	26.25	43.75
	Average monthly wage of deceased, $150			Average monthly wage of deceased, $250		
Years of coverage:						
3	$15.45	$23.18	$38.63	$20.60	$30.90	$51.50
5	15.75	23.63	39.38	21.00	31.50	52.50
10	16.50	24.75	41.25	22.00	33.00	55.00
20	18.00	27.00	45.00	24.00	36.00	60.00
30	19.50	29.25	48.75	26.00	39.00	65.00
40	21.00	31.50	52.50	28.00	42.00	70.00

[1] It is assumed that an individual earns at least $200 in each year of coverage. If this were not the case, the benefit would be somewhat lower.

Not all lump-sum payments are eliminated under the new plan. Upon the death of an insured individual leaving no one immediately entitled to a monthly benefit, there will be paid a lump-sum benefit of six times the monthly benefit of the deceased. This lump sum will be paid to a surviving close relative, or if no close relative exists, then to the person assuming the responsibility for the funeral expenses of the deceased person to the extent of his actual disbursements.

Table 4 shows illustrative lump sums payable in these cases.

TABLE 4. *Illustrative lump-sum death payments payable equal to 6 times the primary insurance benefit*

	Average monthly wages			
	$50	$100	$150	$250
Years of coverage:				
3	$123.60	$154.50	$185.40	$247.20
5	126.00	157.50	189.00	252.00
10	132.00	165.00	198.00	264.00
20	144.00	180.00	216.00	288.00
30	156.00	195.00	234.00	312.00
40	168.00	210.00	252.00	336.00

QUALIFYING PROVISIONS

The amendments provide a revision in the requirements concerning the length of time covered and amount of wages that must have been earned under the system in order to establish eligibility for benefits.

The revised requirements for benefits are similar in principle to those found in the present law but are changed in several respects, due to the following reasons:

1. Since payment of benefits would be advanced to 1940, the number of qualifying years and the amount of wages are reduced in the early years.

2. Since wages after the age of 65 were not counted during 1937, 1938, and 1939, the qualification provisions are adjusted to permit such persons to qualify without undue hardship.

3. The present law permits persons who are in insured employment for only a short time to receive very large benefits in comparison to their contributions. In order to reduce the cost of paying benefits to these persons who shift between insured and uninsured employment, there have been added provisions to protect the system in future years.

4. The addition of widows' and orphans' benefits necessitates a shorter qualifying period for current insurance protection in the case of persons who die without having been employed as long as is required to qualify for old-age insurance benefits.

"FULLY INSURED" AND "CURRENTLY INSURED"

Following is a synopsis of the definition of a "fully insured individual," and "currently insured individual" as contained in sections 209 (g) and (h) of the bill:

A. An individual aged 65 or over on January 1, 1940, is fully insured for retirement benefits if he has 2 years of coverage and $600 total earnings before retirement (a year of coverage is a year in which $200 or more was paid for covered employment);

B. An individual who attains age 65 or dies in one of the years 1940 to 1945, inclusive, is fully insured with respect to all benefits if he has had at least the applicable coverage and earnings as follows:

Date	Years of coverage	Total earnings	Date	Years of coverage	Total earnings
1940	3	$800	1943	4	$1,400
1941	3	1,000	1944	5	1,600
1942	4	1,200	1945	5	1,800

C. An individual who attains age 65 or dies in or after 1946 is fully insured with respect to all benefits if he has had not less than 1 year of coverage for each 2 years after 1936 (or the year of attaining age 21, if later), plus an additional year, and not less than $2,000 of total earnings, subject to a minimum of 5 years of coverage, and in any case if he has 15 years of coverage.

Currently insured individual.—An individual who does not meet the above requirements is, however, currently insured (i. e., "widows' and orphans' current benefits" are payable) provided that he has had earnings of $50 or more in at least 6 of the 12 calendar quarters immediately preceding the quarter in which he died.

INDIVIDUAL EQUITY PRESERVED

The proposed revision, while maintaining a reasonable relationship between past earnings and future benefits, provides proportionately greater protection for the low-wage earner and the short-time wage earner than for those more favorably situated. But practically every

worker, regardless of his level of wages or of the length of time during which he has contributed, would receive more by way of protection than he could have purchased from a private insurance company at a cost equal to his own contributions. In other words, the system recognizes the principle of individual equity, as well as the principle of social adequacy. It has been possible to incorporate in the system both these aspects of security by utilizing a larger proportion of employers' contributions to pay benefits to those retiring in the early years and to low-wage earners. This is similar to the procedure which is followed in private pension plans which recognize that the employer must contribute more liberally in behalf of older workers if they are to have sufficient income to retire.

Table 5 shows that under the tax and benefit plan as recommended every worker will receive more in protection for at least the next 40 years than he could purchase from a private insurance company with his own contributions. Even in an extreme case of a single person earning $250 per month for the next 45 years, the annuity purchasable elsewhere would amount to only 30 cents per month more than the $58 per month such person would be entitled to under the revised plan.

TABLE 5.—*Theoretical monthly annuities purchasable with only employee tax and benefits under proposed plan, for single men entering the system January 1, 1937* [1]

	Suggested plan	Purchasable annuity	Suggested plan	Purchasable annuity
	Level monthly wage of $50		Level monthly wage of $100	
Years of coverage:				
3	$20.60	[2]	$25.75	[2]
5	21.00	[2]	26.25	[2]
10	22.00	[2]	27.50	$0.41
20	24.00	$1.55	30.00	3.95
30	26.00	4.25	32.50	9.51
40	28.00	8.16	35.00	17.49
45	29.00	10.68	36.25	22.58
	Level monthly wage of $150		Level monthly wage of $250	
3	$30.90	[2]	$41.20	[2]
5	31.50	[2]	42.00	[2]
10	33.00	$0.94	44.00	$1.99
20	36.00	6.35	48.00	11.14
30	39.00	14.77	52.00	25.30
40	42.00	26.81	56.00	45.46
45	43.50	34.49	58.00	58.30

[1] These calculations are based upon the Standard annuity table, at 3 percent interest. Taxes less 10-percent allowance for expenses are used for theoretic premiums. Part of the taxes are applied to the purchase of a death benefit which is identical with that of the suggested plan, and the remainder of the taxes are applied to the purchase of a deferred annuity with no death benefit.

The following assumptions have been made:

As regards taxes: A 1-percent tax rate on employer and also on employee through 1942; a 2-percent tax rate on each in 1943–45; a 2½-percent tax rate on each in 1946–48; and a 3-percent tax rate on each in 1949 and thereafter.

As regards benefits: Continuous years of coverage from age at entry to age 65, retirement at age 65; individual remains single for his entire lifetime and does not leave a widow, a child under 18, or a dependent parent.

[2] Taxes are used up entirely in purchasing the lump-sum death benefit so that no annuity is purchasable.

FINANCING

Certain amendments are proposed which affect the financial framework of the old-age insurance system. First, the old-age reserve account is changed to a Federal old-age and survivor insurance trust fund with the Secretary of the Treasury, the Secretary of Labor,

and the Chairman of the Social Security Board, all ex officio, acting as a board of trustees. The board of trustees will supervise the fund and will report to Congress annually and whenever the trust fund becomes unduly small or exceeds three times the highest annual expenditure anticipated in the ensuing 5-fiscal-year period. The Secretary of the Treasury will serve as managing trustee of the fund. All assets credited to the reserve account as of January 1, 1940, are transferred to the trust fund when the reserve account is abolished on that date. It is further proposed that an amount equal to the full amount of the old-age insurance taxes collected in the future be permanently appropriated to the trust fund. Provision is made for the administrative costs of the plan to be met from the trust fund.

The method of investing that portion of the trust fund not needed for current claims or administrative purposes will be like that now provided in the case of the unemployment trust fund. Instead of a minimum 3-percent interest on the investments of the present old-age reserve account, the Federal old-age and survivor insurance trust fund, like the unemployment trust fund, will earn interest at the current average rate of interest borne by all outstanding interest-bearing obligations composing the public debt. At the present time the rate of interest being paid to the unemployment trust fund is 2½ percent.

The present tax schedule is amended so that the current rate of 1 percent on employers and 1 percent on employees is continued until 1943. This postponement in the tax step-up will save employers and workers about $275,000,000 for 1940 or a total of $825,000,000 for the 3 years 1940, 1941, and 1942. However, no change is made in the tax schedule thereafter. The rates will still increase to 2 percent in 1943, 2½ percent in 1946, and 3 percent in 1949 and thereafter.

The result of the committee's recommendations with respect to taxes and benefits on the size of the reserve and the amount of the benefit payments is shown in table 6. It should be noted that the maximum reserve built up in the period shown will be between seven and eight billion dollars. It should also be noted that the size of the reserve will conform closely to the recommendation of the Secretary of the Treasury of an "eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years."

TABLE 6.—*Progress of reserve under the intermediate retirement estimate of benefit disbursements with interest at 2½ percent. Tax rate at 2 percent until Jan. 1, 1943, and thereafter following the present schedule*

[In millions of dollars]

	1940	1941	1942	1943	1944	1945	1950	1955
Net tax receipts (gross receipts minus administrative expenses)	$501	$505	$504	$919	$1,067	$1,078	$1,751	$1,849
Less benefit payments	88	211	350	508	598	713	1,389	1,930
Net cash receipts, Government	413	294	154	411	469	365	362	−81
Add interest at 2½ percent	41	51	58	66	79	91	153	190
Total addition to fund	454	345	212	477	548	456	515	109
Fund at end of year	1,884	2,229	2,441	2,918	3,466	3,922	6,449	7,752

NOTE.—Fund at end of 1939 is estimated to be $1,430,000,000. The benefit payments exceed the net tax receipts in 1954.

It should be clearly understood that the estimates presented are subject to a margin of error. Changes in average wages, death rates, birth rates, the rate of retirement, the proportion of the aged in the total population, and shifts between insured and uninsured groups may result in substantial changes in these figures in the future. It is impossible, therefore, to predict accurately the future trends of all the factors influencing the long-run aspects of the old-age insurance program. The further one projects estimates of future income and benefit payments, the greater is the margin of error. Constant study and frequent revaluations are, therefore, essential for the long-run financing of our social insurance system. This is one of the reasons why the committee has recommended that the board of trustees make an annual report to Congress on the actuarial status of the system, and report to Congress whenever the trust fund is unduly small, or exceeds three times the highest annual expenditures expected in the next 5-fiscal-year period.

According to the best expert information available to the committee, the estimates presented here are reasonable approximations of the income and outgo of the insurance plan for the next 15 years. The actual figures will no doubt vary somewhat from those shown in table 6. However, the benefit payments shown, although based upon an intermediate estimate as regards rate of retirement, probably represent maximum amounts payable under the provisions of the bill. A serious downswing in business conditions might increase the rate of old-age retirement and decrease the estimated amount of tax receipts, but such variations would probably not alter the fact that the contributions and interest will cover all benefit payments for the next 10 to 15 years. It is only when consideration is given to the income and outgo of the system for 40 to 45 years, or even more, that it becomes quite impossible to predict the future status of the system.

Table 6 shows that the annual contributions from workers and employers will probably be sufficient until 1955 to meet all the annual benefit payments under the revised plan. If the original actuarial assumptions of 1935 prove to be correct, it is possible that benefits for all time to come can be financed from the present schedule of taxes and the interest from the fund, even with the recommended postponement of the tax step-up until 1943. However, upon the basis of additional data developed since 1935, it would appear that the actuarial calculations of 1935 represent a minimum estimate of the future costs. Therefore, it is possible that the annual cost of the benefits may begin to exceed the annual tax collections about 1955 or even somewhat sooner.

Only after experience has been obtained in paying benefits for several years will we have a better picture of the probable future development of the system. Even then continual change will be necessary in the estimates due to the many variable factors which go into making such estimates.

In making the changes in the present plan the committee has kept constantly in mind the fact that, while disbursements for benefits are relatively small in the early years of the program, far larger total disbursements are inevitable in the future.

The plan recommended by this committee is designed to safeguard workers, employers, and the general public. In fact the committee believes the revised plan is a much safer one than the present plan.

As has already been pointed out, while the annual costs under the revised plan are greater in the early years of operation, the future annual costs of the benefits when the system reaches maturity are materially lower than under the present law and the over-all average cost is kept about the same. Consequently, it is believed that there is not the same danger as exists in the present benefit schedule, the cost of which, while deceptively small in the early years, mounts very steeply as the years progress.

Unforeseen contingencies may, however, change the entire operation of the plan. It is important, therefore, that Congress be kept fully informed of the probable future obligations being incurred under the insurance plan as well as the public-assistance plans. Each generation may then meet the situation before it in such manner as it deems best.

If future annual pay-roll tax collections plus available interest are insufficient to meet future annual benefits it will be necessary, in order to pay the promised benefits, to increase the pay-roll tax or provide for the deficiency out of other general taxes, or do both. Broadening the coverage of the system to bring in those persons now excluded will not only make the system more effective in providing protection but also strengthen its actuarial base by still further eliminating the possibility of unearned benefits to the worker who moves from uninsured to insured employment.

COVERAGE

Four years ago, when the old-age insurance program was being planned, it was expected that the act as passed would provide old-age security for about half of the gainful workers in the country. It was realized, of course, that many workers who might not be insured under the act at any one time would later obtain protection by shifting into insured occupations. It was generally supposed, however, that the group so shifting would be small compared with the great mass of workers, who, throughout their working life, would remain continuously either in the insured category or in the uninsured category.

Operation of the act shows that the extent of migration, temporary or permanent, from uninsured to insured employment is far greater than was assumed by the President's Committee on Economic Security in 1935. As a consequence of the migration, a much larger proportion of the total population of the United States will qualify under the contributory system for old-age benefits than had been expected.

The most important excluded groups are agricultural labor, domestic service, and certain nonprofit organizations; here the committee decided unanimously that it would be unwise to remove the exemptions from these three groups at the present time. The present bill does, however, extend old-age insurance coverage to some 1,100,000 more workers by removing the exemption of maritime employment, wages earned after 65, and certain Federal instrumentalities such as national banks and State banks which are members of the Federal Reserve System.

In order to eliminate the nuisance of inconsequential tax payments the bill excludes certain services performed for fraternal benefit societies and other nonprofit institutions exempt from income tax, and

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certain other groups. While the earnings of a substantial number of persons are excluded by this recommendation, the total amount of earnings involved is undoubtedly very small. No estimate is available of the number of persons or amount of earnings so excluded. The intent of the amendment is to exclude those persons and those organizations in which the employment is part-time or intermittent and the total amount of earnings is only nominal, and the payment of the tax is inconsequential and a nuisance. The benefit rights built up are also inconsequential. Many of those affected, such as students and the secretaries of lodges, will have other employment which will enable them to develop insurance benefits. This amendment, therefore, should simplify the administration for the worker, the employer, and the Government.

Seven other coverage amendments are proposed. They are as follows:

1. *Agricultural labor.*—The present act excludes "agricultural labor" from coverage. The bill continues the exemption of agricultural labor and defines the term so as to clarify its meaning and to extend the meaning to certain services which are an integral part of farming activities. These provisions are explained in detail in a subsequent part of this report, in connection with the definition of "agricultural labor" as defined in section 209 (l) of the bill.

2. *Exclusion of payments to employer welfare plans.*—The term "wages" is amended so as to exclude from tax payments made by an employer on account of a retirement, sickness, or accident-disability plan, or for medical and hospitalization expenses in connection with sickness or accident disability. Dismissal wages which the employer is not legally required to make, and payments by an employer of the worker's Federal insurance contributions or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax. This will save employers time and money but what is more important is that it will eliminate any reluctance on the part of the employer to establish such plans due to the additional tax cost.

3. *Definition of "employee."*—The bill includes a definition of the term "employee" designed to cover salesmen not already covered by the act.

4. *State employment.*—The exemption relating to employment by State instrumentalities is so defined as to apply only to an instrumentality wholly owned by the State or political subdivision, or tax exempt under the Constitution.

5. *Foreign governments.*—Provision is made for the exemption of foreign governments, and their instrumentalities under certain conditions, from the old-age-insurance taxes.

6. *Family employment.*—Service performed by an individual for his son, daughter, wife, or husband, and service by a child under 21 for his parent, is excluded so as to make the old-age-insurance coverage identical in this respect with unemployment compensation coverage.

7. *Included and excluded services.*—The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services which predominate in a pay period determine his status with that employer for that period.

ADMINISTRATIVE CHANGES

1. A provision is included requiring employers to furnish employees a statement, which they may retain, showing the amount of taxes deducted from their wages under the old-age-insurance system.

2. Provision is made for making more equitable the recovery by the Federal Government of incorrect payments to individuals.

3. Provision is made respecting the practice of attorneys and agents before the Board.

4. Detailed provisions have been added relating to rules and regulations, hearings, and decisions with respect to insurance benefits, procedure for judicial review of the Board's decisions, and delegation of authority by the Board.

5. Provision is made for giving an opportunity for a hearing to a wage earner or interested individual with respect to any entry, omission, or revision of the Board's wage record within 4 years after the year any wages were paid or alleged to be paid, and as to the finality of the record.

6. Subchapter A, chapter 9, of the Internal Revenue Code (formerly title VIII of the Social Security Act) is given the short title "Federal Insurance Contributions Act."

Unemployment Compensation

The unemployment compensation and public assistance provisions of the Social Security Act constitute the most comprehensive attempt yet made to utilize a system of Federal-State cooperation for the solution of national problems. To promote State action in unemployment compensation, the Federal law establishes a uniform tax payable by employers regardless of whether the State in which they operate has an unemployment-compensation law; it then permits employers to offset (up to 90 percent of their Federal tax) contributions paid by them under a State unemployment-compensation law. The act also provides that the Federal Government shall make grants to the States to cover the entire necessary cost of proper administration of their unemployment-compensation laws.

The recommendations of the committee relative to unemployment compensation deal with certain changes which in no way alter the fundamental Federal-State pattern now set forth in the Federal law. Under the present law the States are given very wide latitude in determining the way in which the State unemployment-compensation laws should operate. The Federal law merely prescribes a few simple standards. The States determine all such questions as the type of fund, the coverage of the law, the eligibility provisions, the waiting period, the amount and duration of benefits, the type of administrative agency. They also select the personnel and determine the compensation and tenure of such personnel.

Though the adjustment of Federal-State relations is at best a difficult and delicate task, particularly in the field of social legislation, experience so far in unemployment compensation indicates a large measure of success. The present provisions of the Federal law have proved completely effective in facilitating the enactment of State unemployment compensation laws. These laws and the character of

their administration have on the whole been reasonably satisfactory. The inevitable administrative difficulties involved in the inauguration of any large-scale undertaking were accentuated by the fact that in 22 jurisdictions unemployment compensation first became payable in January 1938, at a time of unexpectedly heavy unemployment. It is, therefore, not surprising that a considerable backlog of undisposed claims accumulated during the early months of benefit payments. In spite of these difficulties the 31 jurisdictions that had begun paying benefits by the end of 1938 had paid out about $400,000,000 in benefits to approximately 3,500,000 unemployed workers.

The most pressing problem in unemployment compensation during 1938 was the improvement and simplification of the State laws. Some 30 States have already passed extensive amendments at this year's legislative sessions and about 13 other States are still considering substantial changes—all designed to simplify and improve administration for the benefit of the employer, the worker, and the Government. Further encouragement is given by the fact that the latest figures for 1939 show that practically all States are now currently disposing of all claims received and have eliminated their backlog of undisposed claims accumulated during 1938.

Although all the States, the District of Columbia, Alaska, and Hawaii are receiving Federal grants for the administration of their unemployment compensation laws and although benefits are now being paid in 46 States (in addition to Alaska, Hawaii, and the District of Columbia) the unemployment compensation program is still in its infancy. Only 22 States, in addition to the District of Columbia, have had benefit-paying experience for more than 1 complete year. In one State benefits have been payable since July 1936, and 21 others in addition to the District of Columbia began benefit payments in January 1938. Six more States and the Territories of Alaska and Hawaii came in some time during 1938 so that a total of 31 jurisdictions were paying benefits by the end of 1938; another 16 joined the benefit-paying group in January 1939. Not until July of this year, when the last 2 States come in, will the Federal-State unemployment compensation program be fully functioning.

It is estimated that at the end of 1938 approximately 27,600,000 workers had earned wage credits in some prior period of employment covered by State laws, and that, at that time, 668,000 employers were subject to State laws. More than 38,000,000 benefit checks were issued during the year 1938, the average weekly check for total unemployment being approximately $11. Data on the operation of the States paying benefits in 1938 are shown in table 7. Up to the end of April 1939, nearly $540,000,000 had been paid out in unemployment compensation benefits by the 46 States, the District of Columbia, and the 2 Territories which had started to pay benefits before that date. (See table 8.) During the month of March 1939 alone, almost $49,000,000 was paid out in benefits to more than 1,000,000 workers.

TABLE 7.—*Number of unemployment compensation claims received and number and amount of benefit payments, 1938, by States*

State	Number of initial claims received [1]	Number of continued claims received [2]	Number of checks issued [3]	Net amount of benefits paid [4]	Average check [5]	
					Total unemployment	Partial unemployment
Total for States reporting	9,484,604	45,511,335	38,075,791	$393,785,709	$10.93	$5.39
Alabama	201,217	1,500,425	1,163,327	8,128,100	7.66	4.77
Arizona	30,637	221,622	161,623	1,902,407	11.79	[6]
California	693,720	[7] 4,042,705	2,485,911	23,715,354	9.72	5.24
Connecticut	354,735	1,900,743	1,216,091	12,254,387	10.59	3.97
District of Columbia	43,991	395,020	196,059	1,672,478	8.81	5.77
Idaho	18,965	77,710	34,148	366,362	10.73	6.13
Indiana	225,806	[8] 1,637,291	1,466,610	16,308,562	12.76	5.99
Iowa	82,355	448,412	280,239	2,585,648	9.30	5.69
Louisiana	134,365	769,543	554,212	4,007,049	8.41	6.38
Maine	126,102	[7] 818,375	566,558	4,535,455	8.93	5.44
Maryland	288,648	1,802,634	1,125,215	10,143,809	10.29	5.96
Massachusetts	626,965	[9] 2,512,694	2,563,871	27,098,765	10.62	[10]
Michigan	584,142	3,509,362	2,958,093	39,903,051	13.49	[11]
Minnesota	179,693	1,278,838	793,070	8,161,095	10.38	5.68
Mississippi	67,639	394,649	240,231	1,414,216	5.89	[10]
New Hampshire	117,042	559,135	324,246	2,731,870	9.28	4.99
New Mexico	4,394	1,017	1,017	9,210	9.20	5.77
New York	2,589,806	[12]	7,417,119	87,330,641	11.97	[10]
North Carolina	400,445	3,445,529	1,140,497	8,216,040	6.89	4.55
Oklahoma	22,325	21,953	6,739	71,231	10.57	[13] 9.00
Oregon	188,320	[7] 761,813	532,712	5,916,399	11.94	6.37
Pennsylvania	1,090,431	9,229,875	6,408,304	71,545,301	11.18	[10]
Rhode Island	192,032	1,681,151	1,069,584	9,293,286	9.63	5.17
South Carolina	34,410	203,546	112,986	595,147	6.71	3.93
Tennessee	194,246	1,906,484	867,015	6,144,192	7.27	4.16
Texas	316,759	1,803,291	1,051,219	9,343,884	9.22	5.87
Utah	58,633	302,289	219,195	2,461,300	11.37	7.56
Vermont	29,870	152,603	94,775	821,712	9.39	5.07
Virginia	148,933	[9] 835,777	805,297	5,635,688	8.08	4.02
West Virginia	187,947	[7] 2,017,094	1,256,577	12,065,373	10.83	5.94
Wisconsin	250,031	1,279,755	963,251	9,407,697	10.54	4.71

[1] An initial claim is a first claim for benefits in a period of unemployment. In some States, "additional" claims, which are the claims initiating the second and subsequent spells of unemployment within a benefit year, are not included.

[2] A continued claim is a claim reported weekly, following the filing of an initial claim, during a period of unemployment.

[3] Not adjusted for returned benefit checks.

[4] Adjusted for returned benefit checks.

[5] No adjustment made for payments for less than the full benefit rate, such as those representing adjustments, supplementary, and final payment checks.

[6] No benefit payments for partial unemployment.

[7] January not included.

[8] May and June not included.

[9] January, February, and March not included.

[10] No provision in State law for payments for partial unemployment.

[11] Payments for partial unemployment not effective until January 1939.

[12] Data not reported.

[13] Only 2 payments made in December 1938, when benefits were first payable.

TABLE 8.—*Unemployment compensation benefit payments,*[1] *January 1938 to April 1939, by States*

State	Date benefits first payable	Cumulative net benefit payments through April 1939	Net benefit payments, 1938	Net benefit payments, January to April 1939
Total, all States		$539,955,206	$393,785,709	$146,169,497
Alabama	January 1938	9,572,935	8,128,100	1,444,835
Alaska	January 1939	119,875		119,875
Arizona	January 1938	2,473,670	1,902,407	571,263
Arkansas	January 1939	590,752		590,752
California	January 1938	36,926,897	23,715,354	13,211,543
Colorado	January 1939	1,270,341		1,270,341
Connecticut	January 1938	14,369,338	12,254,387	2,114,951
Delaware	January 1939	279,803		279,803
District of Columbia	January 1938	2,311,024	1,672,478	638,546
Florida	January 1939	381,760		381,760
Georgia	do	844,956		844,956
Hawaii	do	33,526		33,526
Idaho	September 1938	1,843,580	366,362	1,477,218
Illinois	July 1939			
Indiana	April 1938	21,003,675	16,308,562	4,695,113
Iowa	July 1938	5,454,825	2,585,648	2,869,177
Kansas	January 1939	1,085,589		1,085,589
Kentucky	do	1,648,400		1,648,400
Louisiana	January 1938	6,334,070	4,007,049	2,327,021
Maine	do	5,888,341	4,535,455	1,352,886
Maryland	do	12,389,629	10,143,809	2,245,820
Massachusetts	do	33,640,448	27,098,765	6,541,683
Michigan	July 1938	51,015,048	39,903,051	11,111,997
Minnesota	January 1938	12,217,028	8,161,095	4,055,933
Mississippi	April 1938	2,078,548	1,414,216	664,332
Missouri	January 1939	1,616,578		1,616,578
Montana	July 1939			
Nebraska	January 1939	659,768		659,768
Nevada	do	243,982		243,982
New Hampshire	January 1938	3,251,038	2,731,870	519,168
New Jersey	January 1939	5,900,041		5,900,041
New Mexico	December 1938	463,290	9,210	454,080
New York	January 1938	114,548,704	87,330,641	27,218,063
North Carolina	do	10,056,978	8,216,040	1,840,938
North Dakota	January 1939	251,497		251,497
Ohio	do	6,783,475		6,783,475
Oklahoma	December 1938	2,109,334	71,231	2,038,103
Oregon	January 1938	8,026,725	5,916,399	2,110,326
Pennsylvania	do	89,759,617	71,545,301	18,214,316
Rhode Island	do	10,896,637	9,293,286	1,603,351
South Carolina	July 1938	1,388,380	595,147	793,233
South Dakota	January 1939	216,894		216,894
Tennessee	January 1938	7,651,722	6,144,192	1,507,530
Texas	do	13,356,029	9,343,884	4,012,145
Utah	do	3,185,815	2,461,300	724,515
Vermont	do	1,086,207	821,712	264,495
Virginia	do	7,276,865	5,635,688	1,641,177
Washington	January 1939	2,622,418		2,622,418
West Virginia	January 1938	13,446,408	12,065,373	1,381,035
Wisconsin	July 1936	[2] 10,868,157	9,407,697	1,460,460
Wyoming	January 1939	514,589		514,589

[1] Adjusted for returned and voided benefit checks.
[2] Does not include $2,146,827 paid prior to January 1938.

As of April 30, 1939, a total of $1,270,370,000 was available for benefits in all the States (see table 9). This sum represents the total of moneys deposited in the unemployment trust fund, held by the States pending deposit, and withdrawn by the States pending benefit payment. Of this amount, $1,118,120,000 was available for benefits in those jurisdictions actually paying benefits. The reserves at this time would be about $225,000,000 less if all States had started the payment of benefits in January 1938. Since over half the States did not begin payment until later, their reserves were built up at a faster rate than originally anticipated. This is evident from the fact that in the States which did pay benefits in 1938, about 82 cents were paid out in benefits for each dollar collected in contributions for the same

year. Benefit payments would have been increased further, and the available reserves reduced to the same extent, if the system had been in operation for several years so that workers could have built up larger wage records.

TABLE 9.—*Comparison of funds available for benefits as of Apr. 30, 1939, and as of date benefits first became payable*

State	Reserve account when benefits first became payable	Funds available as of Apr. 30, 1939	Percent increase or decrease in reserve account
Total, all States	$886,920,807	$1,270,371,000	+26.1
Alabama	8,838,347	8,923,000	+1.0
Alaska	884,607	917,000	+3.6
Arizona	2,013,866	2,298,000	+14.1
Arkansas	5,309,341	6,042,000	+13.8
California	67,172,761	121,480,000	+80.8
Colorado	8,944,314	9,771,000	+9.2
Connecticut	15,304,439	20,819,000	+36.0
Delaware	3,915,184	4,510,000	+15.2
District of Columbia	5,893,882	12,674,000	+115.0
Florida	9,870,515	12,135,000	+22.9
Georgia	15,501,562	17,729,000	+14.4
Hawaii	3,249,683	3,917,000	+20.5
Idaho	3,006,783	2,466,000	−18.0
Illinois	(1)	146,112,000	(1)
Indiana	27,092,627	27,110,000	+0.1
Iowa	9,966,259	11,259,000	+13.0
Kansas	10,180,746	11,645,000	+14.4
Kentucky	18,936,338	21,297,000	+12.5
Louisiana	7,651,654	13,986,000	+82.8
Maine	3,758,947	2,884,000	−23.3
Maryland	9,057,378	12,662,000	+39.8
Massachusetts	41,775,282	59,282,000	+41.9
Michigan	63,293,234	47,509,000	−24.9
Minnesota	11,923,982	16,667,000	+39.8
Mississippi	2,916,295	3,598,000	+23.4
Missouri	34,035,739	40,390,000	+18.7
Montana	(1)	6,138,000	(1)
Nebraska	7,081,592	8,297,000	+17.2
Nevada	1,528,287	1,670,000	+9.3
New Hampshire	4,247,390	4,888,000	+15.1
New Jersey	66,690,639	77,276,000	+15.9
New Mexico	2,458,817	2,624,000	+6.7
New York	98,362,706	154,082,000	+56.6
North Carolina	9,412,835	13,174,000	+40.0
North Dakota	1,897,266	2,001,000	+5.5
Ohio	97,884,134	109,814,000	+12.2
Oklahoma	12,641,820	12,729,000	+0.7
Oregon	5,855,276	6,177,000	+5.5
Pennsylvania	70,539,642	76,429,000	+8.3
Rhode Island	7,939,285	7,181,000	−9.5
South Carolina	6,267,250	8,686,000	+38.6
South Dakota	1,977,066	2,269,000	+14.8
Tennessee	7,775,930	10,449,000	+34.4
Texas	19,752,701	36,651,000	+85.5
Utah	2,560,109	2,841,000	+11.0
Vermont	1,412,106	2,281,000	+61.5
Virginia	8,367,459	13,325,000	+59.3
Washington	18,890,971	19,726,000	+4.4
West Virginia	10,199,770	9,271,000	−9.1
Wisconsin	[2] 30,282,609	41,789,000	+38.0
Wyoming	2,401,292	2,520,000	+5.0

[1] Benefits become payable July 1939.
[2] As of end of December 1937. Benefits first payable July 1936.

However, while the reserve funds of most States are in a stronger position at the present time than when benefit payments were first begun, this is not true for all States. There were 13 States in which benefit payments during 1938 were equal to or in excess of the amounts collected in contributions from the date benefits were first payable. In one State the benefits paid out were nearly three times the contributions collected during the period benefits were paid.

The year 1938 was a year of substantial unemployment and most States are now rebuilding their reserve funds for future benefit payments. Yet, the uneven character of unemployment is shown by the fact that three States paid out benefits during the first 3 months of 1939 in excess of the contributions collected.

Economic resources and unemployment are not of equal magnitude in all the States. Different problems and varying standards are, therefore, to be expected in the various State unemployment compensation systems. While benefit standards in all States are still not fully adequate to meet the problem of unemployment, those in some States are more inadequate than in others. At the same time, some States have accumulated considerable reserves and there is demand from these States for a reduction in the unemployment-compensation contributions. Caution must be exercised, however, in attempting to remedy these inadequacies and inequalities before sufficient experience is acquired. The Federal-State program of unemployment compensation is the only existing permanent Federal program aimed at meeting part of the unemployment problem. Consequently, it must not be viewed as temporary legislation. Proposed changes in the unemployment-compensation program must be tested in terms of both present need and future justification.

In considering the provisions and the experience of the State laws the committee's objective was to make such changes as will best help to relieve industry of any unnecessary burdens and to provide the unemployed with more adequate benefits. Moreover, the committee earnestly sought to keep any suggested changes within the framework of the present Federal-State system. This the committee has done by developing a plan, after very careful study, whereby the present taxes for unemployment compensation may be reduced in those States which can afford to maintain a certain benefit standard. No drastic change in the basic pattern of the State laws is required and each State may decide for itself whether it will take advantage of the plan.

STATE-WIDE REDUCTION PLAN

In accordance with this plan, the present bill proposes to amend the Federal tax provisions so that States which have built up a certain reserve and meet minimum benefit standards may reduce their present rate of contributions on a uniform basis. All States now have a basic contribution rate of 2.7 percent or higher.

A sufficient reserve, as a condition for the allowance of reductions in State contribution rates, is defined in the proposed amendment as not less than one and a half times the highest amount paid into the State unemployment-compensation fund with respect to any one of the 10 preceding years, or not less than one and a half times the highest amount of compensation paid out of the State fund within any one of the 10 preceding years, whichever amount is the greater.

The minimum benefit standards which the State must meet if it desires to reduce its general contribution rate below 2.7 percent are as follows:

1. At least 16 weeks of benefits within a period of 52 consecutive weeks or one-third the individual's earnings, whichever is less.

2. A waiting period of not more than 2 weeks in any 52 consecutive weeks.

3. Weekly benefit rates averaging at least 50 percent of full-time weekly earnings with a $5 minimum benefit and a maximum benefit of at least $15.

4. Partial benefits for individuals whose weekly earnings fall below their benefit rate for total unemployment.

The amendment for the proposed horizontal reduction plan would go into effect immediately. State legislatures now in session which will adjourn before final adoption of this bill might anticipate its enactment and pass the necessary legislation to enable the Governor or the State unemployment compensation agency to take advantage of the plan. In other States special sessions would have to be called if immediate advantage is to be taken of the reduction in the taxes. While the reduction in the tax rate cannot go into effect in the State until the minimum benefit standards are also provided, the State may compute the reserve necessary to meet the requirements as of any time within 27 weeks before the reduced rates and the minimum benefit standards are made effective. This gives all States a retroactive period of slightly over 6 months in which to select a date for computation of the necessary reserve. It should be noted that a State may select such a computation date prior to the effective date of this bill.

It is estimated that this proposed amendment may save employers between $200,000,000 and $250,000,000 during the calendar year 1940. The exact amount will depend upon how many States take advantage of the plan, the dates upon which the reductions take place, and the amount of the new contribution rates.

All except about five States will probably have sufficient reserves so as to take advantage of the horizontal reduction plan sometime during 1940. Depending upon the effective date of this bill, it may be possible that some States will wish to take advantage of the proposed plan and provide for the reduction of contributions late this year. This might result in a tax reduction of as much as an additional $100,000,000 in 1939.

OTHER UNEMPLOYMENT COMPENSATION CHANGES

Under the proposed State-wide reduction plan, described above, employers would still be allowed to obtain their full 90-percent credit against the Federal pay-roll tax. The Federal tax would remain at 3 percent, but additional credits would be provided for all employers in States which were in a position to reduce their contribution rates below 2.7 percent.

This State-wide reduction plan would not alter present individual experience-rating provisions. The States which could make general tax reductions after building up the necessary reserve fund and raising their minimum benefit standards, might still allow further contribution reductions to individual employers with favorable employment experience. States which did not meet the new minimum benefit standards or whose reserve fund was inadequate, could continue under their present laws, with or without individual employer experience rating systems, provided they maintained contribution rates, producing a total amount equal to 2.7 percent of the taxable pay rolls.

The bill provides that the provisions with respect to maintenance of the average 2.7 percent will not go into effect until January 1, 1942, with respect to a pooled fund or to a partially pooled account or to a separate reserve account. Those States which do not wish to take advantage of the horizontal reduction plan but wish to maintain the individual employer experience rating system would do so without having to make any legislative changes at this time.

Further saving to employers would be effected by the proposed amendment granting relief to employers who paid their State unemployment-compensation contributions for the years 1936, 1937, and 1938 too late to qualify for the Federal credit. Employers who pay their delinquent taxes for these years before the sixtieth day after the enactment of these amendments would receive full credit against their Federal taxes for 1936, 1937, and 1938. This would amount to an aggregate sum of about $15,000,000. Further the provisions as to loss of credit on account of future delinquency would be relaxed by (1) increasing from 60 to 90 days the maximum period for which the Commissioner of Internal Revenue is permitted to grant an extension for the filing of Federal tax returns, and (2) by providing that employers who pay their taxes after January 31 but before July 1 next following the close of the taxable year would lose only 10 percent of their allowable credit.

Another of the amendments would result in a saving to employers as well as in considerable simplification of reporting procedures. This is the amendment to limit unemployment-compensation taxes to the first $3,000 of annual wages. Such a limitation already exists in the case of old-age insurance and there are distinct advantages to providing a uniform tax base for both programs. It is estimated that this new limitation would result in a saving to employers of about $65,000,000 a year.

Again in the interests of simplification and uniform reporting, the present bill proposes to change the tax base for unemployment compensation from "wages payable" to the "wages paid" definition used in old-age insurance.

Many of the same changes in coverage are provided in this bill with respect to unemployment compensation as have already been discussed under old-age insurance. The cases involving taxes of small consequence, which would be exempt under old-age insurance, would also be exempt from the Federal Unemployment Tax Act. The agricultural-labor exemption is defined and extended as in old-age insurance. The bill proposes to extend coverage to one of the groups now excluded, namely, employees of certain Federal instrumentalities such as national banks, and State bank members of the Federal Reserve System. This amendment would bring about 200,000 additional persons under the unemployment-compensation program, provided the States amend their laws accordingly.

Provision is made in section 902 (h) of the bill granting relief to taxpayers and States in those cases in which the highest court of a State has held contributions paid under the State unemployment compensation law for 1936 or 1937 not to have been validly required under such law. This provision is to take care of the situation in North Carolina where the State supreme court recently held that the provisions of the State law requiring contributions for 1936 were invalid because they were retroactive. The effect of the proposed amendment is to

enable North Carolina to keep about $3,000,000 in its reserve fund for use in the payment of unemployment compensation benefits.

Other changes affecting unemployment compensation are:

1. Authorization is given to the States to make their unemployment-compensation laws applicable to services performed on land or premises owned, held, or possessed by the United States Government, such as services performed as employees of hotels in national parks. Congress has already enacted a statute giving the States authority to apply their workmen's compensation laws to such employees.

2. The language excluding State instrumentalities is defined as in old-age insurance so that the exemption applies only to an instrumentality wholly owned by the State or political subdivision, as well as those exempt from tax under the Constitution.

3. As in old-age insurance, the definition of "wages" is amended so as to exclude from tax the payments made by an employer on account of a retirement, sickness, or accident-disability plan, or for medical or hospitalization expense in connection with sickness or accident disability. Dismissal wages, which the employer is not legally required to pay, and payments by an employer of the worker's Federal insurance contributions, or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax.

4. Provision is made, as in old-age insurance, for the exemption of foreign governments and their instrumentalities from the unemployment-compensation tax.

5. The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services which predominate in a pay period determine his status with that employer for the period. The same provision is made in connection with old-age insurance.

6. The "merit rating" or "individual employer experience rating" provisions are clarified.

7. A provision has been inserted requiring the State laws to provide for the expenditure of Federal grants for the administration of their unemployment compensation laws in accordance with the Federal act and requiring the replacement of any moneys lost or expended for other purposes.

8. Extension of time is given for the allowance of credit against the Federal tax in cases where the employer has paid his State tax on time but has paid it to the wrong State.

9. The time is also extended in those cases where taxpayer's assets are in the custody or control of a receiver, trustee, or other fiduciary under the control of a court.

10. The "tax on employers of eight or more" now contained in subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) is given the short title "Federal Unemployment Tax Act."

Public Assistance

The committee has included in the bill several amendments designed to liberalize and clarify existing Federal provisions concerning public assistance and to simplify the administration of the State plans. No fundamental change in Federal-State relations is proposed.

Increase in grants for old-age assistance.—Under the present law the Federal Government reimburses the States for 50 percent of their assistance payments to the needy aged up to a maximum of $30 a month for each person aided. This means that the Federal Government does not pay more than $15 toward the assistance provided any aged person in any month. The bill increases the $30 limit to $40 so that the maximum Federal grant per aged person is increased from $15 to $20 per month. This amendment will allow the States to liberalize their grants to needy aged persons if they so desire. It is estimated that the cost of this change to the Federal Government will be about $5,000,000 to $10,000,000 per year depending upon the extent to which the States take advantage of the new proposal.

Liberalization of aid to dependent children.—At the present time the Federal Government contributes only one-third of the payments made by the States to dependent children as against one-half in the case of the aged and the blind. As a result, there are still eight States in addition to Alaska which are not participating in this program, and in many of the States that are participating, the level of assistance for dependent children is lower than that for the aged and the blind. The eight States are Connecticut, Illinois, Iowa, Kentucky, Mississippi, Nevada, South Dakota, and Texas. The average amount of aid per dependent child is about $13.50 per month compared with $19.50 for old-age assistance and $23.25 for blind persons.

The rapid expansion of the program for aid to dependent children in the country as a whole since 1935 stands in marked contrast to the relatively stable picture of mothers' aid in the preceding 4-year period from 1932 through 1935. The extension of the program during the last 3 years is due to Federal contributions which encouraged the matching of State and local funds. Furthermore, many States have liberalized their laws by adopting a broader definition of the term "dependent child," by liberalizing the amounts that may be granted to needed cases, and by relaxing requirements relating to residence. At the close of 1935, aid was received by 117,000 families in behalf of 286,000 children. In May 1939 payment for aid to dependent children was being made to about 695,000 children in 287,000 families under plans approved by the Social Security Board. During the calendar year 1938 nearly $95,000,000 was spent by the Federal, State, and local governments for aid to dependent children under plans approved by the Board. The number of old people now being aided through Federal grants is nearly three times as large as the number of dependent children being aided. But the actual number of dependent children in need of assistance is probably fully as large as the number of needy aged now receiving assistance.

The bill makes two changes, effective January 1, 1940, designed to expand aid to dependent children. They are as follows:

1. The Federal matching is increased from one-third to one-half. This will enable the States to give aid to many additional needy children. There are at the present time about 165,000 children in 71,000 families who have filed applications in the States for aid and many more who will be eligible for aid when these additional funds become available.

2. The age limit for Federal grants is raised from 16 to 18 if the State agency finds that the child is regularly attending school. This will enable most children to finish high school. Six States already

provide aid to children up to the age of 18 and six additional States have the necessary legislation to take advantage of this amendment immediately. It is estimated that about 100,000 additional children may obtain aid by virtue of this change, provided all States amend their laws accordingly.

It is estimated that the present State programs, when amended in accordance with the provisions of this bill will enable the States to provide monthly benefits for at least 1,000,000 dependent children or over 300,000 more children than are being aided at the present time.

The additional cost to the Federal Government of these two amendments is difficult to estimate due to the fact that the amendments are effective only at such time and to the extent that the States match the Federal funds. The additional costs of these amendments for assistance to children is estimated at about $30,000,000 to $50,000,000 per year. Some of this cost will be offset in future years because of the widows' and orphans' benefits provided under the insurance plan. In any case, our obligation to provide care for the children of today who will be the parents of the next generation is one which must be met. The amendments recommended to both the insurance and the assistance titles are part of a common program to promote the security of the family and the home.

Administrative amendments.—The bill alters the method by which the Federal Government shall settle with the States whose laws provide for a recovery from recipients or the estates of recipients of old-age assistance. At present these States must actually draw a check to reimburse the Federal Government for its share of any amount so recovered. The new plan provides adjustment in the amount of the Federal grant, on account of the Federal pro rata share of any amount so recovered by the State. Any amount which the State spends on funeral expenses (in the case of aged or blind recipients) is considered in making the adjustment. The new plan of Federal-State settlement is applicable in all three assistance programs, whereas existing law affects only old-age assistance.

The purpose of all three assistance programs is further clarified by inserting the word "needy" in the definitions of those who may receive old-age assistance, aid to the blind, or aid to dependent children. A closely related clarifying amendment is applied to all three assistance titles and provides that the States, in determining need, must consider any other income and resources of individuals claiming assistance.

The only other important amendment affecting the public-assistance titles is one which requires that the States, in order to receive Federal grants, must provide safeguards to restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan. All three assistance titles would be thus amended, the obvious purpose being to insure efficient administration and to protect recipients from humiliation and exploitation.

Vocational Rehabilitation

The basic act providing for the vocational rehabilitation of persons disabled in industry or otherwise was passed by the Congress in 1920. The purpose of this act is to assist physically disabled persons, through

guidance, medical and surgical treatment, artificial appliances, retraining, placement, and other essential services, in entering or returning to suitable employment in order that they may support themselves and their dependents.

For carrying out its purposes the basic Vocational Rehabilitation Act authorized the appropriation of $1,000,000 annually to be allotted to the States on the basis of their population with the stipulation that, to receive its allotment, a State must accept the provisions of the Federal act and match its expenditures from Federal funds dollar for dollar with State funds.

The basic act was not a permanent and continuing one but was extended from time to time by the Congress until 1935, when the vocational rehabilitation program was incorporated as a part of the social security program. Under the Social Security Act the Vocational Rehabilitation Act was made permanent, and the authorization for appropriations was increased to $1,938,000 annually, which when matched by State funds, makes available for rehabilitation purposes approximately $4,000,000 annually.

Few people are aware of the size of the problem of the physically disabled and its social and economic significance. Recent surveys by the United States Public Health Service and by a number of State rehabilitation departments show that at any one time at least 30 persons in each 1,000 of the general population are physically disabled. On this basis there are in this country nearly 4,000,000 physically disabled persons.

Each year in the United States at least 800,000 persons become physically disabled through industrial, home, automobile, and other accidents, and diseases, such as arthritis, tuberculosis, and heart trouble. The experiences of the State rehabilitation departments show that not all of these persons are disabled to the extent that they are unable after convalescence to enter or return to employment. About 67 percent are able to make their own employment adjustment. The remaining 33 percent require rehabilitation service to aid them to engage in remunerative employment.

Disabled persons who require assistance in their employment adjustment fall into three major groups:

1. Those who through training and other rehabilitation services can be returned to regular lines of competitive employment. This group comprises 60,000 persons annually.

2. Those whose disabilities are so serious that they cannot be restored to competitive employment but can be trained in small business enterprises or in sheltered workshops. This group numbers about 150,000.

3. Those who are so disabled that, if they are to be employed at all, they must be provided with suitable work in their homes. This group includes approximately 50,000 persons annually.

The first group (60,000) described above constitute the most pressing problem. Practically all of this group could and should be rehabilitated to complete self-support.

Experience of the States shows that it costs an average of $300 per case to rehabilitate a disabled person. On this basis the present program, with maximum efficiency in the expenditure of funds, cannot be expected to rehabilitate more than 12,500 persons per year. Thus each year 47,500 of those who could and should be made self-supporting cannot be rehabilitated because of lack of sufficient funds.

The cost of maintaining a dependent person in idleness averages about $500 per year. The maintenance of 47,500 disabled persons (of the 60,000 who could and should be rehabilitated to complete self-support in competitive employment) is now costing someone—relatives, communities, or the State and Federal Governments—$23,750,000 per year. The expenditure by the Federal and State Governments of $300 each for their rehabilitation would not only obviate the enormous annual cost of maintaining these persons in idleness, but would on the basis of 20 years' experience in rehabilitating the disabled, increase the economic income to the Nation by some $47,500,000 per year.

Obviously it would not be wise to appropriate at once funds sufficient to meet the whole vocational rehabilitation problem. It would appear, however, that a substantial increase over the present amount could be efficiently absorbed and would be a wise investment of public funds. The machinery for rehabilitating the disabled is already in existence. Hence, any additional funds provided could be used entirely for services to those who at present cannot be served.

The committee has recommended, therefore, an increase of $1,000,000 in the authorization for vocational rehabilitation. The various States are now raising nearly $600,000 per year in excess of the amount matched by the Federal Government. Consequently, the additional authorization will permit the matching of these amounts and allow for additional funds to be matched by the States so that the total amounts available for rehabilitation purposes will be about $6,000,000 per year. Table 10 shows the allotment of Federal funds under the present act and under the committee's recommendation.

TABLE 10.—*Allotments to the States of rehabilitation funds on the basis of the present authorization of $1,938,000 and on the basis of an authorization of $2,938,000*

State	Under authorization of $1,938,000	Under authorization of $2,938,000	State	Under authorization of $1,938,000	Under authorization of $2,938,000
Alabama	$40,913	$63,075	New Hampshire	[1] $10,000	$11,090
Arizona	[1] 10,000	10,382	New Jersey	62,482	96,327
Arkansas	28,672	44,203	New Mexico	[1] 10,000	10,090
California	87,774	135,320	New York	194,620	300,043
Colorado	16,014	24,689	North Carolina	49,015	75,565
Connecticut	24,844	38,301	North Dakota	10,526	16,228
Delaware	[1] 10,000	[1] 10,000	Ohio	102,762	158,427
Florida	22,700	34,996	Oklahoma	37,044	57,111
Georgia	44,967	69,326	Oregon	14,746	22,734
Idaho	[1] 10,000	10,608	Pennsylvania	148,907	229,568
Illinois	117,975	181,880	Rhode Island	10,629	16,387
Indiana	50,069	77,191	South Carolina	26,882	41,444
Iowa	38,202	58,896	South Dakota	10,712	16,514
Kansas	29,082	44,835	Tennessee	40,454	62,367
Kentucky	40,423	62,320	Texas	90,054	138,835
Louisiana	32,492	50,093	Utah	[1] 10,000	12,105
Maine	12,329	19,007	Vermont	[1] 10,000	[1] 10,000
Maryland	25,224	38,888	Virginia	37,443	57,726
Massachusetts	65,702	101,292	Washington	24,171	37,264
Michigan	74,866	115,419	West Virginia	26,735	41,216
Minnesota	39,640	61,113	Wisconsin	45,439	70,053
Mississippi	31,073	47,905	Wyoming	[1] 10,000	[1] 10,000
Missouri	56,112	86,508	Hawaii	[2] 5,000	[2] 5,000
Montana	[1] 10,000	12,814			
Nebraska	21,304	32,844	Total	1,938,000	2,938,000
Nevada	[1] 10,000	[1] 10,000			

[1] Basic act provides that no State shall receive less than $10,000. The "minimum" States would share in increased appropriation in those instances where allotment on population basis would exceed $10,000.

[2] Hawaii, Puerto Rico, and the District of Columbia receive their allotments under special act, except that Hawaii received $5,000 additional under the Social Security Act.

Aid to Puerto Rico

At the present time the act does not extend to Puerto Rico. The bill extends coverage to Puerto Rico for the purposes of titles V and VI of the Social Security Act (grants to States for maternal and child welfare, vocational rehabilitation, and public health work).

General

Two amendments of a general character have been recommended by the committee. These are:

1. An amendment to prohibit the disclosure of information obtained by the Board or its employees except under certain restricted conditions related to proper administration.
2. Penalties are provided for certain frauds and for impersonation in securing information concerning an individual's date of birth, employment, wages, or benefits of any individual.

DETAILED EXPLANATION OF THE BILL

Short Title

Section 1 of the bill provides that the act may be cited as the "Social Security Act Amendments of 1939."

Title I.—Amendments to Title I of the Social Security Act

CHANGES IN REQUIREMENTS FOR STATE OLD-AGE ASSISTANCE PLANS

Section 101: This section amends section 2 (a) of the Social Security Act. Section 2 (a) sets out in clauses (1) through (7) certain basic requirements which a State old-age assistance plan must meet in order to be approved by the Social Security Board. Clauses (5) and (7) are amended and a new clause, numbered (8), is added.

The amendment to clause (5) merely makes it clear that the methods of administration of the State plan must be proper as well as efficient.

The present subject matter of clause (7) is stricken from section 2 (a) by the amendment and is treated in section 102 of the bill. The amended clause (7) is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming old-age assistance. This will make it clear that, regardless of its nature or source, any income or resources will have to be considered, including ordinary income from business or private sources, Federal benefit insurance payments under title II of the Social Security Act, and any other assets or means of support. The committee recommends this change to provide greater assurance that the limited amounts available for old-age assistance in the States will be distributed only among those actually in need and on as equitable a basis as possible.

The new clause, numbered (8), also effective July 1, 1941, requires that the State plan must 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.

PAYMENT TO STATES FOR OLD-AGE ASSISTANCE

Section 102: This section amends section 3 of the Social Security Act.

Subsection (a) of section 3 is amended so that its provisions will conform with section 1 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to *needy* aged individuals and increases the amount up to which the Federal Government will contribute one-half from $30 to $40.

Subsection (b) is amended so as to provide that the Board in making grants to States shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, 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.

The provision will include all recoveries made with respect to old-age assistance furnished under the State plan, such as, for example, recoveries from the estates of recipients, payments under mistake, etc.

A proviso eliminates, for the purpose of determining the amount of the offset, any amount recovered from the estate of a deceased recipient, not in excess of the amount expended by the State for the funeral expenses of such deceased recipient in accordance with the State public assistance law upon which the State plan is based.

Section 103: This section amends section 6 so as to conform its provisions with section 1 of the Act, which authorizes appropriations to enable States to furnish financial assistance to aged *needy* individuals.

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

FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

This title amends title II of the Social Security Act. It revises and extends the present provisions for old-age insurance benefits. It includes benefits for qualified wives and children of individuals entitled to old-age insurance benefits and for qualified widows, children, and parents of deceased individuals, who, regardless of age at death, have fulfilled certain conditions. It also provides a lump-sum payment on death where no monthly benefits are then payable. The amendment also advances the date for initial monthly benefit payments from 1942 to 1940. A Federal old-age and survivor insurance trust fund is established under the amendment, and provision is made for a board of three trustees to manage the trust fund. A number of administrative changes are made, and there is provision for judicial review of decisions of the Social Security Board with respect to benefit rights. A detailed explanation of title II as amended follows.

FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

Section 201: This section creates a Federal old-age and survivor insurance trust fund in place of the present old-age reserve account, which is abolished by these amendments. The trust fund is to be held by a board of trustees composed of the Secretary of the Treasury, the

Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. Amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act (formerly title VIII of the Social Security Act) are permanently appropriated to the trust fund, and old-age and survivor insurance benefits will be paid out of the fund. These amendments will clarify the relationship between contributions under the social-security program in the form of taxes and the source of benefit payments.

Section 201 (a) creates the trust fund and provides that the fund shall consist of (1) the securities held by the Secretary of the Treasury for the present old-age reserve account, (2) the amount standing to the credit of such account on January 1, 1940, and (3) amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act, which are permanently appropriated to the trust fund.

Section 201 (b) creates a board of trustees of the Federal old-age and survivor insurance trust fund to be composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. The Secretary of the Treasury is designated as the managing trustee. The board of trustees created by these amendments is similar to the set-up in the Postal Savings Act. The board of trustees, in addition to reporting annually to Congress on the status and operations of the trust fund, will be required to report immediately to Congress whenever the board is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period and whenever it is of the opinion that the amount of the trust fund is unduly small.

Section 201 (c) directs the managing trustee of the trust fund to invest the surplus of the trust fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Special obligations bearing interest at a rate equal to the average rate of interest on the public debt, computed as of the end of the calendar month next preceding the date when the special obligations are issued, may be issued to the trust fund. However, the bill contains a provision that such special obligations shall be issued only if the managing trustee determines that the purchase of obligations in which the trust fund is permitted to invest on original issue or at the market price is not in the public interest.

Section 201 (d) authorizes the managing trustee to sell regular obligations acquired by the trust fund at the market price and to redeem the special obligations at par plus accrued interest.

Section 201 (e) provides that the interest on and the proceeds from the sale or redemption of obligations held in the trust fund shall be credited to and form a part of the trust fund.

Section 201 (f) sets up a procedure whereby the trust fund will be required to pay the cost of administration by the Social Security Board and the Treasury of the old-age and survivors insurance system. Monthly, the managing trustee will pay from the trust fund into the general fund of the Treasury the amount which he and the Chairman of the Social Security Board estimate will be expended during the month for the administration of the system.

Section 201 (g) provides that the trust fund shall be available for making benefit payments required under title II of the Social Security Act.

OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

Primary insurance benefits.

Section 202 (a): This subsection provides, for aged individuals, monthly "primary insurance benefits" (computed under sec. 209 (e)), which are based on an individual's "average monthly wage" (see sec. 209 (f)). These benefits are payable to an individual for each month until his death, upon condition that he (1) is at least 65 years of age, (2) is a fully insured individual (defined in sec. 209 (g)), and (3) has applied for them. Primary insurance benefits are payable beginning with the first month in which the individual becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months.

The first month for which a primary insurance benefit or any other benefit can be paid under section 202, is January 1940. All benefits under section 202 are payable as nearly as possible in equal monthly installments, but a benefit for a particular month is not necessarily payable within that month.

Wife's insurance benefits.

Section 202 (b): This subsection provides for monthly "wife's insurance benefits" for an aged wife (defined in sec. 209 (i)) whose husband is living and is entitled to "primary insurance benefits" under subsection (a). The purpose of these wife's benefits, which are based on the wages of the husband, is to assure the wife of a monthly amount equal to one-half of the amount which her husband receives as a monthly primary insurance benefit. A benefit is payable to the wife for each month, upon condition that she (1) is at least 65 years of age, (2) has applied for the benefits, (3) was living with her husband at the time of filing such application, and (4) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than one-half of a monthly primary insurance benefit of her husband.

Benefit rate.—A wife's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the husband, but if the wife is or becomes entitled to a monthly primary insurance benefit under subsection (a), which is less than one-half of the monthly primary insurance benefit of her husband, then her wife's insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter is equal to the difference between one-half of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Wife's insurance benefits are payable beginning with the first month in which the wife becomes eligible for them, having met conditions (1), (2), (3), and (4) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits end when the wife dies, her husband dies, they are divorced, or she becomes entitled to a monthly primary insurance benefit under subsection (a) equal to or exceeding one-half of her husband's monthly primary insurance benefit.

Child's insurance benefits.

Section 202 (c): Paragraphs (1) and (2) of this subsection provide for monthly "child's insurance benefits" for a child (defined in sec. 209 (k)) whose parent is entitled to primary insurance benefits or whose deceased parent (regardless of his age at death) was a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of these child's benefits is to assure the child of a monthly amount based on the wages of the parent or deceased parent. A benefit is payable to a child for each month, upon condition that the child (1) has filed application for the benefits (or application has been filed for him), (2) was unmarried and had not attained age 18 at the time his application was filed, and (3) was "dependent upon" the parent at the time the application was filed, or, if the parent has died, was "dependent upon" him at the time of death.

Benefit rate.—A child's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the parent or deceased parent with respect to whose wages the child is entitled to receive the benefit. In the case of the deceased parent, such primary insurance benefit is the amount which such parent would have been entitled to receive if he had, before his death, met the conditions for payment of a primary insurance benefit under subsection (a). If there is more than one such parent or deceased parent, the child is entitled to one-half of the primary insurance benefit which is largest.

Benefit period.—Child's insurance benefits are payable beginning with the first month in which the child becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The child's benefits end when he dies, marries, is adopted, or attains age 18.

"Dependent upon" defined.—Paragraphs (3) and (4) of section 202 (c) define the term "dependent upon," as used in paragraph (1). As a child is normally dependent upon his father or adopting father, paragraph (3) provides that he shall be deemed so dependent unless, at the time the child's application for benefits is filed, or if such father or adopting father is dead, at the time of death, such individual was not living with the child or contributing to his support and (A) the child is neither the legitimate nor adopted child of such individual, or (B) the child had been adopted by some other individual, or (C) the child, at the time of such individual's death, was living with and supported by the child's stepfather.

As a child is not usually financially dependent upon his mother, adopting mother, or stepparent, paragraph (4) provides that, for the purposes of paragraph (1), a child shall not be deemed dependent upon any such individual unless, at the time the child's application for benefits is filed, or, if such individual is dead, at the time of death, no parent other than such mother, adopting mother, or stepparent was contributing to the support of the child and the child was not living with his father or adopting father.

Widow's insurance benefits.

Section 202 (d): This subsection provides for monthly "widow's insurance benefits" for an aged widow (defined in sec. 209 (j)) whose husband died a fully insured individual (defined in sec. 209 (g)). The purpose of these widow's benefits, which are based on the wages of the deceased husband, is to assure the widow of a monthly amount

equal to three-fourths of the amount to which her husband was entitled, or would have been entitled if he had, before his death, met the conditions for a primary insurance benefit under subsection (a). A benefit is payable to the widow for each month, upon condition that she (1) is at least 65 years of age, (2) has not remarried, (3) has filed application for the benefits, (4) was living with her husband at the time of his death, and (5) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than three-fourths of the monthly primary insurance benefit of her husband.

Benefit rate.—A widow's insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of the monthly primary insurance benefit of her husband, then her widow's insurance benefit for the month in which she becomes entitled to such primary insurance benefit, and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Widow's insurance benefits are payable beginning with the month in which the widow becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. Benefits end when the widow remarries, dies, or becomes entitled to a monthly primary insurance benefit equal to or exceeding three-fourths of the monthly primary insurance benefit of her husband.

Widow's current insurance benefits.

Section 202 (e): This subsection provides for "widow's current insurance benefits", which are based on the wages of a husband who died a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of this subsection is to extend financial protection to the widow regardless of her age, while she has in her care a child of the deceased husband entitled to child's insurance benefits. It provides assurance for such a widow, before she becomes 65 years of age, of a monthly amount equal to three-fourths of the amount to which her husband would have been entitled if, before his death, he had met the conditions for a primary insurance benefit under subsection (a). When she becomes 65 such widow, if her husband was a fully insured individual, will become entitled to a widow's insurance benefit under subsection (d). If her husband was currently (but not fully) insured, she will continue to be entitled to her widow's current benefit under subsection (e) so long as there is a child of her husband who is entitled to receive child's insurance benefits. A benefit is payable to the widow for each month, upon condition that she (1) has not remarried, (2) is not entitled to receive a monthly widow's insurance benefit under subsection (d) or a monthly primary insurance benefit which is equal to or greater than three-fourths of a monthly primary insurance benefit of her husband, (3) was living with her husband at the time of his death, (4) has filed application for the benefits, and (5) at the time of filing such application has in her care a child of the deceased husband entitled to receive child's insurance benefits. By "in her care" is meant that she takes responsibility for the welfare and care of the child, whether or not she actually lives in the same home with the child at the time she files application.

Benefit rate.—A widow's current insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of a monthly primary insurance benefit of her husband, then her widow's current insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Widow's current insurance benefits are payable beginning with the month in which the widow becomes entitled to them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits end when no child of the deceased husband is further entitled to receive a child's insurance benefit, the widow becomes entitled to receive a primary insurance benefit under subsection (a) equal to or exceeding three-fourths of a primary insurance benefit of the deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, or dies.

Parent's insurance benefits.

Section 202 (f): This subsection provides for "parent's insurance benefits" for an aged parent whose son or daughter died a fully insured individual (as defined in sec. 209 (g)), leaving no widow and no unmarried surviving child under age 18. The purpose of these benefits, which are based on the wages of the son or daughter, is to extend financial protection to the aged parent where the parent was wholly dependent upon and supported by the son or daughter at the time such son or daughter died, and where no such widow or child survives. It assures the parent, in such cases, of a monthly amount equal to one-half of the amount to which the son or daughter was or would have been entitled as a fully insured individual if such son or daughter before death, had met the conditions for a primary insurance benefit under subsection (a). A benefit may be payable to both a mother and a father of the same fully insured individual. A benefit is payable to the parent for each month, upon condition that such parent (1) has attained age 65, (2) was wholly dependent upon and supported by the son or daughter at the time of the son's or daughter's death and filed proof of such dependency and support within 2 years of the date of such death, (3) has not married since such death, (4) is not entitled to receive any other monthly insurance benefits of any kind or is entitled to receive one or more of such monthly benefits, the total of which is less than one-half of the monthly primary insurance benefit of the deceased son or daughter, and (5) has filed application for parent's insurance benefits.

Benefit rate.—The parent's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the son or daughter with respect to whose wages the parent is entitled to a benefit. If there is more than one such son or daughter for a month in which the parent is entitled to parent's benefits, the parent is entitled to one-half the primary insurance benefit which is largest. If the parent is or becomes entitled to a monthly benefit or benefits (other than parent's insurance benefits) and such monthly benefit or the total of such monthly benefits is less than one-half of the monthly

primary insurance benefit of the son or daughter, then the parent's benefit for the month in which the parent becomes entitled to such other benefit or benefits, and for each month thereafter, is equal to the difference between such other monthly benefit or the total of such other monthly benefits and one-half of the son's or daughter's monthly primary insurance benefit.

Benefit period.—Parent's insurance benefits are payable beginning with the month in which the parent becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. Benefits end when the parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than parent's insurance benefits) in a total amount equal to or exceeding one-half of a primary insurance benefit of the deceased son or daughter.

"Parent" defined.—Paragraph (3) of section 202 (f) defines the term "parent" to mean the mother or father of an individual, the stepparent of an individual by a marriage contracted before such individual attained age 16, and the adopting parent by whom such individual was adopted before he attained age 16.

Lump-sum death payments.

Section 202 (g): This section provides for the payment of a lump sum to a person hereinafter described, upon the death, after December 31, 1939, of a fully or currently insured individual (as defined in sec. 209 (g) and (h)) who left no surviving widow, child, or parent who would, on filing application in the month in which such fully or currently insured individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section.

Description of persons who may be entitled.—The lump-sum payments are made to the following persons under the conditions stated: (1) To the widow or widower of the deceased; (2) if no such widow or widower is living at the time of the fully or currently insured individual's death, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as provided by such law; (3) if no widow or widower and no such child and no such other person is living at the time of such death, to the parent or parents of the deceased, and to any other person or persons who are entitled under the law of the State where deceased was domiciled to share as distributees with the parents of the deceased, in such proportions as provided by such law. The Board is to determine the relationship under (1), (2), and (3) above, and if there is more than one person entitled hereunder, is to distribute the lump-sum payment among all who are entitled. If none of the persons described under (1), (2), and (3) is living at the time of the Board's determination, the amount due is to 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 the deceased (but no such payment for burial expenses may exceed the amount actually disbursed by the person or persons who paid such expenses).

Amount of payment.—The lump-sum payment is an amount equal to six times a primary insurance benefit for a month (as defined in sec. 209 (e)) of the fully or currently insured deceased individual.

Application for lump-sum payment.—The lump sum is payable only if application is filed by or on behalf of the person entitled (whether or not legally competent) prior to the expiration of 2 years after the date of death of the fully or currently insured individual.

Delayed applications.

Section 202 (h): This subsection provides that an individual who would have been entitled to an insurance benefit under subsection (b), (c), (d), (e), or (f) of this section for any month, if he had filed his application for such benefit during such month, shall be entitled to such benefit for such month if he files application for it before the end of the third month immediately succeeding such month. The purpose of this section is to prevent the loss of benefits to individuals who might not know of their right to benefits or who, for some other reason, have delayed filing their applications. If, for example, in March a widow has fulfilled all eligibility conditions under section 202 (d) except the filing of her application, and files application in June, she will be entitled to a benefit for March, April, May, June, and thereafter, as if she had filed her application in March. Similarly, if she files application in July, she will be entitled to a benefit for April, May, June, July, and thereafter, just as if she had filed her application in April.

REDUCTION AND INCREASE OF INSURANCE BENEFITS

Section 203: This section provides a maximum and minimum for benefits payable under section 202, and for reduction or increase to such maximum or minimum, as the case may be, of the monthly amount of the benefit which would be payable except for this section. It provides also for deductions from benefits because of gainful employment for a stated amount of wages, and under certain other enumerated circumstances, and for deductions for lump-sum payments made prior to 1940 upon attainment of age 65.

Maximum benefits.

Section 203 (a): This subsection provides that any benefits payable on the basis of an individual's wages shall be reduced, so that the maximum for any benefit (if only one benefit for a month is payable with respect to the wages of an individual) or for the total of all benefits (if more than one benefit is payable for a month with respect to the wages of an individual) shall not exceed $85, or two times the primary insurance benefit of such individual, or 80 percent of the average monthly wage of such individual, whichever is least. This takes the place of the provision now in the Social Security Act limiting the monthly rate of benefits to $85.

Minimum benefits.

Section 203 (b): This subsection provides that benefits payable on the basis of an individual's wages shall be increased so that the minimum for any benefit or for the total of benefits (where more than one benefit is payable for a month) is $10. This provision also prevents a reduction under subsection (a) to below $10 in the case where the average monthly wage is very low.

Proportionate reduction or increase.

Section 203 (c): This subsection provides that whenever a reduction or increase is required by subsection (a) or (b) and more than one

benefit is payable for the month with respect to the wages of an individual, each of the benefits shall be proportionately increased or decreased, as the case may be.

Deductions because of employment, etc.

Section 203 (d): This subsection provides that deductions shall be made from any benefits to which an individual is entitled, until such deductions total the amount of the benefit or of the benefits (where the individual is entitled to receive more than one insurance benefit) which such individual was entitled to receive for any month in which he (1) rendered services for wages of not less than $15; or (2) if a child over 16 and under 18 years of age failed to attend school regularly and the Board finds that such attendance was feasible; or (3) if a widow entitled to a widow's current insurance benefit did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

Section 203 (e): This subsection provides that deductions shall be made from any wife's or child's insurance benefit until the total equals the wife's or child's benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15. For example, if a child receives a benefit of $10 per month because of a father who is receiving a $20 per month primary insurance benefit, $10 is deducted from benefits payable to the child if the father works in a month for wages of $15 or more.

Duplication of deductions prevented.

Section 203 (f): This subsection prevents the duplication of deductions under subsections (d) and (e). If, for example, a deduction is imposed because of the occurrence in a month of an event enumerated in subsection (d), there is no deduction because of employment in that month as set forth in subsection (e).

Report to Board of Employment.

Section 203 (g): This subsection requires that the occurrence of any of the events enumerated in subsection (d) or (e) be reported to the Board by any individual whose benefits are subject to a deduction under those subsections. If the individual had knowledge of the occurrence of the event, failure to so report is penalized by doubling the deduction.

Deductions because of lump-sum payments.

Section 203 (h): An individual entitled to a benefit under these amendments may have been paid a lump sum upon attainment of age 65, under provisions of the Social Security Act in force prior to 1940. This subsection provides that deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to the wages of such individual, until such deductions total the amount of any such lump-sum payment to such individual. Deductions under subsections (d), (e), and (h) are made after any reductions or increases which may be required under subsections (a) and (b), and such deductions may be made in such month or months, and at such rate, as the Board may determine.

OVERPAYMENTS AND UNDERPAYMENTS

Adjustment of erroneous payments.

Section 204 (a): This subsection provides that errors in payments to an individual shall be adjusted by increasing or decreasing subsequent benefits to which such individual is entitled. If such individual dies before adjustment has been begun or completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual. Thus, if error is made in the payment of a primary insurance benefit to an individual, adjustment shall be made upon his death in favor of or against his widow, children, and parents, if any, who are entitled to receive benefits. If error is made in the payment of any benefit other than a primary insurance benefit, then upon the death of the individual receiving such benefit, adjustment shall be made in favor of or against the primary beneficiary on the basis of whose wages such erroneous payments were made, and in favor of or against any other beneficiary whose benefits are payable on the basis of those wages.

Section 204 (b) waives any right of the United States to recover by legal action or otherwise in any case of incorrect payment to an individual who is without fault if adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience,

Section 204 (c) protects from liability any certifying or disbursing officer in any case where adjustment or recovery 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

Section 205: This section of the bill provides a detailed procedure in connection with benefit determination and payment. Administrative and judicial review provisions not now provided in the Social Security Act are included, and administrative provisions are included which are similar to those under which the Veterans' Administration operates.

Section 205 (a) clarifies the Board's power to make rules and regulations to carry out the provisions of title II and directs the Board to adopt regulations concerning the nature and extent of proofs to establish rights to benefits.

Section 205 (b) outlines the general functions of the Board in determining rights to benefits. It requires the Board to offer opportunity for a hearing, upon request, to an individual whose rights are prejudiced by any decision of the Board. The Board is also authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper, and may administer oaths and affirmations and examine witnesses. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

Section 205 (c) provides a procedure for the establishment, maintenance, and correction of wage records. Clause (1) directs the Board to maintain the records, and upon request to inform any wage earner, or after the wage earner's death, his wife, child, or parent, of the amount of his wages and periods of payments, shown by such records

at the time of such request. The records are declared to constitute evidence of the amount of wages and the periods of payment, and the absence of an entry for any period constitutes evidence that no wages were paid in such period.

Clause (2) provides that, after the expiration of the fourth calendar year following any year in which wages were paid or alleged to have been paid, the Board's records shall be conclusive of the amount of wages and periods of payment except as provided in clauses (3) and (4).

Clause (3) authorizes the Board to correct its records prior to the expiration of such fourth year. Written notice of any revision which is adverse to the interests of any individual shall be given to such individual in any case where he has been previously notified by the Board of the amount of wages and the periods of payment shown by the records. Upon request prior to the expiration of such fourth year or within 60 days thereafter, the Board shall afford any wage earner, or after his death, his wife, child, or parent, a hearing with respect to any alleged error in its records.

Clause (4) provides for a limited correction of the records after the expiration of the fourth year. The procedure is the same as that provided in clause (3), but no change can be made under this clause except to conform the records with tax returns and other data submitted under title VIII of the Social Security Act or subchapter A of chapter 9 of the Internal Revenue Code, and regulations thereunder.

Clause (5) provides for judicial review of decisions under this subsection in the same manner as is provided in subsection (g).

Section 205 (d) authorizes the Board to issue subpenas requiring the testimony of witnesses and the production of evidence.

Section 205 (e) authorizes Federal courts to order obedience to the subpena of the Board and to punish as contempt any disobedience of the court's order.

Section 205 (f) provides that the privilege against self-incrimination shall not excuse any person from testifying but that he shall not be prosecuted or subjected to a penalty or forfeiture on account of any matter concerning which he is compelled to testify after claiming his privilege against self-incrimination.

Section 205 (g) provides that any individual may obtain a review of any final decision of the Board made after a hearing to which he was a party, by commencing a civil action in the appropriate district court of the United States within 60 days after notice of the decision is mailed to him. The present provisions of the Social Security Act do not specify what remedy, if any, is open to a claimant in the event his claim to benefits is denied by the Board. The provisions of this subsection are similar to those made for the review of decisions of many administrative bodies. The Board's decisions on questions of law will be reviewable, but its findings of fact, if supported by substantial evidence, will be conclusive. Where a decision of the Board is based on a failure to submit proof in conformity with a regulation, the court may review only the question of conformity of the proof with the regulation and the validity of the regulation. Provision is made for remanding of proceedings to the Board for further action, or for additional evidence.

Section 205 (h) provides that the findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing and that there shall be no review of the Board's decisions by any person, tribunal, or governmental agency except as

provided in subsection (g). Actions may not be brought against the United States, the Board, or any of its officers or employees under section 24 of the Judicial Code to recover on any claim arising under title II.

Section 205 (i) incorporates substantially the provisions of the present section 207 of the act with respect to certification by the Board of the individuals entitled to payments, except that certification is made to, and payment is made by, the managing trustee. It is provided that the Board may withhold certification pending court review under subsection (g).

Section 205 (j) provides that the Board may, where it appears that the interest of the applicant would be served thereby, whether he is legally competent or incompetent, make certification for payments directly to him or to a relative or some other person, for the use and benefit of such applicant.

Section 205 (k) provides that any payments hereafter made under conditions set forth in subsection (j), any payments made before January 1, 1940, to, or on behalf of, legally incompetent individuals, and any payments made after December 31, 1939, to a legally incompetent individual without knowledge by the Board of such 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.

Section 205 (l) authorizes the Board to delegate the powers conferred upon it by this section. This includes the power to issue subpenas, conduct hearings, make determinations of the right to benefits, and make certification of payments. It also authorizes the Board to appear by its own attorneys in court proceedings under subsection (e) for the enforcement of Board subpenas.

Section 205 (m) provides that applications for benefits filed prior to 3 months before the applicant becomes entitled to receive benefits, shall be invalid.

Section 205 (n) authorizes the Board to certify to the managing trustee any two or more individuals in the same family for joint payment of the total benefits payable to such individuals.

REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

Section 206: This section authorizes the Board to prescribe regulations concerning the practice of attorneys, agents, and other persons in the preparation or presentation of claims for benefits before the Board, and the Board may require of such agents or other persons (other than attorneys) as a condition to recognition that they show that they are of good character and good repute and are competent to represent claimants. An attorney in good standing who is admitted to practice before the highest court of a State, Territory, or District, or before the Supreme Court of the United States or an inferior Federal court, is entitled to represent claimants before the Board. Under certain conditions an individual may be suspended or prohibited from further practice before the Board. While it is not contemplated that the services of an agent or attorney will be necessary in presenting the vast majority of claims, the experience of other agencies would indicate that where such services are performed the fees charged therefor should be subject to regulation by the Board, and it is so provided. The provision is similar to the statute (5 U. S. C., sec. 261) giving the

Treasury Department comparable authority. For the purpose of protecting claimants and beneficiaries a penalty is provided for violation of Board regulations prescribing fees and for deceiving, misleading, or threatening claimants or beneficiaries with intent to defraud.

ASSIGNMENT

Section 207: This section is identical with section 208 of the Social Security Act which provides that a right to payment under this title shall not be transferable or assignable nor shall any moneys paid or payable be subject to execution or other legal process.

PENALTIES

Section 208: This section is designed to protect the system against fraud. The present penal provisions are broadened and clarified so as to specifically apply to the making of false statements such as in tax returns, tax claims, etc., for the purpose of obtaining or increasing benefits, and to apply to the making of false statements, affidavits, or documents in connection with an application for benefits, regardless of whether made by the applicant or some other person.

DEFINITIONS

Definition of wages.

Section 209 (a): This subsection continues the present definition of wages, but excludes certain payments heretofore included. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee, or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments would be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund would likewise be excluded from wages. Paragraph (3) expressly excludes from wages, payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

The exclusion of remuneration paid prior to January 1, 1937, is merely a technical change. Such remuneration has never been any basis for the benefits under this title, being excluded in the provisions providing the benefits. Such provisions are simplified by transferring the exclusion to the definition of wages.

Definition of employment.

Section 209 (b): This term is defined to mean any service performed prior to January 1, 1940, which would be included under existing law for purposes of credit toward benefits; and to mean any service performed after December 31, 1939, by an employee for the person em-

ploying him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel (defined in subsec. (d)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on, and in connection with, the vessel when outside the United States. No substantive change in existing law is made by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. This extension is designed to include, with the qualifications noted, all service which is attached to, or connected with, the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, would not be included, because their service has no connection with the vessel. Service performed on, or in connection with, an American vessel within the United States will be on the same basis as regards inclusion as other services performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (1) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law and is considered advisable because of the possibility offered by such employment for collusion in building up credits in certain cases which offer a high return for a small amount of contributions.

Paragraph (5), which takes the place of the existing exclusion of service on documented vessels, excludes service performed on or in connection with a vessel not an American vessel, if the employee is

employed on and in connection with such vessel when outside the United States. This provisioin excludes all service, although performed within the United States, which is rendered by an employee who was rendering service on and in connection with such a vessel upon its entry into the United States or who is rendering such service upon departure of the vessel from the United States. Thus, officers and members of the crew and other employees whose service is rendered both on and in connection with the vessel (such as employees of concessionaires and others whose service is similarly connected with the vessel) when on its voyage are excluded even though the vessel is within the United States, if they come into or go out of the United States with the vessel.

Paragraph (6) continues the exemption of service performed in the employ of the United States but, with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within this title of the act certain Federal instrumentalities not falling within clause (A) or (B), above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) continues without change the present provisions of law exempting services of employees covered by the railroad-retirement system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to the railroad retirement system even though the individual receives remuneration in a form, e. g., tips, not recognized as compensation under the Railroad Retirement Act and subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers' Taxing Act of 1937), and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segregation of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social-security system and the railroad-retirement system.

Paragraph (10) provides several new exclusions from employment. Clause (A) exempts certain service in any calendar quarter performed in the employ of an organization exempt from income tax under section 101 of the Internal Revenue Code, if (i) the remuneration for such service does not exceed $45; or (ii) without regard to amount of remuneration, if the service is performed in connection with the

collection of dues or premiums (away from the home office) for a fraternal beneficiary society, order, or association, or is ritualistic service (wherever performed) in connection with such an organization; or (iii), without regard to amount of remuneration, if the service is performed by a student enrolled and regularly attending classes at a school, college, or university. Organizations so exempt from income tax and thus within this provision include the following: Certain labor, agricultural, and horticultural organizations, mutual savings banks, fraternal beneficiary societies, building and loan associations, cooperative banks, credit unions, cemetery companies, business leagues, chambers of commerce, real estate boards, boards of trade, civic leagues, local associations of employees, social clubs, local benevolent life insurance associations, mutual irrigation and telephone companies, farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations, farmers' cooperative marketing and purchasing associations, corporations organized to finance crop operations, voluntary employees' beneficiary associations, and religious or apostolic associations or corporations.

Paragraph (10), clause (B), excepts service in the employ of an agricultural or horticultural organization, regardless of the amount of remuneration. These organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code.

Paragraph (10), clause (C), excepts service in the employ of a voluntary employees' beneficiary association, providing for 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. This exemption is identical with that of these organizations under section 101 (16) of the Internal Revenue Code and will have the same scope.

Paragraph (10), clause (D), excepts all 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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.

Paragraph (10), clause (E), excepts service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax, if such service is performed by a student enrolled and regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45. In determining the remuneration, for purposes of the $45 limitation, the value of room, board, and tuition, if furnished by the school, college, or university as part of the remuneration, would be excluded.

A calendar quarter is any period of 3 calendar months ending on March 31, June 30, September 30, or December 31.

Paragraph (11) excepts service performed in the employ of a foreign government, and paragraph (12) similarly excepts, on a basis of reciprocity, service performed in the employ of an instrumentality

wholly owned by a foreign government. These paragraphs are, by section 902 (f) of the bill, made retroactively effective to the date of the enactment of the Social Security Act.

Paragraph (13) excepts service performed as a student nurse in the employ of a hospital or a nurse's training school by an individual who is enrolled and is regularly attending classes in such a school chartered or approved pursuant to State law; and service performed as an interne (as distinguished from a resident doctor) 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.

Section 209 (c): This section relates to an employee who has performed both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad retirement system.

Definition of American vessel.

Section 209 (d): This term is defined to mean any vessel documented or numbered under the laws of the United States; and also to include any vessel neither so documented nor numbered nor documented under the laws of any foreign country while the crew is in the employ only of citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

"Primary insurance benefit" defined.

Section 209 (e) defines the term "primary insurance benefit" and is the basis for the computation of benefits under section 202. "Primary insurance benefit" means an amount equal to the sum of the following: (1) (A) 40 percent of the amount of an individual's average monthly wage, if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 percent of $50, plus 10 percent of the amount by which such average monthly wage exceeds $50, and (2) an amount equal to 1 percent of the amount computed under (1) above multiplied by the number of years in which $200 or more of wages were paid to such individual. This section sets forth the method of computing the amount of a primary insurance benefit for a month. In the case of a living individual such amount is the amount payable as a benefit under section 202 (a) Such amount also serves as the basis for computing, in the case of a living or deceased individual, any other benefit (or a lump sum) which may be payable on the basis of such individual's wages.

Average monthly wage.

Section 209 (f) defines the term "average monthly wage" as used in the formula set forth in subsection (e) to mean the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by 12 times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of 22 during which he was paid less than $200. In no case, however, shall such total wages be divided by a number less than 36.

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Fully insured individual.

Section 209 (g) defines the term "fully insured individual." Since this definition will determine the earnings requirements for eligibility for all primary insurance benefits, and therefore for a number of benefits for dependents of individuals with primary insurance benefits, it will substantially affect the extent to which benefit payments will be a charge against the Federal old-age and survivor insurance trust fund. The definition is designed, therefore, adequately to protect the trust fund, and at the same time (a) to afford some benefit protection to individuals who have now attained or are approaching age 65 (and their dependents) and who, since the old-age insurance provisions of the Social Security Act became effective, have ordinarily had little opportunity to build up large wage credits (see par. (1) and (2) of definition); (b) to establish reasonable, but somewhat stricter, requirements for individuals who will have a longer time in which to accumulate qualifying wages (see par. (3) of definition); and (c) to take care of individuals who have been paid wages in covered employment over a long period of time (see par. (4) of definition). The following summary of the definition will indicate its general effect:

Paragraph (1) of the definition provides that individuals who attain age 65 prior to the year 1940, in order to become fully insured individuals, must have not less than 2 years of coverage (explained in definition) and have been paid not less than $600 in wages. This is a flat minimum requirement which applies without regard to the particular year in which an individual attained age 65.

Paragraph (2) of the definition applies to individuals who die or attain age 65 after 1939 and before 1946. It provides a formula for determining the requirements for becoming a fully insured individual, based on the number of years elapsing after 1936 and up to and including the year of death or attainment of age 65. If an individual dies in 1940, he must have at least 3 years of coverage and $800 in wages. Every second year after 1940 (beginning in 1942) the number of years of coverage required increases by 1 year, and every year after 1940 the amount of wages required increases by $200 over the amount required for the preceding year. Thus, an individual dying or attaining age 65 in 1945 must have 5 years of coverage and $1,800 in wages to be fully insured.

Paragraph (3) provides a formula for determining the requirements for individuals who die or attain age 65 in 1946 or thereafter. The determination is based on the number of years elapsing after 1936 or after the year in which an individual attained age 21 (if he attained that age after 1936) and up to and including the year of death or attainment of age 65, subject to a minimum of 5 years of coverage and minimum wages of $2,000. The provision continues the same rate of increase in coverage requirements from year to year, as provided under paragraph (2), but in no event are wages in excess of $2,000 required. The minimum coverage provisions are applicable only in cases where the number of years of coverage determined in accordance with the formula is below the minimum. Thus, if an individual attains age 21 in 1950 and dies in 1956, the formula would require only 4 years of coverage, which, by operation of the minimum, would be increased to 5 years of coverage. The total wages required would, of course, be $2,000.

Under paragraph (4) any individual who has accumulated 15 years of coverage is fully insured, whether or not he earns any wages thereafter.

Currently insured individual.

Section 209 (h) defines the term "currently insured individual" to mean any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than 6 of the 12 calendar quarters immediately preceding the quarter in which he died. The purpose of this provision is, while avoiding an unwarranted drain on the trust fund, to provide protection for the surviving dependents of individuals who are paid a certain minimum amount of wages in covered employment within the last 3 years before death, but who have not worked in such employment long enough and have not been paid sufficient wages to have qualified them as fully insured individuals.

Section 209 (i) defines the term "wife" to mean the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the day upon which he attained the age of 60.

Section 209 (j) defines the term "widow" (except as used in sec. 202 (g)) as the surviving dependent wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

Section 209 (k) defines the term "child" (except as used in sec. 202 (g)) as the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died.

Definition of "agricultural labor."

Section 209 (l): The present law exempts "agricultural labor" without defining the term. It has been difficult to delimit the application of the term with the certainty required for administration and for general understanding by employers and employees affected.

Your committee believes that greater exactness should be given to the exception and that it should be broadened to include as "agricultural labor" certain services not at present exempt, as such services are an integral part of farming activities. In the case of many of such services, it has been found that the incidence of the taxes falls exclusively upon the farmer, a factor which, in numerous instances, has resulted in the establishment of competitive advantages on the part of large farm operators to the detriment of the smaller ones.

Paragraph (1) of this subsection exempts service performed 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, feeding, and management of livestock, bees, poultry and fur-bearing animals. Such services are exempt under existing law only if performed in the employ of the owner or tenant of the farm on which they are rendered. Services performed on a farm in connection with the raising, feeding, and management of fur-bearing animals, such as foxes, not now exempted, will be exempt under paragraph (1). This paragraph also continues the existing exclusion of services performed on a farm in the raising or

harvesting of horticultural commodities, including flowers and nursery products, such as young fruit trees, ornamental plants, and shrubs.

Paragraph (2) of the subsection excepts services in the employ of the owner (whether or not such owner is in possession) or tenant of a farm in connection with the operation, management, or maintenance of such farm, if the major part of those services are performed on a farm. Under this language certain services are to be regarded as agricultural even though they are not performed in conducting any of the operations referred to in paragraph (1). Services performed in connection with the "operation, management, or maintenance" of a farm may include, for example, services performed by carpenters, painters, farm supervisors, irrigation engineers, bookkeepers, and other skilled or semiskilled workers whose services contribute in any way to the proper conduct of the farm or farms operated by their employer. Some of these services at present constitute covered employment under some circumstances but not under other circumstances. It is stipulated that the services referred to in this paragraph must be performed in the employ of the owner or tenant of the farm so that the exemption will not extend to services performed by such persons as employees of a commercial painting concern, for example, which contracts with a farmer to renovate his farm properties.

Paragraph (3) extends the exception to services performed in connection with certain specified products and operations. Ordinarily these services are performed on a farm or are of such a character as to warrant no different treatment than is accorded services performed in connection with farming activities. In order that a uniform rule may be applied in the case of these services, they will be excepted whether or not performed on a farm or in the employ of the owner or tenant of a farm. In the case of maple sap, the exemption will extend to services in connection with the processing of the sap into maple sugar or maple sirup, but not in the subsequent blending or other processing of such sugar or sirup with other products. Under the present exception services performed in connection with the production of maple sirup or maple sugar do not constitute "agricultural labor." Similarly, the existing exception does not extend to services performed in connection with the growing, harvesting, processing, packing, and transporting to market of oleoresin, gum spirits of turpentine, and gum resin. Under this paragraph, however, the exception will apply to services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree and of the following products as processed only by the original producer of the crude gum (oleoresin): Gum spirits of turpentine and gum resin, as defined in the Agricultural Marketing Act, as amended. Services performed in connection with any hatching of poultry and in connection with the ginning of cotton will also be excepted. Services performed in connection with the raising or harvesting of mushrooms constitute "agricultural labor" under existing law, only when performed on a farm. The fact that mushrooms are not usually grown under ordinary field conditions but are grown in cellars, caves, barns, or in sheds specially constructed for the purpose has resulted in the employees of some growers being covered while employees of others are not. Under this paragraph all such services will be excepted.

Paragraph (4) of the subsection extends the exemption to service (though not performed in the employ of the owner or tenant of a

farm) performed in the handling, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of the paragraph, however, do not extend to services performed in connection with commercial canning or commercial freezing, nor to services performed in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption. The expression "as an incident to ordinary farming operations" is, in general, intended to cover all services of the character described in the paragraph which are ordinarily performed by the employees of a farmer or by employees of a farmers' cooperative organization or group, as a prerequisite to the marketing, in its unmanufactured state, of any agricultural or horticultural commodity produced by such farmer or by the members of such organization or group. The expression also includes the delivery of such commodity to the place where, in the ordinary and natural course of the particular kind of farming operations involved, the commodity accumulates in storage for distribution into the usual channels of commerce and consumption. To the extent that such farmers, organizations, or groups, engage in the handling, etc., of commodities other than those of their own production or that of their members, such handling, etc., is not regarded as being carried on "as an incident to ordinary farming operations." In such a case the rules set forth in subsection (c) of this section apply

In the case of fruits and vegetables, however, whether or not of a perishable nature, services performed in the handling, drying, packing, etc., of those commodities constitute "agricultural labor" even though not performed as an incident to ordinary farming operations, provided they are rendered as an incident to the preparation of such fruits or vegetables for market. Under this portion of the paragraph, for example, services performed in the sorting or grading of citrus fruits or in the cleaning of beans, as an incident to their preparation for market, will be excepted irrespective of whether performed in the employ of a farmer, a farmers' cooperative, or a commercial handler of such commodities.

Since the services referred to in this paragraph must be rendered in the actual handling, drying, etc., of the commodity, the paragraph does not exempt services performed by stenographers, bookkeepers, clerks, and other office employees in the employ of farmers, farmers' cooperative organizations or groups, or commercial handlers. To the extent that services of this character are performed in the employ of the owner or tenant of a farm, however, and are rendered in major part on a farm, they may be exempt under the provisions of paragraph (2).

The last sentence of the subsection makes it clear that the term "farm" as used in this subsection has a broad and comprehensive meaning. The term, for example, includes fur-bearing animal farms. Under present law, services performed in connection with the operation of such farms constitute covered employment. The term also includes greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, regardless of their location. Under the existing exception, labor performed in some

greenhouses is excepted while labor in others is not. The inclusion of greenhouses of the kind specified, within the meaning of the term "farm," will make for a more uniform treatment of greenhouse labor and lessen the administrative difficulties which this class of cases presents. Greenhouses used primarily for purposes such as storage or display purposes or for the fabrication of wreaths and corsages (usually in connection with the operation of a retail establishment) do not, of course, come within the exception.

Section 209 (m) provides that determination of whether an applicant is the wife, widow, parent, or child of an individual is to be made by applying such law as the courts of the State of domicile of the individual would apply in determining the devolution of intestate personal property or if such individual was not domiciled in a State, by the courts of the District of Columbia; also that applicants who according to such law have the same status as a wife, widow, parent, or child shall be deemed such.

Section 209 (n) provides that a wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and that a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household at the time of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

PAYMENTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

Section 301: This section substitutes the word "for" for the word "in" in the phrase "during the fiscal year in which such payment is to be made" in the first sentence of section 302 (a) of the Social Security Act. This amendment is recommended in order to authorize the Board to certify unemployment compensation administration grants for proper administrative expenses, regardless of whether incurred within the fiscal year in which the grant is made. This amendment is necessary because of the practical difficulty of determining and certifying with exactness grants to finance all expenses incurred during the fiscal year before the end of that year. The substitution of the phrase "proper and efficient administration" for the phrase "proper administration" in this subsection is made to conform the language of this subsection with similar language in the amended sections 2 (a), 402 (a), 503 (a), 513 (a), and 1002 (a) of the Social Security Act. This insertion does not effect any substantive changes in this subsection. The reference in this subsection to the Internal Revenue Code recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 302: This section makes certain amendments to the requirements made by section 303 (a) of the Social Security Act which a State unemployment compensation law must meet in order to qualify for grants for administrative expenses.

The reference to the Internal Revenue Code, contained in the introductory sentence, recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

The amendments made by this section to paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act are designed to make clear that the State may refund contributions paid into the State fund by mistake, and also that cooperative arrangements may be made for payment of compensation (in the case of workers who have moved from the State in which their compensation rights were earned) by one State through employment offices in another State. In addition, the amendments would authorize the refund of contributions paid with respect to a taxable year by national banks and other instrumentalities of the United States under the proposed amendment to section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) if the State law under which such contributions were collected is not certified by the Board with respect to that year under section 1603.

Another change in paragraph (5) substitutes a reference to the State unemployment fund for the (Federal) unemployment trust fund. This is done because the (Federal) unemployment trust fund is in substance merely a place of deposit for State moneys rather than a fund out of which benefit payments are to be made.

The amendment makes no change in paragraphs (3) and (6).

New paragraphs (8) and (9) would make it necessary for the State law to include provision for the expenditure of funds paid to the State for the administration of its unemployment compensation law only for the purposes of and in the amounts found necessary by the Board for the proper and efficient administration of the State law; and for the replacement within a reasonable time of any such funds which by any action or contingency have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper and efficient administration of the State law. The purpose of these requirements is to minimize the possibility of the Board having to refuse to certify an amount for State administrative expenses because of misapplication or loss of previously granted funds for administrative purposes.

In order to enable the States to make the necessary changes in their unemployment compensation laws without incurring the expense of special legislative sessions, the effective date of these two paragraphs is postponed until July 1, 1941.

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

CHANGES IN REQUIREMENTS FOR STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 401: This section amends section 402 (a) of the Social Security Act. Section 402 (a) sets out in clauses (1) through (6) certain basic requirements which a State plan for aid to dependent children must meet in order to be approved by the Social Security Board.

Section 401 (a) amends clause (5) so as to make it clear the methods of administration of the State plan must be proper as well as efficient.

Section 401 (b) adds a new clause, numbered (7), which becomes effective July 1, 1941. Under this clause the State plan must provide

that the State agency shall, in determining need, take into consideration any income and resources of any child claiming aid under this title. It also adds a new clause, numbered (8), effective July 1, 1941, which requires that the State plan must provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO DEPENDENT CHILDREN

Section 402: Subsection (a) of this section amends section 403 of the Social Security Act and will become effective on January 1, 1940. Existing law provides for a Federal grant to States having an approved plan for aid to dependent children in an amount equal to one-third of the total of the sums expended under any such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 for any month with respect to one such dependent child and $12 for such month with respect to each of the other dependent children. The committee amendment increases the Federal share to one-half and conforms subsection (b) (1) to this change.

Subsection (b) of this section provides that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act, except that it does not include the proviso relating to funeral expenses of a deceased recipient.

DEFINITION OF DEPENDENT CHILD

Section 403: This section amends the definition of "dependent child," contained in section 406 (a) of the Social Security Act, so that its provisions will conform to section 401 of the act, which authorizes appropriations to enable States to furnish financial assistance to *needy* dependent children. Section 403 of the bill also amends section 406 (a) of the Social Security Act by including within the meaning of the term "dependent child," a child under the age of 18 if found by the State agency to be regularly attending school. The present definition includes only children under the age of 16. The change will assist the States to aid children who are over 16 and under 18 years of age but are still attending school.

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR MATERNAL AND CHILD-HEALTH SERVICES

Section 501: This section amends clause (3) of section 503 (a) of the Social Security Act so as to make it clear that the methods of administration of a State plan for maternal and child-health services must

be proper as well as efficient. This change is similar to that made in the corresponding provisions of titles I, IV, and X.

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR SERVICES FOR CRIPPLED CHILDREN

Section 502: This section amends clause (3) of section 513 (a) of the Social Security Act so as to make it clear that the methods of administration of a State plan for services for crippled children must be proper as well as efficient. This change is similar to that made in the corresponding provisions of titles I, IV, and X.

VOCATIONAL REHABILITATION

Section 503: This section increases the authorization of appropriations for grants to the States and Hawaii for vocational rehabilitation of disabled persons by increasing the amount authorized for this purpose for each fiscal year by section 531 of the Social Security Act from $1,938,000 to $2,938,000.

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

FEDERAL INSURANCE CONTRIBUTIONS ACT

TAXES UNDER SECTIONS 1400 AND 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTIONS 801 AND 804 OF THE SOCIAL SECURITY ACT)

Sections 601 and 604: Under the existing provisions of sections 1400 and 1410 of the Internal Revenue Code (formerly secs. 801 and 804, respectively, of the Social Security Act) the rate of tax on employees and the rate of tax on employers are each scheduled to increase on January 1, 1940, from 1 percent of the wages to 1½ percent, with a further increase of ½ percent at the expiration of succeeding 3-year periods until the maximum rate of 3 percent on employees and 3 percent on employers is reached in 1949. Under the amendment the increase scheduled for January 1, 1940, would be eliminated, and the rate of each tax would be as follows:

	Percent
For the calendar years 1939, 1940, 1941, and 1942	1
For the calendar years 1943, 1944, and 1945	2
For the calendar years 1946, 1947, and 1948	2½
For the calendar year 1949 and subsequent calendar years	3

A further change is made by this amendment. Sections 1400 and 1410 of the Internal Revenue Code now provide that the rate of tax applicable to wages is the rate in effect at the time of the performance of the services for which the wages are paid. This will unnecessarily complicate the making of returns and the collection of the taxes in later years when the rate of tax has been increased. For example, in 1943 the rate of tax increases from 1 percent to 2 percent. Thus, wages which are paid in 1943 for services performed in 1942 will be subject to the 1-percent rate, while wages paid in 1943 for services performed in that year will be subject to the 2-percent rate. Provision must therefore be made in the return for 1943 for the reporting of wages subject to the different rates, and, in auditing the returns, it will be necessary to ascertain not merely the time when the wages were paid and received, but also the year of the rendition of the services for which the wages are paid. If employers have failed to make the

proper distinction, many refunds and additional assessments will doubtless be necessary and confusion will result. Under the amendment the rate applicable would be the rate in effect at the time that the wages are paid and received without reference to the rate which was in effect at the time the services were performed.

ADJUSTMENTS OF OVERPAYMENT AND UNDERPAYMENT OF EMPLOYEES' TAX

Section 602: Present section 1401 (c) of the Internal Revenue Code (formerly sec. 802 (b) of the Social Security Act) is designed to permit the employer to adjust, without interest, overpayments and underpayments of employees' tax without the necessity in the former case of requiring the filing of a claim for refund and in the latter case of the making of a demand by the collector for the additional tax. The existing provisions of the section require that the adjustment be made in connection with subsequent wage payments. The different types of situations obtaining at the time the error is discovered and should be corrected are numerous. For example, the employee may be continuously employed and receiving remuneration at regular intervals, or he may be entitled to no remuneration for some time to come, or if he is entitled to remuneration, it may not be taxable because his service is rendered temporarily, or for an indefinite time, in a foreign country, or because he has already received $3,000 from the employer for services rendered during the calendar year, the maximum taxable remuneration under section 1426 (a) of the Internal Revenue Code (formerly sec. 811 (a) of the Social Security Act), or the employee's connection with the employer who made the error may have been severed. Moreover, undercollections require a procedure different from that in the case of overcollections. The use of the term "wage payments" causes difficulty since the term "wages" has a restricted meaning for the purpose of this tax. Furthermore, it may prove desirable in certain circumstances to provide for adjustments at times other than in connection with subsequent payments of remuneration to the individual. This amendment, by use of the word "remuneration" instead of "wage" and by leaving the manner and time of the adjustment to be prescribed by regulations, will enable the administrative officers to meet the varied situations which arise.

RECEIPTS FOR EMPLOYEES

Section 603: This section amends subchapter A of chapter 9 of the Internal Revenue Code (formerly title VIII of the Social Security Act) by inserting a new section in such subchapter. Subsection (a) of the new section requires every employer to furnish each employee with a written statement or statements, in a form suitable for retention by the employee, showing the taxable wages paid to the employee after December 31, 1939, for services rendered in his employ, and the amount of tax imposed by section 1400 with respect to such wages. In addition, the names of the employer and employee, and the period covered by the statement, are to be shown. Each statement, or receipt, must cover one or more, but not more than four, calendar quarters. Under existing Treasury regulations the employer is required to file a return for each calendar quarter with the collector of internal revenue, showing the amount of wages paid to each employee. By requiring the receipts to cover one or more calendar quarters, the

employer is enabled, in making out such receipts, to use the amounts of wages of each employee as shown on the copies of the quarterly returns which the employer retains. Returns, under existing Treasury regulations, must be filed with the collector within the calendar month following the close of the quarter. The section gives employers an additional month within which to furnish their employees with the receipts. However, when an employee leaves the employ of the employer, the final receipt, covering the period from the termination of the period covered by the last preceding receipt furnished the employee, is to be given the employee when the final payment of wages is made to him. If the employer chooses, he may under the section furnish a receipt to an employee at the time of each payment of wages during a calendar quarter, in lieu of covering in a single receipt the total wages paid to the employee during such quarter.

Subsection (b) provides that any employer who willfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5.

TAXES UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTION 804 OF THE SOCIAL SECURITY ACT)

Section 604: See section 601, supra.

ADJUSTMENT OF EMPLOYERS' TAX

Section 605: The amendment made by this section to section 1411 of the Internal Revenue Code (formerly sec. 805 of the Social Security Act), relating to adjustments of employers' tax, is intended to accomplish the same purpose as the corresponding amendment to section 1401 (c) of the code, relating to adjustments of employees' tax. See section 602, supra.

DEFINITIONS

Section 606: This section, effective January 1, 1940, amends section 1426 of the Internal Revenue Code, containing definitions applicable in the case of the old-age insurance taxes.

Definition of Wages.

Section 1426 (a): This subsection continues the present definition of wages, but excludes certain payments heretofore included. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Paragraph (3) expressly excludes from wages the payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec.

801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment.

Section 1426 (b): This term is defined to mean any service performed prior to January 1, 1940, which constituted employment as defined in this section prior to such date; and to mean any service performed after December 31, 1939, 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 (defined in subsection (h)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on and in connection with the vessel when outside the United States. No substantive change in existing law is effected by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. This extension is designed to include, with the qualifications noted, all service which is attached to or connected with the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, will not be included because such service has no connection with the vessel. Service performed on or in connection with an American vessel within the United States will be on the same basis as regards inclusion as other service performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (i) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club, or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law. The old paragraph (4), which excluded service performed by an individual who has attained the age of 65, is repealed.

Paragraphs (5) to (13), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis of such paragraphs see pp. 46–49 of this report.

Section 1426 (c): This subsection relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded.

The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers Taxing Act of 1937).

Definition of employee.

Section 1426 (d): This definition is identical with the definition in section 1101 (a) (6) of the Social Security Act, which is applicable to title II (see sec. 801 of the bill). The amendment to the definition relates to salesmen. In some instances where remuneration is by way of commission and the services are performed away from the place of business of the person for whom they are performed, the individual performing the services is held to be an employee, while in others he is held not to be an employee. A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied. In certain cases even the most liberal view as to the existence of the employer-employee relationship will fall short of covering individuals who should be covered, for example, certain classes of salesmen. In the case of salesmen, it is thought desirable to extend coverage even where all of the usual elements of the employer-employee relationship are wholly lacking and where accordingly even under the liberal application of the law the court would not ordinarily find the existence of the master-and-servant relationship. It is the intention of this amendment to set up specific standards so that individuals performing services as salesmen may be uniformly covered without the necessity of applying any of the usual tests as to the relationship of employer and employee.

A salesman in business as a broker or factor is excluded if the services are performed as part of such business, and, in furtherance of such business, similar services are performed for other persons and one or more employees of such salesman perform a substantial part of such services; and an individual whose services as a salesman are casual services, not in the course of such individual's principal trade, business, or occupation, is not included in the definition.

This definition is not intended to affect the employer-employee status of a salesman and the employee of such salesman. Thus, the

business chauffeur who has been an employee of a salesman will remain solely the employee of such salesman.

Definition of employer.

Section 1426 (e): This new definition is for the purpose of making clear that the extension of the broadened employee concept also broadens the employer concept. Thus, where a salesman is held to be an employee, the person for whom the salesman performs the services is the employer. For example, an insurance solicitor who executes a contract with an insurance company under which he performs services as a salesman would be the employee of the insurance company and not of the general agent of the company.

Section 1426 (f) and (g), defining the terms "State" and "person," respectively, makes no change in the existing definitions of those terms.

Definitions of American vessel and agricultural labor.

Subsections (h) and (i) of section 1426 are identical with subsections (d) and (l) of section 209 of the Social Security Act. For detailed analysis of such subsections see pages 49 and 51 of this report.

SHORT TITLE

Section 607: This section inserts a new section in subchapter A of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Insurance Contributions Act."

Federal Unemployment Tax Act

TAXES UNDER SECTION 1600 OF THE INTERNAL REVENUE CODE (FORMERLY SEC. 901 OF THE SOCIAL SECURITY ACT)

Section 608: This amendment changes the basis for determining tax liability under subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) from "wages payable" to "wages paid." That subchapter is thus brought into conformity with subchapter A of chapter 9 (formerly title VIII of the Social Security Act), which also imposes a tax on "wages paid." Wages, for the purpose of these taxes, are considered paid when they are actually paid, or when they are constructively paid, i. e., credited to the account of, or set apart for, the wage earner so that they may be drawn upon by him at any time although not then actually reduced to possession.

Under the existing law wages are "payable" with respect to employment during a calendar year, even though the amount of wages is not fixed and no right exists to enforce payment at any time during that year. Thus a bonus paid in 1939 for services performed in 1938 constitutes "wages payable" for 1938, even though the amount of the bonus may not have been known in 1938 and no obligation to pay it existed in that year.

In cases in which remuneration for services of an employee in a particular year is based on a percentage of profits, or on future royalties, the amount of which cannot be determined until long after the close of the year, the employer has been required to estimate unascertained amounts and pay taxes and contributions on that basis. If he has overestimated, subsequent corrections on the return must be made

with consequent refunds. If the employer has underestimated, additional taxes may become due and he may also be compelled to pay additional State contributions, which are usually not allowable as credit because not timely paid. The attendant difficulties and confusion cause a burden on employers and administrative authorities alike. The placing of this tax on the "wages paid" basis will relieve this situation.

With both the old-age-insurance tax and the unemployment-compensation tax on the wages paid basis, the keeping of records by employers will be simplified.

The new basis of taxation will apply to all wages for services rendered after the beginning of 1939. Insofar as the amendment would be retroactive with respect to the year 1939, it would not increase the tax liability of any taxpayer.

CREDIT AGAINST TAX

Section 609: This section relates only to the tax with respect to services rendered in 1939 and thereafter.

Contributions to State unemployment funds.

Section 1601 (a): The present section 1601 (a) of the Internal Revenue Code (formerly sec. 902 of the Social Security Act) provides that a taxpayer may credit against the Federal tax only contributions paid by him under a State law "with respect to employment," as defined in section 1607 of the Code (formerly sec. 907 of the act). Since the definition of employment in section 1607 restricts the meaning of the term to certain types of service, the taxpayer is not given credit for contributions made under a State law with respect to services not covered by the Federal law. Subdivision (1) eliminates the references in existing law to "employment," thus allowing the taxpayer to credit against the tax the contributions which he is required to pay, and which he actually pays, under a State law. The amendment also includes a requirement that credit shall be allowed only for contributions to an unemployment fund which has been maintained during the taxable year as specified in the amendment to section 1607 (f) of the Internal Revenue Code. (See sec. 614, infra.)

Subdivision (2) provides that credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such year. This effects no substantive change in the present law.

Subdivision (3) liberalizes existing law by giving employers more time within which to pay their contributions to the State and secure credit therefor against the Federal tax. Under existing law credit is allowable only for contributions with respect to the taxable year paid to the State before the due date of the Federal return for such year. The amendment permits full credit for contributions paid on (as well as before) the due date. The amendment further permits a credit for contributions paid after the due date of the Federal return but on or before June 30 next following the due date, but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions if they had been paid on or before the due date. For example, if an employer's gross liability for Federal tax at the 3-percent rate is $100, and his liability for the same year for State contributions is also $100, and he paid such contributions on or before the due date of the Federal return, he would be en-

titled to the maximum credit (under the limitation provided in sec. 1601 (c)) of 90 percent of the Federal tax, or $90, and his net Federal tax would be $10. If, however, the employer paid the $100 in contributions after the due date but not later than June 30 next following, his credit would be 90 percent of $90, or $81, and his net Federal tax would be $19. No credit is allowable for contributions paid after June 30.

Thus, substantial relief is given employers for 1939 and future years. Your committee is of the opinion that further liberalization of the conditions under which this credit would be allowable might endanger the orderly functioning of the system. It is desirable not to remove the aid provided in existing law to the State unemployment-compensation systems which has been secured through the inducement to employers to pay their State contributions promptly. Furthermore, any change should be avoided which would impede the audit of the Federal returns or delay final determination of the taxpayer's liability beyond a reasonable time after the returns are filed. In proposing this amendment consideration has been given these factors as well as to the need for liberalization in favor of the taxpayers.

Certain exceptions to the foregoing general rule are made in the amendment, however, to meet cases of genuine hardship.

Subdivision (3) removes the time limitation for payment of State contributions in those cases where the assets of the taxpayer are in the custody or control of a court at any time beginning with the due date and ending with the next following June 30, both dates inclusive.

Subdivision (4) grants relief in cases of payments made through mistake under the wrong unemployment-compensation law. In such a case payment under the proper State law with respect to the remuneration in question will be deemed, for the purposes of credit against the Federal tax, to have been made on the date of the erroneous payment. If the taxpayer's experience under the law of the wrong State had entitled him to cease paying any contributions for services subject to that law and by reason thereof the taxpayer had actually paid no contributions with respect to the remuneration in question, payment to the proper State will be treated, for such tax-credit purposes, as having been made on the date on which the Federal tax return was actually filed.

Subdivision (5) provides for refund of any tax (including any penalties and interest) which has been collected but with respect to which credit allowable under this section has not been taken. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Additional credit.

Section 1601 (b) (formerly section 909 (a) of the Social Security Act): This amendment changes in some particulars the existing law, relating to additional credit allowance.

It expressly conditions the allowance of an additional credit upon certification of the State law under section 1603 (c) of the Internal Revenue Code (formerly section 903 (b) of the Social Security Act) and under the proposed amendment to section 1602 (c). (See section 610, infra.)

It extends the additional credit to reduced rates of contributions required under a State law with respect to employment not covered by the Federal tax, thus bringing this subsection into conformity in

that regard with the proposed amendment of subsection (a) (relating to contributions to State unemployment funds).

Under the amendment, additional credit allowance will be based on the difference between the amount of contributions the taxpayer was required to pay under the State law and the amount he would have paid had he been subject under such State law to a rate of 2.7 percent, rather than on the difference between the amount the taxpayer actually paid under the State law and the highest rate applicable "from time to time" throughout the taxable year. This change, in addition to measuring the credit by 2.7 percent of the pay roll with respect to which contributions are required under the State law, also eliminates the possible necessity for measuring additional credits in terms of periods of less than 1 year.

Limit on total credit.

Section 1601 (c) restates the existing law limiting total credits against the Federal tax to not in excess of 90 percent of such tax. Since both the provision with respect to credits for contributions actually paid and the provisions with respect to additional credits are now included in one section of the law as subsections (a) and (b), respectively, it is unnecessary to include the limitation separately in respect to each subsection.

CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

Section 610 (a): This subsection amends the provisions of existing law (sec. 1602 of the Internal Revenue Code; formerly section 910 of the Social Security Act) relating to the requirements with respect to additional credit allowance.

The terms "employers," "employment," and "wages," which are defined in section 1607 and have special meanings not applicable here, are replaced by terms such as "persons having individuals in their employ," "services," and "remuneration," in order to make the requirements of this subsection more easily understandable in their application to State laws whose coverage differs from that of the Federal law. The phrase "person (or group of persons)" has been used in the standards with respect to all types of State funds, to make clear that a State law may measure, for individual experience-rating purposes, either an individual employer's record, or may permit two or more employers to combine their records and be treated, for experience-rating purposes, as if they were a single legal entity. Several verbal changes are suggested in this subsection in the interest of clarity.

In order to facilitate the administration of provisions in State laws allowing variations in rates of contributions, the term "computation date," defined in subsection (d) (7) of the code, has been adopted, and the phrase "year preceding the computation date" substituted for terms such as "preceding year" and "year," to permit the States to compute reduced rates as of a date prior to the date on which such reduced rates will become effective.

State standards.

Section 1602 (a) of the code is amended by adding a new standard with respect to the allowance of additional credit, which requires that irrespective of the type of fund maintained under the State law, the State law will contain provisions whereby variations in rates of contributions as between different employers will be so computed as to

yield, with respect to each year, a total amount of contributions substantially equivalent to 2.7 percent of the total pay rolls of employers, subject to the contribution requirements of the State law. Fluctuations in pay rolls from year to year preclude the computation of rates in such a manner as to yield an exact amount. Your committee believes that this new standard with respect to individual employer-experience rating is essential to protect the fundamental purposes of the Federal tax credit system for providing unemployment compensation. Because it is an additional standard, State laws under which particular types of funds are maintained will be required to comply with this over-all standard as well as the applicable standards prescribed in paragraph (2), (3), or (4) of this subsection. The effective date of this new standard is postponed, under section 610 (b) of the bill with respect to the standards prescribed in paragraphs (2) and (4), to permit States to conform therewith without incurring the expense of special legislative sessions (sec. 610 (b) infra).

Paragraph (2) incorporates the standards of existing law applicable to a pooled fund or partially pooled account, except that the phrase "years of compensation experience" in the present law has been replaced by a broader phrase permitting the use of an employer's "experience with respect to unemployment" or an employer's experience with respect to "other factors bearing a direct relation to unemployment risk" as a basis for individual-experience rating under a pooled fund. This change is made in order to extend the possible bases by which State laws may measure eligibility for reductions in employers' rates of contributions to a pooled fund, thus adding flexibility to the present law. Because of this change, the definition of the phrase "year of compensation experience" in subsection (d) (old subsection (c)) of this section is no longer necessary.

Paragraphs (3), (4), and (5): The reserve requirements with respect to reserve accounts (under the amended new paragraph (4) to become effective January 1, 1942) and guaranteed employment accounts have been restated in terms of 2½ percent of the pay roll for 3 years, rather than 7½ percent of the pay roll for 1 year. The term "pay roll" includes only the pay roll subject to the contribution requirements of the State law. This basis of measuring an employer's reserve or guaranteed employment account is more equitable from both the point of view of the employer and the State, since it permits the averaging of pay-roll experience over 3 years and avoids the unreasonable fluctuations in rates which may occur if pay rolls are substantially increased or decreased for a particular year. Because the standard rate of contributions under most laws is 2.7 percent (a very few State laws require a standard rate of 3 percent), employers could not accumulate a reserve equal to 7½ percent of their annual pay roll in less than 3 years, except in very unusual situations. Hence, it is believed that the change in the reserve requirement to 2½ percent of pay rolls for 3 years in place of 7½ percent of pay roll for 1 year will not, in practical effect, alter the present reserve requirements. The additional requirement with respect to 3 years of contributions is deemed necessary to clarify the provision relating to reserves equal to 2½ percent of the pay roll for 3 years. Unless the employer has actually been subject to the contribution requirements of the State law for 3 years, the provision measuring the reserve in terms of 2½ percent of pay rolls for the 3 preceding years would operate to reduce the reserve requirements. Under these two paragraphs, an employer

may not be permitted a reduced rate of contributions to his guaranteed employment account unless he has fulfilled his guaranty with respect to the preceding year, and an employer may not be permitted a reduced rate of contributions to his reserve account unless compensation has been payable from his account throughout the preceding year.

Paragraph (5) incorporates the new standards with respect to individual reserve accounts. In order to permit States maintaining such accounts to conform therewith without incurring the expense of special legislative sessions, these new standards will not become effective until January 1, 1942. Prior to that date, the standards in paragraph (4), which incorporate the present law, will be applicable.

Other State standards.

Section 1602 (b): This is a new subsection providing greater flexibility to the States with respect to the allowance of reduced rates of contributions on the basis of which additional credits against the Federal tax will be allowed. Without regard to this subsection a State may allow reduced rates under individual employer experience rating systems in conformity with the standards in subsection (a) of this section. In addition, under the option provided by this subsection, a State may adopt either of two alternative courses of action if it meets the standards set forth in paragraphs (1) and (2) of this subsection: (1) It may reduce all employers' rates uniformly; or (2) it may vary individual employers' rates of contributions under experience-rating provisions which comply with the applicable standards in paragraph (2) or (3) or (4) of subsection (a) (par. (3) of this subsection) but without so calculating the respective rates as to secure an annual yield of an amount substantially equivalent to 2.7 percent of the State pay roll, the requirement of paragraph (1) of subsection (a) of this section.

The two standards contained in this subsection relate to the amount in the State unemployment compensation fund as of the computation date and the compensation payable under the State law as of the date the reduced rate is effective.

Under paragraph (1) the amount in the State fund, as of the date that amount is determined, must at least equal one and one-half times the highest amount paid into such fund up to some date prior to the effective date of the new rate with respect to any one of the 10 preceding calendar years, or one and one-half times the highest amount of compensation paid out of such fund within any one of the 10 preceding calendar years, whichever amount is greater. This paragraph does not require that either contributions or compensation shall have been payable under the State law for 10 calendar years.

Under paragraph (2) the State law must provide for the payment of compensation to otherwise eligible individuals in accordance with the following general standards or in accordance with general standards which are substantially equivalent thereto:

(A) Within a compensation period of not more than 52 consecutive weeks any such individual will be entitled to receive a total amount of compensation equal to not less than (i) 16 times his weekly rate of compensation for a week of total unemployment, or (ii) one-third of the individual's total earnings for insured work during a base period of not less than 52 weeks, whichever is less;

(B) The waiting period with respect to each compensation period described under clause (A) may not exceed 2 calendar weeks of total unemployment or two periods of total unemployment of 7 consecutive days each. Such weekly or 7-day waiting periods need not be consecutive. This section is not applicable to periods for which an individual may be disqualified for compensation;

(C) The weekly rates of compensation for total unemployment will be related to the individual's full-time weekly earnings for insured work during a period to be prescribed in the State law. Such a period may be a single week, representative of the individual's customary full-time weekly earnings, may be several such representative weeks occurring within a longer prescribed period, or the State law may secure such a relation to such full-time weekly earnings by formulae (such as a reasonable fraction of total wages for insured work during that calendar quarter in the individual's base period in which such wages were highest) which will produce a reasonable approximation of such full-time weekly earnings. Such weekly rates of compensation may not be less than: (i) $5 per week if such full-time weekly earnings were $10 or less; (ii) 50 percent of such earnings if they were more than $10 but not more than $30; and (iii) $15 per week if such earnings were more than $30; and

(D) Compensation will be paid to an otherwise eligible individual who, by reason of some involuntary unemployment during a week, earns less than his weekly rate of compensation. The amount of such compensation will at least equal the difference between the individual's weekly rate of compensation for total unemployment and his actual earnings for such week.

Certification by the Board with respect to additional credit allowance.

Section 1602 (c): This is a new subsection, requiring the Social Security Board to certify to the Secretary of the Treasury, in the same manner as it certifies State laws under section 1603 (c), State laws which it finds comply with the requirements of subsection (a) or (b) of this section. Provision is made for partial certification where two kinds of funds are maintained under the same State law, one of which fails to comply with subsection (a) or (b) of this section, or where a contribution is divided between two kinds of funds under a State law, so that additional credits will be allowed only with respect to reduced rates allowed in compliance with the requirements of this section.

Under these provisions a State law which complies in all respects with the requirements of this section will receive an unqualified certification. In some States, provision is made for the maintenance of two parallel systems (such as a reserve account system and a guaranteed employment account system). In such States, some employers may be covered by the one system and other employers may be covered by the other. In such States there would be no difficulty in certifying one system, even though the other failed to comply with the requirements of this section, and the Board would accordingly be directed to do so by subsection (c) (2). In other States, contributions with respect to particular wage payments are required to be divided between two kinds of funds (such as the requirement that a part of each employer's contribution be credited to his own reserve account and a part to a "partially pooled" fund which is operated as a reinsurance fund). If in this type of situation the

provisions of the State law with respect to one or the other such fund do not comply with the requirements of this section, the Board is directed to make such certification as will permit the allowance of additional credits only with respect to those reduced rates which have been allowed in accordance with the requirements of this section.

In addition, this new subsection includes a paragraph requiring the Social Security Board to advise the States, in the same manner as it advises the States of its findings under section 1603, whether or not their laws comply with the requirements of this section; after finding such compliance, the Board may thereafter deny certification of a State law for additional credit purposes only after prior notice and opportunity for hearing to the State, and only if it finds the State law no longer contains the applicable provisions specified in subsection (a) or (b) or the State has failed to comply substantially with any such provision. The present subsection (b) of this section is eliminated because its purpose is achieved by the foregoing provisions.

Definitions.

Section 1602 (d): Paragraphs (1) and (4) of this subsection are amended to make clear that from a particular employer's reserve account or guaranteed employment account, all compensation payable on the basis of services performed for him and only compensation payable on the basis of services performed for him, is to be paid. This incorporates in part the exception clause in the present definition of a pooled fund, i. e., that compensation may not be paid from a partial pool or reinsurance fund unless the reserve account or guaranteed employment account of the employer on the basis of whose services the benefit claimant had earned his benefit rights, is exhausted or terminated.

The present paragraph (2) is revised and divided into paragraphs (2) and (3) in order to distinguish more clearly between a fully pooled fund and a partially pooled (or reinsurance) fund. The new paragraph (3) permits the maintenance of a partially pooled fund in connection with a guaranteed employment account, as well as in connection with a separate reserve account. The definition of the partially pooled account also makes clear that a State may, without endangering its compliance with the definitions of the term "reserve account" and "guaranteed employment account," provide for transfers from reserve accounts or guaranteed employment accounts to a partially pooled account. Several State laws now provide for such transfers.

Paragraph (4) (old paragraph (3)) amends the present law to permit guarantees of employment to be operative only with respect to individuals who continue to be available for suitable work in the guaranteed establishment. This provision is deemed necessary because under the present provision it is not clear whether employers are relieved from their guarantees with respect to individuals who quit voluntarily, or are unable to work because of some incapacity, or are out on strike, etc. This paragraph is also amended to make clear the general understanding with respect to its requirements concerning the probationary service period, i. e., that the probationary period must be served within a continuous period immediately following the employee's first week of service and may not be claimed repeatedly with respect to intermittent periods of employment which never exceed 12 consecutive weeks. The last clause of this definition is amended to clarify the point that guaranteed remuneration and

unemployment compensation are not the same, and that the guaranteed remuneration is not to be payable out of the guaranteed employment account.

Paragraph (5) (old par. (4)) deletes the definition of the term "year of compensation experience," because that term is no longer used in paragraph (2) (old par. (1)) of section 1602 (a). The definition of the term "year," in this paragraph, is designed to permit States to allow reduced rates on the basis of 12 consecutive months, as well as on the basis of a calendar year.

Paragraph (6), defining the term "balance," is a new definition added to make clear that the amount of the reserve required to be accumulated by employers with respect to whom a reserve account or a guaranteed employment account is maintained, is to be made up of payments by such employers and may not be made up of employee contributions or funds from other sources. If employee contributions are required under a State law which provides for the maintenance of reserve accounts or guaranteed employment funds, such contributions may be payable into the reinsurance fund. The exception contained in this definition, which permits the inclusion within a "balance" of payments other than payments by employers if made to a reserve account or guaranteed employment account prior to January 2, 1939, is designed to relieve the States of complicated computations where payments, other than payments by employers, have been paid to such accounts during early months of the State's experience.

Paragraph (7) defines the term "computation date" to include any date occurring within 27 weeks prior to the date that a reduced rate goes into effect. As above indicated, this provision is designed to give the States ample time within which to make their computations with respect to variations in rates of contributions. Such computations are to be made at least once in each calendar year.

Paragraph (8), defining the term "reduced rate," is designed to make clear that the requirements of subsections (a) and (b) are not applicable to a reduction from an increased rate to a standard rate, i. e., situations in which employers with bad employment experience have been required to pay increased rates and are subsequently permitted to pay the standard or normal rate.

Section 610 (b): This subsection of the bill, referred to in connection with section 1602 (a) (1) of the Internal Revenue Code, is necessary in order to permit employers who are allowed reduced rates of contributions under State laws which conform with the present standards, to secure additional credits on the basis thereof and to avoid requiring States to convene special sessions of their legislatures in order to conform their laws with the new standard in section 1602 (a) (1) of the code. This section of the bill postpones the application of that new standard with respect to pooled funds, partially pooled accounts, and individual reserve accounts, until January 1, 1942, thereby allowing ample time for all States to enact necessary amendatory legislation at the next regular sessions of their respective legislatures.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 611: The changes made in paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code (formerly sec. 903 (a) of the Social Security Act) by this section correspond to those made

in paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act by section 302, supra.

EXTENSION OF TIME FOR FILING TAX RETURNS UNDER SUBCHAPTER C OF CHAPTER 9 OF THE INTERNAL REVENUE CODE

Section 612: This section amends section 1604 (b) of the Internal Revenue Code to authorize a longer extension of time for filing the return of the Federal unemployment tax. Existing law permits an extension of as much as 60 days. The amendment would provide an additional 30 days, or 90 days in all. The extensions under section 1604 (b) are granted under rules and regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury. An employer finding it impossible to make his return on January 31, the due date prescribed in section 1604 (a), or to pay his State contributions by that date, may make application in accordance with such rules and regulations for an extension of time for filing his Federal return. If granted, the employer has until the extended due date, as granted, to make his return and pay his State contributions. No delinquency penalty will be incurred for late filing and no loss of credits will be suffered if the return is filed, and the contributions paid to the State, on or before such extended due date.

INTERSTATE OR FOREIGN COMMERCE AND FEDERAL INSTRUMENTALITIES

Section 613: This section designates existing section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) as subsection (a). A clarifying amendment to the provision makes it clear beyond any possible doubt that an employer engaged in foreign commerce is on the same basis as respects authority of a State to require payments into an unemployment fund as employers engaged in interstate commerce.

This section also amends section 1606 by adding subsections (b) and (c), relating to Federal instrumentalities, and (d), relating to employment on lands held by the Government.

Subsection (b) confers on State legislatures authority to require instrumentalities of the United States (except those wholly owned by the United States or exempt from the taxes imposed by sections 1410 and 1600 of the Internal Revenue Code (formerly secs. 804 and 901, respectively, of the Social Security Act) by any other provision of law) to comply with State unemployment compensation laws. Under this amendment the States would be able to cover under their unemployment compensation systems national banks and certain other Federal instrumentalities. Protection against any possible discrimination against instrumentalities of the United States is afforded by the two provisos, which make the permission to require compliance with the State law conditional upon equality of treatment and upon the approval and certification of the State law under section 1603 of the Internal Revenue Code (formerly sec. 903 of the Social Security Act).

Subsection (c) makes provision for examination by the Comptroller of the Currency of returns and reports made to the States by national banks.

Subsection (d) authorizes the States to cover under their unemployment compensation laws services performed upon land held by the Federal Government, such as services for hotels located in national parks.

DEFINITIONS

Section 614: This section, effective January 1, 1940, amends section 1607 of the Internal Revenue Code, containing definitions applicable in the case of the Federal unemployment tax.

Definition of employer.

Section 1607 (a): No change from existing law is made in this definition.

Definition of wages.

Section 1607 (b): This subsection continues the present definition of wages but excludes certain payments heretofore included. Paragraph (1) excludes that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Paragraph (3) expressly excludes from wages the payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment.

Section 1607 (c): The amendments made here conform this definition to the definitions contained in amended section 209 (b) of the Social Security Act and amended section 1426 (b) of the Internal Revenue Code (formerly sec. 811 (b) of the Social Security Act), with the exception of maritime service.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional

ones. No substantive change in existing law is effected by the introductory paragraph of the definition.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (l) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the housemother, performed for these local clubs and chapters, are exempt.

Paragraph (3) adds an exception of casual labor not in the course of the employer's trade or business. This exception is already contained in amended section 209 (b) of the Social Security Act and amended section 1426 (b) of the Internal Revenue Code.

Paragraph (4) continues the existing exception of service performed as an officer or member of the crew of a vessel on the navigable waters of the United States.

Paragraph (5) continues the existing exception of 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.

Paragraph (6) continues the exemption of service performed in the employ of the United States, but with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within the unemployment tax provisions certain Federal instrumentalities not falling within clause (A) or (B) above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) excepts services of employees covered by the railroad unemployment insurance system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to such system even though the individual receives remuneration in a form (e. g., tips) not recognized as compensation under the Railroad Unemployment Insurance Act, and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segrega-

tion of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social security system and the railroad unemployment insurance system.

Paragraphs (10) to (13), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis of such paragraphs see pp. 47–49 of this report.

Section 1607 (d): This section relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad unemployment-insurance system.

Section 1607 (e), defining "State agency," makes no change in the existing definition of that term.

Definition of unemployment fund.

Section 1607 (f): This definition is amended by adding two new sentences. The first of these added sentences is a clarifying amendment providing that all sums standing to the credit of the State in the (Federal) unemployment-trust fund and money withdrawn from that fund by the State but unexpended shall constitute a part of the State fund. This removes any possible doubt whether such moneys remain a part of the State fund. The second added sentence provides that an unemployment fund shall be deemed to be maintained during a taxable year only if no part of the moneys of such fund was expended for purposes other than payment of unemployment compensation and refunds of sums erroneously paid into the fund. This provision, in conjunction with an amendment to section 1601 (a) (see supra, sec. 609), makes it clear that an employer is entitled to credit against the Federal tax only so long as the State uses its fund for a proper purpose.

Definition of contributions.

Section 1607 (g): This provision is changed so as to avoid use of defined terms and thus to include in the term "contributions" payments required by a State law with respect to services not covered by the Federal law.

Definition of compensation.

Section 1607 (h): No change in existing law is made in this definition.

Definition of employee.

Section 1607 (i): The term "employee" is defined as in existing law to include an officer of a corporation. Although the term is not broadened with respect to salesmen as was done in the definition for purposes of old-age insurance coverage, the tests for determining the employer-employee relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied.

By the amendment to subsection (c), contained in paragraph (10) (A) thereof, uncompensated officers of any organization exempt from income tax under section 101 of the Internal Revenue Code are excluded from the count in determining whether the organization is

an employer of eight or more and liable for the tax. However, uncompensated officers of corporations not so exempt are not excluded for purposes of such determination merely because they are uncompensated.

Section 1607 (j) and (k), defining the terms "State" and "person," respectively, make no change in the existing definitions of those terms.

Definition of agricultural labor.

Section 1607 (l) is identical with section 209 (l) of the Social Security Act. For detailed analysis of such section see p. 51 of this report.

Section 615: This section inserts a new section in subchapter C of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Unemployment Tax Act."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR AID TO THE BLIND

Section 701: This section amends section 1002 (a) of the Social Security Act. Section 1002 (a) sets out certain basic requirements which a State plan for aid to the blind must meet in order to be approved by the Social Security Board.

Section 701 (a) amends clause (5) so as to make it clear that the methods of administration of the State plan must be proper as well as efficient.

Section 701 (b) adds a new clause, numbered (8), which is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming aid to the blind. It also adds a new clause, numbered (9), effective July 1, 1941, which requires that the State plan must 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. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO THE BLIND

Section 702: This section amends section 1003 of the Social Security Act.

Subsection (a) of section 1003 is amended so that its provisions will conform with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to *needy* individuals who are blind.

Subsection (b) (2) is amended so as to provide that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan.

A proviso eliminates from consideration for the purpose of determining the amount of the offset any amount recovered from the estate of a deceased recipient which is not in excess of the amount expended

by the State for the funeral expenses of such deceased recipient, in accordance with the State public-assistance law upon which the plan is based. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act.

Section 703: This section amends section 1006 so as to conform its provisions with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to blind individuals who are *needy.*

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

DEFINITION OF EMPLOYEE AND OF EMPLOYER

Section 801: Subsection (a) amends the definition of "State" contained in section 1101 (a) of the Social Security Act so as to include Puerto Rico for the purposes of titles V and VI of such act.

Subsection (b) amends paragraph (6) of such section 1101 (a) by inserting two new definitions which are applicable to title II of the act.

Identical definitions appear in the amendments to section 1426 of the Federal Insurance Contributions Act.

The amendments to the definition of employee relate to salesmen. In some instances where remuneration is by way of commission and the services are performed away from the place of business of the person for whom they are performed, the individual performing the services is held to be an employee, while in others he is held not to be an employee.

A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied. In certain cases even the most liberal view as to the existence of the employer-employee relationship will fall short of covering individuals who should be covered, for example, certain classes of salesmen.

In the case of salesmen, it is thought desirable to extend coverage even where all of the usual elements of the employer-employee relationship are wholly lacking and where accordingly even under the liberal application of the law the court would not ordinarily find the existence of the master-and-servant relationship.

It is the intention of this amendment to set up specific standards so that individuals performing services as salesmen may be uniformly covered without the necessity of applying any of the usual tests as to the relationship of employer and employee.

A salesman in business as a broker or factor is excluded if the services are performed as part of such business, and, in furtherance of such business, similar services are performed for other persons and one or more employees of such salesman perform a substantial part of such services; and an individual whose services as a salesman are casual services, not in the course of such individual's principal trade, business, or occupation, is not included in the definition. This definition is not intended to affect the employer-employee status of a salesman and the employee of such salesman. Thus, the business chauffeur

who has been an employee of a salesman will remain solely the employee of such salesman.

The definition of employer is to follow the definition of employee. It is for the purpose of making clear that the extension of the broadened employee concept also broadens the employer concept. Thus, where a salesman is held to be an employee, the person for whom the salesman performs the services is the employer. For example, an insurance solicitor who executes a contract with an insurance company under which he performs services as a salesman would be the employee of the insurance company and not of the general agent of the company.

PENALTY SECTIONS

Section 802: This section amends title XI of the Social Security Act by adding the following two sections:

Disclosure of information in possession of Board.

Section 1106: This section prohibits the disclosure, except pursuant to Board regulations, of any returns or statements filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act, or regulations thereunder, which have been transmitted by the Commissioner to the Board. The prohibition against disclosure, except pursuant to Board regulations, also extends to any file, record, report, paper, or information obtained by the Board or any of its officers or employees in the course of official duties, and any such material obtained by any person from the Board or any of its officers or employees. Violation of the prohibition is punishable as a misdemeanor.

Penalty for fraud and misuse of Board's name.

Section 1107 (a) provides that anyone who makes any false representation, with intent to defraud any person, knowing the representation to be false, concerning the requirements of this act, or the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, shall be guilty of a misdemeanor.

Section 1107 (b) provides that anyone who, with intent to obtain information as to the date of birth, employment, wages, or benefits of any individual, falsely represents to the Board that he is such individual or the wife, parent, or child of such individual, or such individual's agent, or the agent of such wife, parent, or child, or falsely represents to any person that he is an employee or agent of the United States, shall be guilty of a misdemeanor.

TITLE IX—MISCELLANEOUS PROVISIONS

Section 901: This section makes clear that the amendment of title III of the Social Security Act and section 1603 of the Internal Revenue Code shall not be construed to amend or alter those provisions of the Railroad Unemployment Insurance Act which provide limited exceptions to the provisions of section 303 (a) (4) and (5) of the Social Security Act and 1603 (a) (3) and (4) of the Internal Revenue Code.

Section 902: Subsections (a), (b), (c), and (d) substantially liberalize the conditions of allowance of credit against the Federal unemployment tax imposed by title IX of the Social Security Act for the years 1936, 1937, and 1938. Your committee recognizes that the periodical granting of relief after the close of the taxable year affected would destroy the effectiveness of the conditions of allowance of the credit

provided in permanent law and would prove costly in that it would call for the reopening and reconsideration of cases previously closed, the adjustment of claims, the abatement of assessments, and the payment of refunds. However, the need should not arise in the future for granting relief of the type provided in the present section, since substantial liberalization for 1939 and subsequent years is provided in section 609 of the bill, amending section 1601 (a) of the Internal Revenue Code.

Subsection (a) provides for the allowance of credit against the tax for 1936, 1937, or 1938, for contributions paid to the State for such year before the sixtieth day after the date of enactment of this act. Under section 810 of the Revenue Act of 1938 taxpayers were allowed credit against the tax for 1936 for contributions paid before July 27, 1938. Since a few taxpayers did not take advantage of that relief provision, it is felt desirable to include credit against the tax for 1936 in the present provisions. Thus, the same final date for paying contributions to the State, in order to secure credit against the tax—namely, the fifty-ninth day after the date of enactment of this act—is provided for the tax for each of the 3 past years during which the tax has been in effect.

Under clause (2) of subsection (a) credit is allowable for contributions paid on or after the sixtieth day after the date of enactment of this act with respect to wages paid after the fortieth day after such date of enactment. This is designed to permit credit in cases in which, because the "wages payable" basis of the tax for the years 1936, 1937, and 1938 is still retained, credit would otherwise be lost since some wages are still being paid with respect to those years, and it may not be possible to estimate the amount thereof or the amount thereof may have been underestimated.

Clause (3) of subsection (a) permits credit for contributions paid to the State, without regard to the date of payment, if the assets of the taxpayer are in the custody or control of a fiduciary appointed by, or under the control of, a court of competent jurisdiction at any time during the 59-day period following the date of enactment.

Subsection (b) of this section makes the same provision with respect to the taxable years 1936, 1937, and 1938 as are made in section 1601 (a) (4) of the Internal Revenue Code, as amended, for the taxable year 1939 and thereafter for cases in which the taxpayer pays his contributions to the wrong State. (See sec. 609, supra.)

Subsection (c) preserves the definitions of section 907 of the Social Security Act, the 90-percent maximum credit against the Federal tax, and other provisions of title IX of the Social Security Act, essential to the operation of the relief provisions in subsections (a), (b), and (h) of this section for the taxable years 1936, 1937, and 1938.

Subsection (d) provides for refund of any tax (including penalties and interest) which has been collected but with respect to which credit is allowable under this section. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Subsection (e) of this section is designed to permit credit against the tax for the years 1940, 1941, and 1942 if in those years wages are paid for services rendered after December 31, 1938, but during a year prior to that in which payment occurs, and contributions with respect to such wages have not been credited against the tax for any prior

taxable year. This provision relieves cases of hardship which might arise by reason of the change in the basis of the Federal tax from "wages payable" to "wages paid." (See sec. 608, supra.)

Subsection (f) is designed to make retroactive to the date of enactment of the Social Security Act the exemptions from Federal insurance and unemployment compensation coverage contained, respectively, in amended sections 209 (b) (11) and (12) of the Social Security Act and amended sections 1426 (b) (11) and (12) and 1607 (c) (11) and (12) of the Internal Revenue Code of service in the employ of foreign governments and certain of their instrumentalities. If any tax (including interest and penalties) has been collected with respect to service thus exempt, it is to be refunded, without allowance of interest, in accordance with the provisions of law (including statutes of limitations) applicable in the case of erroneous or illegal collection of the tax.

Subsection (g) provides that no lump-sum payments shall be made under the provisions of section 204 of the Social Security Act after the date of the enactment of this bill, except to the estate of an individual who dies prior to January 1, 1940.

Subsection (h) grants relief to taxpayers as well as States in cases in which the highest court of a State has held contributions paid under the State law with respect to the taxable years 1936 or 1937 not to have been required payments under the State law. For example, certain States enacted their unemployment compensation laws during the latter portion of 1936, levying contributions thereunder retroactively with respect to services performed on and after January 1 of that year. State taxpayers in good faith paid such contributions and claimed and received credit therefor against their Federal tax. If sometime later, the retroactive imposition of such contributions is held by the highest court of such State to have been invalid, such taxpayers may be entitled to refunds under the State law, but by virtue of that fact, such taxpayers also become liable for the full Federal tax with respect to such year.

Under this subsection, so much of any such payments as are not refunded to the taxpayer may be credited against the tax imposed by section 901 of the Social Security Act for the calendar year 1936 or 1937. Moreover, if, in the example cited, the State had paid benefits with respect to unemployment occurring during 1938, this section safeguards the status of the State law under section 903 of the Social Security Act by providing that so much of such payments as are not returned to the taxpayer shall be considered "contributions" for the purposes of that section. This section also postpones the periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code in the case of the tax for 1936 or 1937 of any such taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

Section 903: This section amends section 1430 of the Internal Revenue Code by striking out the reference therein to section 3762 of the code and inserting in lieu thereof a reference to section 3661. The change merely corrects a typographical error made in section 1430 when the code was enacted.

Changes in Existing Law

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is shown in

line type; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

That this Act may be cited as the "Social Security Act Amendments of 1939."

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; ~~and~~ (7) ~~provide that if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title~~ *effective July 1, 1941, provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance; and (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.*"

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 ~~July 1, 1935~~ *January 1, 1940*, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each *needy* individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds ~~$30~~ *$40*, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose: ~~*Provided*, That the State plan, in order to be approved by the Board, need not provide for financial participation before July 1, 1937, by the State, in the case of any State which the Board, upon application by the State and after reasonable notice and opportunity for hearing to the State, finds is prevented by its constitution from providing such financial participation~~.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (*A*) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the

State under clause (1) of 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 Board, 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 ~~sum has~~ *sums have* been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to *needy* aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

~~"TITLE II—FEDERAL OLD-AGE BENEFITS~~

~~"OLD-AGE RESERVE ACCOUNT~~

~~"SECTION 201. (a) There is hereby created an account in the Treasury of the United States to be known as the 'Old-Age Reserve Account' hereinafter in this title called the 'Account'. There is hereby authorized to be appropriated to the Account for each fiscal year, beginning with the fiscal year ending June 30, 1937, an amount sufficient as an annual premium to provide for the payments required under this title, such amount to be determined on a reserve basis in accordance with accepted actuarial principles, and based upon such tables of mortality as the Secretary of the Treasury shall from time to time adopt, and upon an interest rate of 3 per centum per annum compounded annually. The Secretary of the Treasury shall submit annually to the Bureau of the Budget an estimate of the appropriations to be made to the Account.~~

~~"(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the Account 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, 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 part of special obligations exclusively to the Account. Such special obligations shall bear interest at the rate of 3 per centum per annum. Obligations other than such special obligations may be acquired for the Account only on such terms as to provide an investment yield of not less than 3 per centum per annum.~~

~~"(c) Any obligations acquired by the Account (except special obligations issued exclusively to the Account) 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 Account shall be credited to and form a part of the Account.~~

~~"(e) All amounts credited to the Account shall be available for making payments required under this title.~~

~~"(f) The Secretary of the Treasury shall include in his annual report the actuarial status of the Account.~~

~~"OLD-AGE BENEFIT PAYMENTS~~

~~"SEC. 202. (a) Every qualified individual (as defined in section 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of sixty-five, or on January 1, 1942, whichever is the later, and ending~~

on the date of his death, an old-age benefit (payable as nearly as practicable in equal monthly installments) as follows:

"(1) If the total wages (as defined in section 210) determined by the Board to have been paid to him, with respect to employment (as defined in section 210) after December 31, 1936, and before he attained the age of sixty-five, were not more than $3,000, the old-age benefit shall be at a monthly rate of one-half of 1 per centum of such total wages;

"(2) If such total wages were more than $3,000, the old-age benefit shall be at a monthly rate equal to the sum of the following:

"(A) One-half of 1 per centum of $3,000; plus

"(B) One-twelfth of 1 per centum of the amount by which such total wages exceeded $3,000 and did not exceed $45,000; plus

"(C) One-twenty-fourth of 1 per centum of the amount by which such total wages exceed $45,000.

"(b) In no case shall the monthly rate computed under subsection (a) exceed $85.

"(c) If the Board finds at any time that more or less than the correct amount has theretofore been paid to any individual under this section, then, under regulations made by the Board, proper adjustments shall be made in connection with subsequent payments under this section to the same individual.

"(d) Whenever the Board finds that any qualified individual has received wages with respect to regular employment after he attained the age of sixty-five, the old-age benefit payable to such individual shall be reduced, for each calendar month in any part of which such regular employment occurred, by an amount equal to one month's benefit. Such reduction shall be made, under regulations prescribed by the Board, by deductions from one or more payments of old-age benefit to such individual.

"PAYMENTS UPON DEATH

"SEC. 203. (a) If any individual dies before attaining the age of sixty-five, there shall be paid to his estate an amount equal to 3½ per centum of the total wages determined by the Board to have been paid to him, with respect to employment after December 31, 1936.

"(b) If the Board finds that the correct amount of the old-age benefit payable to a qualified individual during his life under section 202 was less than 3½ per centum of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which such 3½ per centum exceeds the amount (whether more or less than the correct amount) paid to him during his life as old-age benefit.

"(c) If the Board finds that the total amount paid to a qualified individual under an old-age benefit during his life was less than the correct amount to which he was entitled under section 202, and that the correct amount of such old-age benefit was 3½ per centum or more of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which the correct amount of the old-age benefit exceeds the amount which was so paid to him during his life.

"PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

"SEC. 204. (a) There shall be paid in a lump sum to any individual who, upon attaining the age of sixty-five, is not a qualified individual, an amount equal to 3½ per centum of the total wages determined by the Board to have been paid to him, with respect to employment after December 31, 1936, and before he attained the age of sixty-five.

"(b) After any individual becomes entitled to any payment under subsection (a), no other payment shall be made under this title in any manner measured by wages paid to him, except that any part of any payment under subsection (a) which is not paid to him before his death shall be paid to his estate.

"AMOUNTS OF $500 OR LESS PAYABLE TO ESTATE

"SEC. 205. If any amount payable to an estate under section 203 or 204 is $500 or less, such amount may, under regulations prescribed by the Board, be paid to the persons found by the Board to be entitled thereto under the law of the State in which the deceased was domiciled, without the necessity of compliance with the requirements of law with respect to the administration of such estate.

"OVERPAYMENTS DURING LIFE

"SEC. 206. If the Board finds that the total amount paid to a qualified individual under an old-age benefit during his life was more than the correct amount to which he was entitled under section 202, and was 3½ per centum or more of the total wages by which such old-age benefit was measurable, then upon his death there shall be repaid to the United States by his estate the amount, if any, by which such total amount paid to him during his life exceeds whichever of the following is the greater: (1) Such 3½ per centum, or (2) the correct amount to which he was entitled under section 202.

"METHOD OF MAKING PAYMENTS

"SEC. 207. The Board shall from time to time certify to the Secretary of the Treasury the name and address of each person entitled to receive a payment under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, shall make payment in accordance with the certification by the Board.

"ASSIGNMENT

"SEC. 208. 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. 209. Whoever in any application for any payment under this title makes any false statement as to any material fact, knowing such statement to be false, shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

DEFINITIONS

"SEC. 210. When used in this title—

"(a) 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 that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

"(b) The term 'employment' means any service, of whatever nature, performed within the United States by an employee for his employer, except—

"(1) Agricultural labor;

"(2) Domestic service in a private home;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;

"(5) Service performed in the employ of the United States Government or of an instrumentality of the United States;

"(6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

"(7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

"(c) The term 'qualified individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) He is at least sixty-five years of age; and

"(2) The total amount of wages paid to him, with respect to employment after December 31, 1936, and before he attained the age of sixty-five, was not less than $2,000; and

"(3) Wages were paid to him, with respect to employment on some five days after December 31, 1936, and before he attained the age of sixty-five, each day being in a different calendar year."

"TITLE II—FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

"SEC. 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 Survivor Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivor Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered

into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, such individual was not living with or contributing to the support of such child and—

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

"(B) such child has been adopted by some other individual, or

"(C) such child, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such window.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insurea individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of 18, if such parent (A) has attained the age of 65, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such benefit or total benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount.

"(b) Whenever the benefit or total of benefits under section 202 (or as reduced under subsection (a)), payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit shall be proportionately decreased or increased, as the case may be.

"(d) Deductions shall be made from any payment under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's

insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual whose benefits are subject to deduction under subsection (d) or (e), because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: Provided, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board 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 Board 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, 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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(4) Dismissal payments which the employer is not legally required to make; or

"(5) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to such date (except service performed by an individual after he attained the age of sixty-five), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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.

"(c) 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50, and

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by twelve times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of twenty-two during which he was paid less than $200 of wages; but in no case shall such total wages be divided by a number less than thirty-six.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age sixty-five prior to 1940, and

"(B) he has not less than two years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–1945, inclusive, he attained the age of sixty-five or died before attaining such age, and

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or

"(4) he had at least fifteen years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died.

"(l) 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry. or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

"(m) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Board shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the

courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under ~~Title IX~~ *the Federal Unemployment Tax Act*, such amounts as the Board determines to be necessary for the proper *and efficient* administration of such law during the fiscal year ~~in~~ *for* which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper *and efficient* administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under ~~Title IX~~ *the Federal Unemployment Tax Act*, includes provision for—

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices ~~in the State~~ or such other agencies as the Board 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 1606* (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

"(5) Expenditure of all money ~~requisitioned by the State agency from the Unemployment Trust Fund~~ *withdrawn from an unemployment fund of such State*, in the payment of unemployment compensation, exclusive of expenses of administration, *and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606* (b) *of the Federal Unemployment Tax Act*; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such ~~law.~~ *law; and*

"*(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and*

"*(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law.*"

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the *proper and* efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) *provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children*".

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (*A*) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan;* except *that such increases or reductions shall not be made* to the extent that such ~~sum has~~ *sums have* been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a *needy* child under the age of sixteen, *or under the age of eighteen if found by the State agency to be regularly attending school*, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;"

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

SEC. 501. Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the *proper and* efficient operation of the plan."

SEC. 502. Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the *proper and* efficient operation of the plan."

SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to ~~employment~~ *wages received* during the calendar ~~year~~ *years* 1939, *1940, 1941, and 1942*, the rate shall be 1 per centum.

~~"(2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ per centum.~~

"~~(3)~~ (2) With respect to ~~employment~~ *wages received* during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"~~(4)~~ (3) With respect to ~~employment~~ *wages received* during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"~~(5)~~ (4) With respect to ~~employment~~ *wages received* after December 31, 1948, the rate shall be 3 per centum."

SEC. 602. Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any ~~wage~~ payment *of remuneration,* ~~then, under regulations made under this sub-chapter,~~ proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, ~~in connection with subsequent wage payments to the same individual by the same employer~~ *in such manner and at such times as may be prescribed by regulations made under this subchapter.*"

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"*(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.*

"*(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5.*"

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to ~~employment~~ *wages paid* during the calendar ~~year~~ *years* 1939, *1940, 1941, and 1942,* the rate shall be 1 per centum.

"~~(2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ per centum.~~

"~~(3)~~ (2) With respect to ~~employment~~ *wages paid* during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"~~(4)~~ (3) With respect to ~~employment~~ *wages paid* during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"~~(5)~~ (4) With respect to ~~employment~~ *wages paid* after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any ~~wage~~ payment *of remuneration,* ~~then, under regulations made under this subchapter,~~ proper adjustments with respect to the tax shall be made, without interest, ~~in connection with subsequent wage payments to the same individual by the same employer~~ *in such manner and at such times as may be prescribed by regulations made under this subchapter.*"

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar ~~year.~~ *year;*

"*(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;*

"*(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or*

"*(4) Dismissal payments which the employer is not legally required to make.*

"(b) EMPLOYMENT.—The term 'employment' means any service *performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service,* of whatever nature, performed *after December 31, 1939, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A)* within the United States, ~~by an employee for his employer,~~ *or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States,* except—

"(1) Agricultural labor (*as defined in subsection (i) of this section*);

"(2) Domestic service in a private home, *local college club, or local chapter of a college fraternity or sorority*;

"(3) Casual labor not in the course of the employer's trade or business;

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

"(5) ~~Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;~~ *Service performed on or in connection with a vessel not an American vessel by an employee, if the employee is employed on and in connection with such vessel when outside the United States;*

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States *which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;*

"(7) Service performed in the employ of a State, ~~a~~ *or any* political subdivision thereof, or ~~an~~ *any* instrumentality of ~~one or more States or political subdivisions~~ *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 1410;*

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, *and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;*

"(9) Service performed by an individual as an employee *or employee representative* as defined in section 1532 ~~(b)~~; ~~or~~

"(10) ~~Service performed as an employee representative as defined in section 1532 (c)~~ *(A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—*

"*(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board and tuition);

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

"(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' coarse in a medical school chartered or approved pursuant to State law.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"~~(c)~~ (d) EMPLOYEE.—~~The term 'employee' includes an officer of a corporation.~~ The term 'employee' includes any officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement of agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such persons' trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (2) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(e) EMPLOYER.—The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.

"~~(d)~~ (f) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"~~(e)~~ (g) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(h) *AMERICAN VESSEL.—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.*

"(i) AGRICULTURAL LABOR.—*The term 'agricultural labor' includes all services 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.*

"*(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.*

"*(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.*

"*(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.*

"*As used in this subsection, 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.*"

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"*SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'.*"

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"~~On and after January 1, 1939,~~ Every employer (as defined in section 1607 (a)) shall pay for ~~each~~ *the* calendar year *1939 and for each calendar year thereafter* an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) ~~payable~~ *paid* by him ~~(regardless of the time of payment)~~ *during the calendar year* with respect to employment (as defined in section 1607 (c)) ~~during the calendar year 1939 and subsequent calendar years~~ *after December 31, 1938.*"

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, *to the extent provided in this subsection and subsection (c)*, credit against the tax imposed by section 1600 the amount of contributions~~, with respect to employment during the taxable year,~~ paid by him ~~(before the date of filing his return for the taxable year)~~ into an unemployment fund ~~under a State law~~ *maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.* ~~Credit shall be allowed only for contributions made under the laws of States certified for the taxable year as provided in section 1603. The total credit allowed to a taxpayer under this subsection for all contributions paid into unemployment funds with respect to employment during such taxable year shall not exceed 90 per centum of the tax against which it is credited.~~

"(2) *The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.*

"(3) *The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.*

"(4) *Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.*

"(5) *Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.*

"(b) ADDITIONAL CREDIT.—

~~"(1) ALLOWANCE.—In addition to the credit allowed under subsection (a), a taxpayer may, subject to the conditions imposed by section 1602, credit against the tax imposed by section 1600 for any taxable year, an amount, with respect to each State law, equal to the amount, if any, by which the contributions, with respect to employment in such taxable year, actually paid by the taxpayer under such law before the date of filing his return for such taxable year, is exceeded by whichever of the following is the lesser—~~

~~"(A) The amount of contributions which he would have been required to pay under such law for such taxable year if he had been subject to the highest rate applicable from time to time throughout such year to any employer under such law; or~~

~~"(B) Two and seven-tenths per centum of the wages payable by him with respect to employment with respect to which contributions for such year were required under such law.~~

~~"(2) REDUCTION.—If the amount of the contributions actually so paid by the taxpayer is less than the amount which he should have paid under the State law, the additional credit under subsection (b) shall be reduced proportionately.~~

In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 per centum.

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are ~~taken~~ *allowable.*"

SEC. 610. (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) ~~CONTRIBUTIONS WITHIN RECOGNIZED STATE LAW REQUIREMENTS~~ *STATE STANDARDS.*—A taxpayer shall be allowed ~~the~~ *an* additional credit under section 1601 (b) ~~and (c)~~, with respect to ~~his contribution rate under a State law being lower, for any taxable year, than that of another employer subject to such law~~ *any reduced rate of contributions permitted by a State law*, only if the Board finds that under such law—

"*(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and*

"~~(1) Such lower~~ *(2) No reduced* rate~~, with respect to~~ *of* contributions to a pooled fund *or to a partially pooled account*, is permitted *to a person (or group of persons) having individuals in his (or their) employ except* on the basis of ~~not less than his~~ *(or their)* ~~three years of compensation~~ experience *with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date; or*

"~~(2) Such lower~~ *(3) No reduced* rate~~, with respect to~~ *of* contributions to a guaranteed employment ~~account,~~ *account* is permitted *to a person (or a group of persons) having individuals in his (or their) employ* ~~only when~~ *unless (A)* ~~his~~ *the* guaranty of ~~employment~~ *remuneration* was fulfilled in the *year* preceding *the computation date;* ~~calendar year,~~ and *(B) the balance of* such ~~guaranteed employment~~ account amounts to not less than ~~7½~~ *2½* per centum of *that part of the pay roll or pay rolls* ~~the total wages payable by him, in accordance with such guaranty, with respect to employment in such State in the preceding calendar year~~ *for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; or*

"~~(2)~~ *(4)* Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"*(5) Effective January 1, 1942, paragraph (4) of this subsection is amended to read as follows:*

"*'(4) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'*

~~"(b) OTHER CONTRIBUTIONS.—Such additional credit shall be reduced, if any contributions under such law are made by such taxpayer at a lower rate under conditions not fulfilling the requirements of subsection (a), by the amount bearing the same ratio to such additional credit as the amount of contributions made at such lower rate bears to the total of his contributions paid for such year under such law.~~

"*(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—*

"*(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and*

"*(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:*

"(A) *the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,*

"(B) *no such individual will be required to have been totally unemployed for longer than two calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,*

"(C) *the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and*

"(D) *compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and*

"(3) *Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.*

"(c) CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) *On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) or (b) of this section.*

"(2) *If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) or (b) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) or (b) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (d) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) or (b) of this section.*

"(3) *The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (d) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) or (b) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) or (b) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.*

"~~(c)~~ (d) DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, *maintained* with respect to ~~an employer or group of~~

~~employers~~ *a person (or group of persons) having individuals in his (or their) employ,* from which *account, unless such account is exhausted, is paid all and only* compensation ~~is~~ payable *on the basis of services performed for such person (or for one or more of the persons comprising the group)* ~~only with respect to the unemployment of individuals who were in the employ of such employer, or one of the employers comprising the group.~~

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (*other than a reserve account or a guaranteed employment account) into* ~~in~~ which ~~all contributions~~ *the total contributions of persons contributing thereto are payable, in which all contributions* are mingled and undivided, and from which compensation is payable to all ~~eligible~~ individuals~~, except that to individuals last employed by employers with respect to whom reserve accounts are maintained by the State agency, it is payable only when such accounts are exhausted~~ *eligible for compensation from such fund.*

"*(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.*

"~~(3)~~ (*4*) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, ~~of contributions paid by an employer (or group of employers)~~ *maintained with respect to a person (or group of persons) having individuals in his (or their) employ* who, *in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,*

"(A) guarantees in advance *at least* thirty hours of ~~wages~~ *work, for which remuneration will be paid at not less than stated rates,* for each of forty ~~calendar~~ weeks (or *if* more, ~~with~~ one weekly hour *may be* deducted for each added week guaranteed) in ~~twelve months~~ *a year,* to all the individuals *who are* in his (*or their*) employ~~,~~ *in, and who continue to be available for suitable work* in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within ~~twelve~~ *the eleven* or less consecutive ~~calendar~~ weeks *immediately following the first week in which the individual renders services*), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties,

from which account, *unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to* ~~compensation shall be payable with respect to the unemployment of~~ any such individual whose *guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose* guaranty is not ~~fulfilled or~~ renewed and who is otherwise eligible for compensation under the State law.

~~"(4)~~ (*5*) ~~YEAR OF COMPENSATION EXPERIENCE~~ *YEAR.—*~~The term 'year of compensation experience', as applied to an employer, means any calendar year throughout which compensation was payable with respect to any individual in his employ who became unemployed and was eligible for compensation~~ *The term 'year' means any twelve consecutive calendar months.*

"*(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1939, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1939.*

"*(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.*

"*(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed.*"

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices ~~in the State~~ or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (*except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)*) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the ~~Unemployment Trust Fund by the State agency~~ *unemployment fund of the State* shall be used solely in the payment of *unemployment* compensation, exclusive of expenses of administration, *and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b)*;"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ~~sixty~~ *ninety* days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE *AND FEDERAL INSTRUMENTALITIES.*

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate *or foreign* commerce, or that the State law does not distinguish between employees engaged in interstate *or foreign* commerce and those engaged in intrastate commerce.

"(b) *The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the taxes imposed by sections 1410 and 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.*

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; *except that such term shall not include—*

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service *performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service,* of whatever nature, performed *after December 31, 1939,* within the United States by an employee ~~for his employer~~ *for the person employing him, irrespective of the citizenship or residence of either,* 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) Casual labor not in the course of the employer's trade or business;

"~~(3)~~ *(4)* Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States;

"~~(4)~~ *(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 twenty-one in the employ of his father or mother;

"~~(5)~~ *(6)* Service performed in the employ of the United States Government or of an instrumentality of the United States *which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;*

"~~(6)~~ *(7)* Service performed in the employ of a State, *or any* political subdivision thereof, or ~~an~~ *any* instrumentality of ~~one or more States or political subdivisions~~ *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 1600;*

"~~(7)~~ *(8)* Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, *and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;*

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(e) STATE AGENCY.—The term 'State Agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency

in the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made ~~by an employer~~ into an unemployment fund *by any person on account of having individuals in his employ*, to the extent that such payments are made by him without ~~any part thereof~~ being deducted or deductible from the ~~wages~~ *remuneration* of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) *AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—*

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

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the *proper and* efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "*(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; and (9) provide safeguards which restrict the use or disclosure of information concern-*

ing applicants and recipients to purposes directly connected with the administration of aid to the blind".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing ~~July 1, 1935~~ *January 1, 1940*, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each *needy* individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (*A*) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan;* except *that such increases or reductions shall not be made* to the extent that such ~~sum has~~ *sums have* been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter*: Provided, That any part of the amount recovered fom 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals *who are needy.*"

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940—

(a) clause (1) of section 1101 (a) of such Act is amended to read as follows: "(1) The term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, *and when used in Titles V and VI of such Act (including sec. 531) includes Puerto Rico.*"

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

~~(6) The term "employee" includes an officer of a corporation.~~

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such

person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act.

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying

contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

SUPPLEMENTAL VIEWS OF THE REPUBLICAN MINORITY

This statement is submitted, not in opposition to the pending bill, but supplemental to the committee report.

While the bill in no sense represents a complete or satisfactory solution of the problem of social security, it at least makes certain improvements in the present law (some of which we have ourselves heretofore suggested) which we believe justify us in supporting it despite its defects.

ELIMINATION OF $47,000,000,000 RESERVE

We particularly commend the abandonment of the staggering and illusory $47,000,000,000 reserve fund for old-age insurance, which we have criticized from the very beginning as being unnecessary, misleading, and dangerous. The substitution of a pay-as-you-go system, with a moderate contingent reserve, as provided by the bill, is in line with what the Republican minority has always advocated. It is in accord with the Republican platform of 1936, and with the recommendations made in January 1937, by the minority group which was named by the Republicans of both branches of Congress to study the question of social security, composed of Senators Vandenberg and Townsend, and Congressmen Reed of New York and Jenkins. The recommendations of the latter group led to the appointment by the Senate Finance Committee and the Social Security Board of the Advisory Council on Social Security, which in December 1938, submitted a report suggesting many of the changes made by the pending bill, including the establishment of the pay-as-you-go policy. Those serving on the Advisory Council included outstanding businessmen, labor leaders, and experts in the field of social problems.

Republicans in both branches may deservedly be proud of the part they have played in calling to the attention of the country the dangers and burdens inherent in the present reserve structure, and in bringing about the changes proposed. The action taken by the committee is an acknowledgment of the soundness of the major Republican criticism of the existing law.

While an attempt is made under the bill to assure the workers of the country that the money they contribute through pay-roll taxes will be kept in a separate trust fund, the fact is that the amended provisions governing the investment of the reserve make little change in the present provisions. The Secretary of the Treasury, as managing trustee of the fund, will still be able to use the pay-roll tax contributions for current governmental purposes simply by continuing to place in the fund special bonds (that is, Government I O U's), as is now being done. Although the Secretary is required to first attempt to buy outstanding obligations for investment of the reserve fund, this provision is negatived by the further provision that he need not

do so if in his opinion the public interest requires that he issue the special bonds (I O U's). Probably at no time will the Secretary ever deem it expedient to buy bonds in the open market, which means that the present practice of issuing I O U's to the fund and using the trust money for general governmental purposes will be continued unabated. The only redeeming feature is that with the abandonment of the $47,000,000,000 reserve, and the substitution of a contingent reserve of not to exceed three times the highest annual benefit payments during the succeeding 5 years, there will not be as much money as otherwise for the Treasury to make use of for current extravagances.

ELIMINATION OF CONTEMPLATED INCREASE IN PAY-ROLL TAX UNDER TITLE VIII

As a consequence of the abandonment of the $47,000,000,000 reserve fund, a 3-year delay in the scheduled increase in the old-age insurance pay-roll tax has been made possible. Under existing law, the tax under title VIII would automatically increase next year to 1½ percent each on employers and employees instead of 1 percent on each as at present. Under the pending bill, the 1-percent rate will be continued for 3 more years, thus eliminating the immediate threat of higher pay-roll taxes.

There is no question but what the present schedule of pay-roll taxes is excessive, and that these taxes constitute a powerful deterrent to business recovery. They put a direct penalty on employment and reduce the purchasing power of millions upon millions of employed persons. We heartily approve the reduction proposed by the bill, which will result in considerable relief to business and at the same time permit employed persons to retain for their own purposes a larger portion of their pay envelopes. The postponement of the scheduled increase in the pay-roll tax was one of the principal recommendations made in January 1937 by the Republican group to which we have previously referred. It, of course, was an essential feature of the pay-as-you-go policy advocated by the Republican members of both branches.

It is estimated that as a result of the postponement of the tax increase, there will be a saving to employers and employees of $275,000,000 annually, or a total of $825,000,000 over the 3-year period 1940–42. This amount will go into the channels of trade instead of into the Treasury to be squandered by the present administration.

UNEMPLOYMENT-INSURANCE TAX RELIEF

No less important to business are the tax savings made possible by the changes proposed in the unemployment insurance title. Under the established policy of providing unemployment insurance under State laws, with a uniform rate of tax despite varying conditions of unemployment, reserve funds have been built up in many States to needlessly large amounts. We feel that there is no justification for continuing to extract from business more unemployment taxes than are necessary to meet current outlays in each State and maintain a reasonable reserve. It is essential that some plan be put into effect which will result in adjusting revenues to benefits, and prevent the piling up of even greater reserves as business conditions improve and receipts from the tax increase.

At the instance of Governor Saltonstall and the Massachusetts unemployment compensation authorities, the committee has adopted a plan whereby those States which have ample reserves may reduce their unemployment tax below the 2.7 percent level now prevailing. This plan is explained in detail in the report of the full committee.

According to information given the committee, all but nine States are now in a position to meet the requirement as to reserves. However, there is fear on the part of many of the State unemployment compensation officials that the standards set up as a condition precedent to reducing the State tax are such as to nullify the possibility of any reduction under the plan. Due to the fact that the proposal was not discussed during the public hearings, and that the specific language of the plan has only been available for examination by the State authorities since May 24, it is possible that some adjustments will have to be made if the hoped for tax reduction is to be realized. These standards were insisted upon by the Social Security Board as a condition to its approval of the plan.

It is estimated that this provision may result in a saving to business of $250,000,000 annually in those States which now have the required reserves. State action will of course be required to put the plan into operation.

In addition, there will be a further saving of $65,000,000 annually because of the limitation of the tax base under title IX to the first $3,000 of each employee's annual earnings, as is now provided under title VIII.

A still further saving will result from the adoption of the Carlson amendment eliminating the so-called 90-percent penalty in cases where the taxpayer failed to pay his State unemployment tax for 1936, 1937, or 1938 in time to get the benefit of the credit against the Federal tax. This will relieve business from unjust and excessive penalties amounting to perhaps $15,000,000.

We strongly favor the foregoing changes, which do not appear to jeopardize the payment of unemployment benefits, or involve any reduction in the amount thereof.

OLD-AGE PENSIONS

Under existing law, pensions to needy persons over 65 are provided under the laws of the several States, the States themselves having full control in fixing the amount thereof, with the Federal Government reimbursing the States for one-half the total sum expended. It is provided, however, that in no case shall the Federal contribution exceed $15 per month per person. In other words, the Federal Government matches the State funds paid out for old-age pensions on a 50–50 basis, and makes no contribution unless there is a like contribution by the State. If a State pays an individual $15 per month, the Federal Government contributes $7.50 of the total. If it pays him $30 per month, the Federal contribution is $15. If it pays $40, the Federal Government contributes the first $15 and the State the balance.

When the original Social Security Act was under consideration in 1935, the Republican minority offered a motion to increase the Federal contribution to a maximum of $20, which, with a like contribution by the State would have provided a pension of $40 per month. This motion was defeated, due to the opposition of the Democratic majority.

The committee, by its action in incorporating such an amendment in the pending bill, has agreed that the change we then proposed is desirable.

Our purpose in offering the original motion was that we considered a pension of $30 per month to be inadequate. Unfortunately, the States have not provided anything approaching even this amount on the average, despite the willingness of the Federal Government to contribute one-half the total. As of March 15, 1939, according to figures submitted by the Social Security Board, the average pension being paid throughout the country was only $19.51. The average payment by States ranged from a low of $6.11 in Arkansas to a high of $32.47 in California. The following table gives the figures for each State:

Average old-age pensions being paid, February 1939, by States with plans approved by the Social Security Board

[Data corrected to Mar. 15, 1939]

	Average amount paid to recipients of old-age assistance
Total	$19.51
Region I:	
Connecticut	24.16
Maine	20.56
Massachusetts	28.46
New Hampshire	23.31
Rhode Island	18.74
Vermont	14.86
Region II:	
New York	24.27
Region III:	
Delaware	10.85
New Jersey	19.51
Pennsylvania	21.25
Region IV:	
District of Columbia	25.52
Maryland	17.47
North Carolina	9.50
Virginia	9.67
West Virginia	13.85
Region V:	
Kentucky	8.69
Michigan	16.97
Ohio	22.54
Region VI:	
Illinois	18.74
Indiana	16.75
Wisconsin	20.98
Region VII:	
Alabama	9.35
Florida	13.80
Georgia	8.62
Mississippi	7.06
Region VII—Continued.	
South Carolina	7.61
Tennessee	13.23
Region VIII:	
Iowa	19.83
Minnesota	20.55
Nebraska	17.37
North Dakota	17.52
South Dakota	19.57
Region IX:	
Arkansas	6.11
Kansas	19.73
Missouri	18.62
Oklahoma	19.89
Region X:	
Louisiana	10.37
New Mexico	11.41
Texas	13.91
Region XI:	
Arizona	26.14
Colorado	29.07
Idaho	21.33
Montana	20.56
Utah	20.56
Wyoming	21.89
Region XII:	
California	32.47
Nevada	26.45
Oregon	21.27
Washington	22.13
Territories:	
Alaska	27.59
Hawaii	12.61

Of course, until the States take action to increase the amount of their old-age pension payments, no benefit to elderly persons will result from the more liberal Federal contribution which the bill provides. However, we hope that this evidence of a willingness on the part of the Federal Government to do its share in bringing about an increase

in old-age pensions will give rise to action by the States along this line. The responsibility is now theirs to see that more adequate pensions are provided.

OLD-AGE RETIREMENT PROVISIONS

Under existing law, provision is made for a Federal system of old-age retirement annuities, under which employed persons (with certain exceptions) are to be paid retirement benefits upon reaching the age of 65. A pay-roll tax, to which we have previously referred, is imposed on such employed persons and their employers for the purpose of financing this retirement scheme. To qualify for retirement benefits, workers must have reached the age of 65 and have contributed to the system for at least 5 years. The first benefits are scheduled to be paid under existing law on January 1, 1942. The present schedule of benefit payments ranges from a minimum of $10 per month to a maximum of $85, based on the worker's total earnings during the years he has been covered under the system. In the case of workers dying before reaching the retirement age, their estates are now paid a lump sum equal to 3½ percent of the total wages earned while the worker was covered, this amount being deemed to be a return of his own contributions under the pay-roll tax. The present law makes no distinction as between married and single workers in the amount of benefits paid. No survivor benefits are provided for except the lump-sum payment above referred to.

Under the bill, it is proposed to revise the present old-age retirement provisions by increasing the benefits in certain directions and decreasing them in other directions, without making any net change in the total cost over the years. We call particular attention to these changes so that it may be fully understood just what is proposed.

The new benefits provided by the bill include the payment of monthly pensions to widows of deceased workers where there are dependent children or where the widow herself is over 65 years of age, and to dependent parents over 65 where there is no widow of the deceased worker and no dependent child.

The bill also proposes to make a distinction between married and single workers by providing a supplemental pension to workers whose wives are over 65.

The details of these proposed new benefits are set forth in the report of the full committee.

Insofar as the workers themselves are concerned, the bill proposes to reduce the eligibility requirement from 5 to 3 years coverage under the system, and to commence the payment of benefits in 1940 instead of 1942. This change has been advocated by the Republican minority for several years. In fact, the report made by the minority group in January 1937, to which we have already called attention, proposed that payments begin on January 1, 1939.

The pending bill also revises the schedule of benefits for retired workers by increasing the amounts payable to all those retiring in the next few years, and reducing the amounts payable in future years to single persons and married men whose wives are under 65. Under existing law, the formula for computing benefits is as follows: One-half of 1 percent of the first $3,000 of total wages earned since the system has been in effect, plus one-twelfth of 1 percent of the next $42,000 of total wages, plus one-twenty-fourth of 1 percent of the bal-

ance. Since only the first $3,000 of each employee's annual wage is taxed, only the first $3,000 of the annual wage is counted in computing benefits.

Under the pending bill, it is proposed to base benefits not on the total earnings of the employee during his working span but upon the average monthly wage earned during that period. The new formula provided under the bill is as follows: Forty percent of the first $50 of the average monthly wage, plus 10 percent of the balance, the total thus obtained to be increased 1 percent for each year in which the worker earned $200 or more since he has been under the system. In other words, if the average monthly wage was $100, and the worker had been under the system for 20 years, his pension would be computed by taking 40 percent of the first $50 (or $20), plus 10 percent of the remaining $50 (or $5), making a total of $25, plus an additional 20 percent for the 20 years covered under the system ($5), or a grand total of $30. Following is a comparative table showing present and proposed benefits to retired workers:

Present and proposed schedules of retirement benefits for employed persons

	Present law (no distinction between married and single persons)	Proposed schedule	
		Single persons and married men with wives under 65	Married men with wives 65 and over
Average monthly wage of $50:			
3 years coverage	None	$20.60	$30.90
5 years coverage	$15.00	21.00	31.50
10 years coverage	17.50	22.00	33.00
20 years coverage	22.50	24.00	33.00
30 years coverage	27.50	26.00	39.00
40 years coverage	32.50	28.00	40.00
Average monthly wage of $100:			
3 years coverage	None	25.75	38.63
5 years coverage	17.50	26.25	39.38
10 years coverage	22.50	27.50	41.25
20 years coverage	32.50	30.00	45.00
30 years coverage	42.50	32.50	48.75
40 years coverage	51.25	35.00	52.50
Average monthly wage of $150:			
3 years coverage	None	30.90	46.35
5 years coverage	20.00	31.50	47.25
10 years coverage	27.50	33.00	49.50
20 years coverage	42.50	36.00	54.00
30 years coverage	53.75	39.00	58.50
40 years coverage	61.25	42.00	63.00
Average monthly wage of $250:			
3 years coverage	None	41.20	61.80
5 years coverage	25.00	42.00	63.00
10 years coverage	37.50	44.00	66.00
20 years coverage	56.25	48.00	72.00
30 years coverage	68.75	52.00	78.00
40 years coverage	81.25	56.00	84.00

From the foregoing table, it will be observed that the single person and the married man whose wife is under the age of 65 received less under the proposed plan than under the present system in the following instances:

(*a*) Such worker with an average wage of $50 monthly where he has been under the system 30 years or more.

(*b*) Such worker with an average wage of $100 or over per month where he has been under the system 20 years or more.

In the case of the $50 per month worker, the reduction is much smaller than in the case of the worker earning up to $250.

It has been estimated that about 40 percent of the persons now 21 years of age will not live to reach age 65 so as to qualify for monthly benefits. Under the proposed plan, these workers will contribute their pay-roll tax money into the system without building up any vested interest therein, such as they have under the existing law. At the present time, in the case of workers dying before reaching the retirement age, their estates would be entitled to lump-sum payments (representing a return of such contributions) as follows:

Lump-sum payments under existing law, which are abandoned under proposed plan

Years of coverage after 1937	Average monthly wage				
	$50	$100	$150	$200	$250
10	$210	$420	$630	$840	$1,050
20	420	840	1,260	1,680	2,100
30	630	1,260	1,890	2,520	3,150
40	840	1,680	2,520	3,360	4,200

These lump-sum payments will be abandoned under the proposed plan, and all that the estate of the worker will receive, provided he leaves no one behind entitled to monthly benefits, will be six times the monthly benefit he would be entitled to receive upon retirement. Such sum will be only a fraction, in many instances, of the amount of the present lump-sum payment. The virtual confiscation of the sums paid into the system by workers dying before reaching the age of 65 is for the purpose of paying a part of the cost of the increased benefits to others.

The justification for this confiscation, in the eyes of the Social Security Board, is the new concept of what the worker is purchasing under the old-age insurance system. At present, he is deemed to be buying an annuity at age 65, with a guaranteed return of principal in case of his death before reaching that age. But under the proposed plan, he is merely deemed to be insuring himself against the hazards of old age in case he reaches the retirement age. Whether the workers of the country will be satisfied with this new concept remains to be seen. It puts the Government in the position of changing the terms of a contract after it has been entered into.

In the absence of such confiscation of the pay-roll-tax contribution of workers dying before reaching the retirement age, and in the absence of the contemplated reduction in the retirement benefits of workers retiring some years in the future, it would of course be necessary to increase the present pay-roll taxes substantially above the present schedule of rates in order to provide the proposed new and increased benefits to others.

In making these comments, we do not wish to be understood as opposing the liberalization of the present old-age insurance provisions, which we believe to be commendable. However, we do question the fairness of providing these increased benefits at the expense of single persons and married men whose wives are under 65.

Many of those interested in the problem of social security are of the opinion that the existing system should not be extended or

liberalized until it has been in effect for a longer period. Especially is there need for study into the ultimate costs involved. Care must be taken that unforeseen future liabilities of great magnitude are not being placed upon the taxpayers of the country by reason of providing benefits not contemplated by the original law. Investigation should also be made into the possibility of finding some means other than the present pay-roll tax to finance the old-age insurance system. It is in many respects one of the worst forms of taxation ever devised.

BROADENING OF EXEMPTIONS FROM PAY-ROLL TAXES

We wish to endorse the broadening of the exemptions from the pay-roll tax as provided under the bill, particularly as regards agricultural employment and nominal salaries paid to officers of lodges, fraternities, chambers of commerce, and so on. These exemptions are more fully explained in the report of the full committee.

PROPOSED INCLUSION OF RELIGIOUS, CHARITABLE, AND EDUCATIONAL ORGANIZATIONS UNDER SOCIAL SECURITY ACT

The Social Security Board recommended the inclusion under the act of employees of religious, charitable, educational, and scientific institutions which, under existing law, are specifically exempted from coverage.

Due to the expressed desire of these institutions not to be covered under the act, we unanimously voted to continue the present exemption accorded to them. We believe that churches, charities, educational institutions, and other groups included in the present exemption should have the right to say whether or not they wish to be included under the Federal social-security system and we oppose any effort on the part of the Government to change their status in disregard of their wishes in the matter.

AID TO DEPENDENT CHILDREN

Under the bill, it is proposed to increase the Federal grants to the States for aid to dependent children from the present one-third matching basis to a 50–50 matching basis, such as already provided under the provisions relating to grants for old-age pensions and aid to the blind. We heartily endorse this change, and sincerely hope that the increased funds which will be made available to the States for this worthy purpose will be used in liberalizing present benefits and in extending aid to those now denied assistance by reason of lack of funds, rather than to relieve the States of any part of their present expenditures for such assistance.

VOCATIONAL REHABILITATION

We of the Republican minority strongly urged that provision be made under the bill for increased appropriations for vocational rehabilitation, to supplement the present program of grants to the States for this great humanitarian activity, which has already retrained 120,000 crippled persons who are now gainfully employed. The relatively small amount which the Government is expending for this purpose is paying rich dividends. Not only is there a saving by

reason of not having to maintain these cripples at public expense, but when they are restored to gainful employment they become tax-paying citizens.

ALLEN T. TREADWAY,
FRANK CROWTHER,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
THOMAS A. JENKINS,
DONALD H. MCLEAN,
BERTRAND W. GEARHART,
FRANK CARLSON,
BENJAMIN JARRETT.

○

Union Calendar No. 302

76TH CONGRESS
1ST SESSION

H. R. 6635

[Report No. 728]

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 1939

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

JUNE 2, 1939

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1939."

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

"SEC. 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 Survivor Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivor

Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements

to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending

with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance

benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or

exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance

benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has

not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such

benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children

of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any

month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount.

"(b) Whenever the benefit or total of benefits under section 202 (or as reduced under subsection (a)), payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit shall be proportionately decreased or increased, as the case may be.

"(d) Deductions shall be made from any payment under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual whose benefits are subject to deduction under subsection (d) or (e), because of the occurrence

of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for

a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the

amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made

prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to con-

formity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so

served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, shall have jurisdiction to issue on 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against

the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection

with any claim before the Board 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 Board 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, 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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(4) Dismissal payments which the employer is not legally required to make; or

"(5) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to such date (except service

performed by an individual after he attained the age of sixty-five), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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.

"(c) 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average

monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50, and

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by twelve times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of twenty-two during which he was paid less than $200 of wages; but in no case shall such total wages be divided by a number less than thirty-six.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age sixty-five prior to 1940, and

"(B) he has not less than two years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–1945, inclusive, he attained the age of sixty-five or died before attaining such age, and

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or

"(4) he had at least fifteen years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar

year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior

to the beginning of the twelfth month before the month in which he died.

"(l) 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to

the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

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

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other

factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely

for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

SEC. 501. Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 502. Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after Decem-

ber 31, 1948, the rate shall be 3 per centum."

SEC. 602. Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished

to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remu-

neration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (i) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

"(5) Service performed on or in connection with a vessel not an American vessel by an employee, if the

employee is employed on and in connection with such vessel when outside the United States;

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one

or more employees of such broker or factor perform a substantial part of such services, or (2) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(e) EMPLOYER.—The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.

"(f) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(g) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(h) AMERICAN VESSEL.—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.

"(i) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services 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, feeding, and

management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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 de-

livery to a terminal market for distribution for consumption.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax

of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on

any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 per centum.

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and

"(2) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date; or

"(3) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the

pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; or

"(4) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(5) Effective January 1, 1942, paragraph (4) of this subsection is amended to read as follows:

"'(4) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than

five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

"(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards;

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than two calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or

less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

"(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.

"(c) CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in ac-

cordance with the provisions of subsection (a) or (b) of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) or (b) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) or (b) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (d) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only

with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) or (b) of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (d) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) or (b) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) or (b) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"(d) DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having

individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such

individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1939, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1939.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the

rate on the basis of which variations therefrom are computed."

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the

payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A)

wholly owned by the United States, or (B) exempt from the taxes imposed by sections 1410 and 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though

such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his em-

ployees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized

and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (c).

"(e) STATE AGENCY.—The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund

established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

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

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation

to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5)

provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much

of such expenditure with respect to any individual for any month as exceeds $30, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any

sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940—

(a) clause (1) of section 1101 (a) of such Act is amended to read as follows: "(1) The term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act (including section 531) includes Puerto Rico."

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such

business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board may by regulations pre-

scribe. 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such pay-

ment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit

allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the

tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

Union Calendar No. 302

76TH CONGRESS
1ST SESSION

H. R. 6635

[Report No. 728]

A BILL

To amend the Social Security Act, and for other purposes.

By Mr. DOUGHTON

JUNE 2, 1939

Referred to the Committee on Ways and Means

JUNE 2, 1939

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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76TH CONGRESS
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[Report No. 728]

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 1939

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

JUNE 2, 1939

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1939."

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

"SEC. 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 Survivor Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivor

Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements

to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending

with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance

benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or

exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance

benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has

not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such

benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children

of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any

month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount.

"(b) Whenever the benefit or total of benefits under section 202 (or as reduced under subsection (a)), payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit shall be proportionately decreased or increased, as the case may be.

"(d) Deductions shall be made from any payment under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual whose benefits are subject to deduction under subsection (d) or (e), because of the occurrence

of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for

a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the

amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made

prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to con-

formity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so

served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, shall have jurisdiction to issue on 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against

the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection

with any claim before the Board 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 Board 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, 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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(4) Dismissal payments which the employer is not legally required to make; or

"(5) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to such date (except service

performed by an individual after he attained the age of sixty-five), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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.

"(c) 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average

monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50, and

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by twelve times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of twenty-two during which he was paid less than $200 of wages; but in no case shall such total wages be divided by a number less than thirty-six.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age sixty-five prior to 1940, and

"(B) he has not less than two years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–1945, inclusive, he attained the age of sixty-five or died before attaining such age, and

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or

"(4) he had at least fifteen years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar

year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior

to the beginning of the twelfth month before the month in which he died.

"(l) 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to

the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

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

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other

factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely

for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

SEC. 501. Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 502. Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after Decem-

ber 31, 1948, the rate shall be 3 per centum."

SEC. 602. Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished

to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remu-

neration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (i) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

"(5) Service performed on or in connection with a vessel not an American vessel by an employee, if the

employee is employed on and in connection with such vessel when outside the United States;

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one

or more employees of such broker or factor perform a substantial part of such services, or (2) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(e) EMPLOYER.—The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.

"(f) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(g) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(h) AMERICAN VESSEL.—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.

"(i) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services 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, feeding, and

management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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 de-

livery to a terminal market for distribution for consumption.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax

of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on

any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 per centum.

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and

"(2) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date; or

"(3) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the

pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; or

"(4) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(5) Effective January 1, 1942, paragraph (4) of this subsection is amended to read as follows:

"'(4) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than

five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

"(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards;

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than two calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or

less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

"(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.

"(c) CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in ac-

cordance with the provisions of subsection (a) or (b) of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) or (b) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) or (b) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (d) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only

with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) or (b) of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (d) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) or (b) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) or (b) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"(d) DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having

individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such

individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1939, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1939.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the

rate on the basis of which variations therefrom are computed."

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the

payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A)

wholly owned by the United States, or (B) exempt from the taxes imposed by sections 1410 and 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though

such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his em-

ployees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized

and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (c).

"(e) STATE AGENCY.—The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund

established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

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

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation

to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5)

provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much

of such expenditure with respect to any individual for any month as exceeds $30, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any

sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940—

(a) clause (1) of section 1101 (a) of such Act is amended to read as follows: "(1) The term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act (including section 531) includes Puerto Rico."

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such

business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board may by regulations pre-

scribe. 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such pay-

ment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit

allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the

tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

Union Calendar No. 302

76TH CONGRESS
1ST SESSION

H. R. 6635

[Report No. 728]

A BILL

To amend the Social Security Act, and for other purposes.

By Mr. DOUGHTON

JUNE 2, 1939

Referred to the Committee on Ways and Means

JUNE 2, 1939

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to proceed for 1 minute to answer the gentleman who just spoke.

Mr. CLARK. Mr. Speaker, I cannot yield any more.

The SPEAKER. The gentleman from North Carolina [Mr. CLARK] refuses to yield.

Mr. CLARK. Mr. Speaker, I call up House Resolution 214.

The Clerk read as follows:

House Resolution 214

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 H. R. 6635, a bill to amend the Social Security 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 continue not to exceed 8 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 read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same 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, with or without instructions.

Mr. CLARK. Mr. Speaker, I yield 30 minutes to the gentleman from Tennessee [Mr. TAYLOR].

Mr. Speaker, I yield at this time 10 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, House Resolution 214 is for consideration of the bill H. R. 6635, to amend the Social Security Act, and for other purposes, and provides 8 hours' general debate. It is an open rule, which will give all Members the opportunity to offer amendments and obtain a vote on any and all amendments that may be offered in good faith by any Member.

The chairman of the Ways and Means Committee [Mr. DOUGHTON], and other members of that committee, will explain the bill in detail, so I will content myself with mentioning that it extends and liberalizes benefits to widows, children, and dependent parents, and takes effect in 1940 instead of in 1942. The old-age insurance tax has been frozen at 1 percent upon workers as well as upon employers until 1942, which represents a 33-percent reduction. In the 3 years, 1940, 1941, and 1942, approximately $825,000,000 will thus be saved the employers and employees. Other savings provided for will bring the total savings to approximately $1,710,000,000. It will also be seen that old-age insurance will be increased from $30 to $40 a month. The report of the committee, which I have before me, explains the many benefits under this act, and I hope that the chairman or some member of the Ways and Means Committee will place part of that report in the RECORD in order that the country may realize the great deal of time and study they have given the subject and the excellent recommendations they have brought forth.

I myself experienced a great deal of satisfaction and pleasure in having this bill before the House today. Over 30 years ago I introduced the first resolution to inquire into the possibilities of old-age insurance and advocated such insurance and legislation similar to that now provided in the Social Security Act. When we passed the first Social Security Act I said on the floor of the House that it was only a beginning, but a step in the right direction. I was mainly interested then in the principle, not the details. It is a principle I have advocated for many, many years.

Personally I cannot understand why 8 hours' general debate was requested. It is beyond me how anyone here with the interest of the people at heart can oppose any of the provisions of this bill.

Mr. Speaker, it was known that the Ways and Means Committee was nearly ready to submit its report on this legislation, and as far as I was personally concerned I felt it decidedly out of place to bring the so-called Townsend bill to the floor of the House. That bill had no chance of passing in the first place; neither was it feasible nor possible of operation. Without charging that its proponents and supporters have ulterior motives, which I do not want to imply, it does seem to me that such legislation is built on dreams and impossible to work out. I venture to say that many of the Members who voted for it did so not from conviction but because of political expediency. It should be remembered, Mr. Speaker, that many of us Democrats advocated and worked for social security, old-age and unemployment insurance, long before Dr. Townsend was ever heard of. And let us not forget that it was under the aggressive leadership of President Roosevelt that the present Social Security Act became a law.

To get back to the bill before us, I feel that every Member who voted against the Townsend bill should demonstrate by his vote today that he is sincere in trying to better the condition of the Nation's needy. I do believe that if nothing had been accomplished by the administration other than this legislation, the President and the Democratic House would be entitled to the everlasting thanks and gratitude of the American people. [Applause.]

I hope that, notwithstanding the misleading statements that have been made and probably will continue to be made from time to time, the American people will appreciate this legislation as a step in the right direction.

I believe that nearly all the Members on both sides of the aisle are for this legislation and for this rule, and for that reason I am not going to take up the 10 minutes given me. I will conclude in the hope not only that all the time provided for debate will not be needed, but that not even half of the time will be taken up, as we have many important measures pending in which the House and the country are very interested.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield, of course. I never can refuse to yield to the gentleman.

Mr. RICH. The gentleman says this is a step in the right direction, in changing the Social Security Act. Does not the gentleman believe you would have taken a greater step in the right direction had you given more time to the drafting of this act in its beginning? Then you would not have to make a lot of changes now. You are not even going far enough now to make it right. You ought to go a good bit further than you have gone at the present time.

Mr. SABATH. I am surprised, though also pleased, with the gentleman's question and suggestion. It does seem, though, that the gentleman today is at variance with his usual position. The gentleman suggests that we go much further than we are going in this bill. I agree that we should. But I recall quite vividly the gentleman's oft-repeated question, "Where will the money come from?" and I now ask that question of him. [Laughter and applause.]

I might inform the gentleman that originally we had hoped to make this bill a broader one, but the tremendous opposition from the Republican side kept us from giving the people all the relief we had hoped and expected to give them. However, we are doing it gradually, surely, positively, and in an orderly manner so as to not put a great additional strain on the Treasury or the taxpayers of the country.

The gentleman must be familiar with the cry of certain well-organized groups to the effect that taxes are stifling business. They want tax reductions. Of course they do. And I can take one very loud mouthpiece of those vested interests, the Chicago Tribune, and read to you headlines from some of its recent editions, which just do not support the editorials appearing in the same issue. Here is one headline:

Four hundred companies' net earnings 82 percent higher.

That appeared in the finance and commerce section of the June 2 issue. It reports that the aggregate net income of these companies for the 3 months ending with March was $251,500,000, against $137,900,000 a year earlier. Another heading is:

June interest, dividends put at $579,119,000.

The edition of May 23 reports:

Commonwealth & Southern made $13,750,981—Eastern Air Lines increases income—$233,125 in the first quarter compares with earnings of $98,822 year before.

The May 20 edition reports:

Store sales in week 22 percent above year ago—May 1 supply of used autos shows upturn—Output of autos mounts against seasonal trend.

Mr. Speaker, all of these newspaper reports, mind you, are in a newspaper whose editorials are continually crying against the administration and this Congress.

Mr. ANDERSON of Missouri. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. ANDERSON of Missouri. The gentleman from Illinois is making a very fine speech. The gentleman discussed the Townsend plan. Will the gentleman state how he stands on the Townsend plan?

Mr. SABATH. I have been opposed to it. It cannot be adopted, except in a form that could never be carried out. The finances of the Nation will not permit it. As I stated before, long before Dr. Townsend was ever heard of, the President and the Democratic Members realized the necessity of doing something for the aged of the country. We started the social-security program and we are going to follow it through without the aid of Dr. Townsend or any others impractical enough not to face hard realities and realize that such plans as the one he advances is absurd.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. O'CONNOR. I should like to ask this of the distinguished gentleman from Pennsylvania: Since he says this bill does not go far enough, how much further would he want it to go and how much money would he want us to spend?

Mr. RICH. The gentleman is asking me a question and I am sure the gentleman from Illinois will be pleased to hear me answer it. I will say, first, that the gentleman from Illinois is the first man I have heard on that side of the House get up and say, "Where are you going to get the money?" I congratulate the gentleman because I believe he is seeing the light. I believe if the gentleman will keep on he will realize that this program you have established cannot go any further because it is wrecking the Nation. I congratulate the gentleman. I think he is on the right track. I hope the gentleman can secure the aid and assistance of the Speaker, the majority leader, and the majority of the Members on that side of the House. I hope you will finish the job. The gentleman is the first man on that side who has started to want to know where you are going to get the money. [Applause.]

Mr. SABATH. I thank the gentleman. He is always very kind to me personally, and I appreciate it; but I could not resist asking that question, because the gentleman feels we are not going far enough. We are increasing the benefits and reducing the taxes. That certainly should satisfy the gentleman, who is always inquiring as to where the money is coming from. This bill in itself makes a reduction of $1,710,000,000. In addition to that it should be recognized that the continued improvement of business, with higher profits, means increased revenue to the Government, and I am not a bit alarmed—nor should he be—as to where the money will come from. Further proof of what I say will be found in the following short article from the Chicago Times. I urge the gentleman from Pennsylvania and all those who charge that business is being retarded by the New Deal to read and study it:

MORE NEW DEAL "RUIN"

Lammot du Pont, president of the du Pont Co., recently addressed an open letter to employees and stockholders of his company attacking the New Deal, accusing it of producing "fear and a perpetuation of our difficulties." Government expenses and taxation were strongly assailed as holding back business and reemployment.

Mr. du Pont ought to know something about how taxation and the fear therefrom holds back business. In 1932 the du Pont Co. paid less than a million dollars in Federal taxes. In 1937 the company paid more than eleven millions in Federal taxes. And look at the earning record of the company:

1929	$78,171,730
1930	55,962,009
1931	53,190,059
1932	26,234,778
1933	38,895,330
1934	46,701,465
1935	62,335,410
1936	89,884,449
1937	88,031,943
1938	50,190,827

Those are net earnings after all taxes, including, in 1937, the hated undivided surplus tax. And yet the du Pont Co. netted $62,000,000 more in 1937 than in 1932. It earned—net, mind you—eleven millions more in 1937 than in that grand and glorious boom year of 1929.

If "big business" wonders why nobody loves it, there is a lesson in the du Pont statement in the face of the du Pont earning record. It is so obvious that the disorders of the capitalistic system are so much deeper and more fundamental than taxation and Government spending that the public is disgusted when "captains of industry" persist in ignoring the plain facts in order to slam the New Deal.

Mr. Speaker, one of my colleagues from Illinois a few moments ago stated that in his district three Republican judges were elected. That is true. We in Chicago are taking the judiciary out of politics. We nominated some Republican judges. If we had not nominated some Republican judges on the Democratic ticket our majority would have been still larger because people resented the fact that we had done so. Our Democratic majority will be close to 400,000 in the city of Chicago, and this will overcome the effect of any little election in some of the country towns down-State. [Applause.]

The SPEAKER pro tempore (Mr. COFFEE of Nebraska). The time of the gentleman from Illinois has expired.

Mr. TAYLOR of Tennessee. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, it is not my intention to consume a great deal of time in a discussion of this rule and the measure which it makes in order.

The bill, consisting of over 100 pages, is so complex and complicated that it would take the sapience of the proverbial Philadelphia lawyer and a great deal of actuarial knowledge to interpret its provisions.

There is one provision of the bill, however, with which I am more or less familiar by experience, and that is the section of the bill which relates to old-age assistance. When we had this measure before us on April 17, 1935, I took occasion to discuss the merits of that bill at that time. This was the original Social Security Act and on that occasion I made some predictions as to old-age assistance which have been verified by time. I said on that occasion:

According to the terms of this bill, the Government agrees to give those over 65 years of age a pension in such amount as may be matched up to $15 per month by the State in which such persons reside. Therefore only persons in those States that are financially able to meet this condition will be benefited by this legislation as now proposed. During the course of this debate it has been repeatedly asserted by representatives of what some are disposed to refer to as "backward" States that a large number of States are so beset with financial difficulties that it will be impossible for them to qualify for the benefits of this legislation. What a spectacle it would be, Mr. Chairman, for the Government to be taking care of the aged and helpless in one State while the same class of citizens were denied these benefits in another State, even an adjoining State.

I made this prediction when we had this bill under consideration in 1935 and what I said then has come true. There is never a day that I do not receive from one to a dozen appeals from old people in Tennessee who are endeavoring to get on the old-age pension roll, pleading with me to assist them in obtaining these benefits. Of course, under the law, this act is administered by State authorities and I do not happen to enjoy a great deal of influence with the State administration in Tennessee, and therefore I am unable to render much assistance to them, although I do attempt to do so whenever an appeal is made.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield to the gentleman from Mississippi.

Mr. RANKIN. What amount does an old person get under the present set-up in Tennessee?

Mr. TAYLOR of Tennessee. The average amount paid to the aged in Tennessee, as of February of this year, is $13.23.

Mr. RANKIN. Then this bill will not help them?

Mr. TAYLOR of Tennessee. This bill will be of no benefit whatever to the State of Tennessee unless we adopt an amendment which I expect to propose. In the gentleman's State of Mississippi the average pension paid is $7.06 and it goes down as low as $6.11 in the State of Arkansas. So the States that have not the financial resources to meet the contribution made by the Government are actually in the position of contributing to the States that have sufficient resources to meet this old-age assistance obligation.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield for a question?

Mr. TAYLOR of Tennessee. I yield to the gentleman.

Mr. O'CONNOR. As I understand it, this bill raises the payment by the United States Government from $15 to $20.

Mr. TAYLOR of Tennessee. That is correct.

Mr. O'CONNOR. Where the payment is matched by the several States?

Mr. TAYLOR of Tennessee. Yes.

Mr. O'CONNOR. For instance, in my own State our contribution from the Federal Government amounts to only $10, because we can only contribute approximately $10 from the State and the counties.

[Here the gavel fell.]

Mr. TAYLOR of Tennessee. Mr. Speaker, I yield myself 5 additional minutes.

Mr. O'CONNOR. And I cannot see where this bill, as it is now written, will in anywise help us in Montana, because we cannot raise the amount in Montana necessary to match the $20 provided in this bill.

Mr. TAYLOR of Tennessee. I recognize that difficulty and at the proper time I expect to offer an amendment to meet it.

Mr. O'CONNOR. What will be the gentleman's amendment?

Mr. TAYLOR of Tennessee. I shall propose an amendment providing that the Government shall contribute five-eighths of the $40 which is provided for in this bill, which will leave the State contribution at $15 and make the Federal contribution $25.

Mr. O'CONNOR. Why do we not have a flat contribution by the Federal Government from Washington regardless of what the State can put up?

Mr. TAYLOR of Tennessee. In my judgment we will never have a satisfactory old-age pension law until the pension is paid direct from Washington.

Mr. O'CONNOR. That is right.

Mr. TAYLOR of Tennessee. Because these States that are impoverished cannot meet the requirements of this bill.

Mr. ROBSION of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I may say that in the State of Kentucky the average pension paid under the Social Security Act is less than $9, and many old people get as low as $6 or even as low as $4, and in Kentucky the director of old-age assistance has advised me and others recently that around 90,000 people have applied for old-age assistance, and they have allowed only about 45,000, while admitting there are thousands and thousands of persons qualified who cannot get any pension because no provision has been made for the payment of such pensions.

Mr. TAYLOR of Tennessee. I concede that what the gentleman says is true, because the same situation prevails in Tennessee.

Mr. ROBSION of Kentucky. In 1935, when the Social Security Act was passed, I offered as an amendment a straight payment by the Federal Government to all needy old people, and the gentleman from Tennessee now speaking actively supported my amendment.

Mr. TAYLOR of Tennessee. The gentleman has an accurate memory. In Tennessee, in February, we had 21,946 people on old-age pension rolls, and I am reliably advised that in that month we had as many or more who had been pronounced eligible for old-age assistance who could not be placed on the rolls on account of insufficiency of funds.

Mr. LEAVY. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. LEAVY. The gentleman is evidently reading from a tabulation furnished him by the Social Security Board as to payments, and I am wondering if that tabulation discloses any State in the Union except California that is actually matching $15 a month at the present time?

Mr. TAYLOR of Tennessee. California is paying an average of $32.47, Colorado is paying an average of $29.07, and a number of States are paying $25 or more—Massachusetts, New York, I think Ohio, and at least a dozen other States.

Mr. LEAVY. But aside from this bill no other State is able yet to match dollar for dollar the $15?

Mr. TAYLOR of Tennessee. That is the reason the Government ought to grant a subsidy to the States to take care of this situation.

Mr. PACE. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. PACE. With only one State now matching the $15, what was the idea of the committee in reporting $20, when only one State in the Union can really pay $15?

Mr. TAYLOR of Tennessee. It appears to be a delusion and a snare.

Mr. PACE. So it is working somewhat under the philosophy of the Biblical phrase that "To him that hath shall be given and from him that hath not shall be taken away."

Mr. TAYLOR of Tennessee. Yes; and as I pointed out to the gentleman from Georgia, his State is contributing to the other States because you have not been financially able to meet the provision requiring equal contribution.

Mr. HENDRICKS. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR of Tennessee. Yes.

Mr. HENDRICKS. Will the gentleman support an amendment making this outright grant by the Federal Government?

Mr. TAYLOR of Tennessee. Yes. I said a moment ago that I do not think we will ever have a satisfactory old-age pension law until it is paid by the Government. [Applause.]

Mr. CLARK. Mr. Speaker, I yield 10 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, I am very much interested in the statement just made by my distinguished colleague on the Rules Committee, the gentleman from Tennessee [Mr. TAYLOR]. I did not know that he had any such proposition in mind, but I am glad to know that he has, because I know we are going to get some much-needed support from that side of the House.

When this social-security bill was first considered, I appeared before the Committee on Ways and Means and pointed out that these so-called less wealthy States could not match this pension dollar for dollar. When that bill was considered on the floor of the House I offered an amendment that would have required the Federal Government to put up four-fifths of the money. That amendment was defeated and consequently the legislation that we now have was enacted. After 4 years of that legislation we have seen that the very fact that I pointed out to the committee and pointed out on the floor of the House has come true, namely, that these States cannot meet this money dollar for dollar. It is fine for California, it is fine for Massachusetts, but it is mighty bad for Arkansas, New Mexico, and Mississippi, and Georgia, and these other States that cannot match the $15.

Mr. DEMPSEY. Mr. Speaker, will the gentleman yield?

Mr. COLMER. Yes.

Mr. DEMPSEY. Is it not true that under the present proposed bill the people who are suffering most by reason of the fact that the States cannot match dollar for dollar are going to be in the identical same position if the legislation becomes a law.

Mr. COLMER. The gentleman is entirely correct. This bill does not help the needy of his State one dollar.

Mr. DEMPSEY. In other words the people who need help most are to receive no benefits by it.

Mr. COLMER. Quite so.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. COLMER. Yes.

Mr. RANKIN. Not only will this not benefit the old people in those States, what are called the poor States, but the poor States off which the other States have grown rich are agricultural States where the social-security part of this bill and the social-security part of the original bill left the farmers out of it entirely.

Mr. COLMER. Quite so.

Mr. RANKIN. So the only thing the people in the farming States get is the privilege of paying the bill?

Mr. COLMER. I thank my colleague for his contribution. When this bill is considered under the 5-minute rule—

and we have an open rule on this bill and will have an opportunity to legislate, as we did not have the other day—I will offer an amendment on page 3, line 9, to strike out "one-half" and insert "four-fifths"; on page 4, line 6, strike out "one-half" and insert "four-fifths"; and in line 15, strike out the word "forty" and insert the words "twenty-five."

That would do simply this: That would say that for every dollar that the States put up the Federal Government would match it by $4 up to the $20 limitation of the Federal Government. In other words, it would not cost the Federal Government one cent more as far as those States that are able to match it are concerned; but it would benefit the aged needy of the less wealthy States by increasing their present pittance by $4 for every dollar their State now contributes. The need of the aged in New Mexico is just as great as it is in California or Massachusetts.

Mr. VOORHIS of California. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. VOORHIS of California. Since I come from California I would like to say that I would be glad to support the gentleman's amendments.

Mr. COLMER. I appreciate the gentleman's statement. He is always fair and broad-minded.

Mr. LEAVY. Mr. Speaker, will the gentleman yield?

Mr. COLMER. In just a moment. Not only that but let me call the attention of the gentleman from California to the fact that if my amendment is adopted the aged people of his State, which now matches the full $15 that the Federal Government puts up, will get $5 more per capita than they are now getting. In other words, they would get $20 for the $15 contributed where they are now getting $15 from the Federal Government.

I now yield to the gentleman from Washington.

Mr. LEAVY. Under the gentleman's plan, as I understand it, if a State matched fully the $20, the maximum pension would be $25 per month.

Mr. COLMER. Oh, no, not at all. The maximum pension would be $40, as it is now written in the bill, where the State puts up $20.

Mr. LEAVY. But in order to get $20 from the Federal Treasury a State would only be required to put up $5?

Mr. COLMER. That is correct.

Mr. LEAVY. And that would make a $25 pension?

Mr. COLMER. Quite so.

Mr. O'CONNOR. Will the gentleman yield?

Mr. COLMER. I yield.

Mr. O'CONNOR. In my State of Montana where the State and counties put up $10, under the gentleman's amendment, how much pension would go to my qualified people in Montana, assuming that they continue to put up the amount of money they are now advancing, namely, approximately $10?

Mr. COLMER. If they put up $10 they would get a maximum of $20 from the Federal Government. That would make a $30 pension.

Mr. O'CONNOR. That is, under your proposed amendment?

Mr. COLMER. Under my proposed amendment; yes.

Now, let me say that we had before this House the other day a utopian scheme that would give people as much as $200 a month; $400 for an aged couple. This House, by an overwhelming vote, turned down that proposition, as was expected. Aged pensions are something new in our governmental scheme. I think it is cruel to attempt to lead these old people to believe that a $200 or $300 pension is an attainable goal. But I say to you that this question of pensions for the aged is one of the most pertinent questions, one of the most pressing questions that confronts this country today. I want to say to you further, you people from Massachusetts and California, if you think you are getting something out of this and the other States are not, let me remind you that if this thing continues you are going to have the same proposition in pensions for the aged that you now have in the W. P. A. and these other relief agencies.

You are going to have the aged and needy from those States that cannot match this proposition coming to your State to live with you, and you are going to have to take care of them. That is what is being done in the W. P. A. That is what is being done in the other relief agencies. We ask by this amendment that you treat the aged needy of these so-called less wealthy States not as well as they are treated in Massachusetts and California and some of the other States, but to give them a break; give them an opportunity to get something. They should in justice all receive the same treatment. In my own State of Mississippi it would require more money than all of the money that is now collected for general revenue purposes in the State of Mississippi, to match the proposition of $20 with $20. It is therefore apparent that it is impractical and not feasible for them to match it on an equal basis.

I want you to think seriously about this proposition, which I am advocating. It is something this House ought to consider and correct.

[Here the gavel fell.]

Mr. CLARK. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. COLMER. Mr. Speaker, I would like to call attention, in conclusion, to the fact that the Senate committee on relief and unemployment recognized the justice of this cause which I am advocating, in its report No. 2, part 1, submitted by Senator BYRNES on January 4, 1939, wherein it is stated:

> In certain States this grant is so inadequate as to be of little value. It is recommended that the contribution of the United States for public assistance to the aged, the blind, and dependent children be 50 percent of the amount paid, but that in those States where the average per capita income is less than the average per capita income of the United States, the Federal contribution be increased in proportion to such differences, and that a provision of the grant should be the guaranty of certain minimum payments, as follows: To the aged, $15; to the blind, $15; to the dependent children, $20.

For the benefit of the membership and for their consideration between now and the time that we vote on the bill, I want to quote the amendment again, as follows:

> Amendment: On page 3, line 9, strike out "one-half" and insert "four-fifths"; and in line 15 strike out the figure "40" and insert the figure "25"; and on page 4, line 6, strike out "one-half" and insert "one-fifth."

This report recommends a minimum to the aged of $15, to the blind $15, and to dependent children $20 as the Federal Government's contribution.

The President's Board recognized this principle in its report to the President which the President sent to this Congress with this statement:

> The Board believes it is essential to change the present system of uniform percentage grants to a system whereby the percentage of the total cost in each State made through a Federal grant would vary in accordance with the relative economic capacity of that State.

Mr. Speaker, the following table graphically describes the unjust discrepancies in the amount received under the present set-up which this amendment would tend to equalize:

Region and State	Number of recipients	Amount of obligations incurred for payments to recipients	Average per recipient
Total	1,641,151	$31,173,700	$19.00
Region I:			
Connecticut	15,122	402,252	26.60
Maine	12,182	253,560	20.81
Massachusetts	73,212	2,058,656	28.12
New Hampshire	3,856	88,336	22.91
Rhode Island	6,296	118,283	18.79
Vermont	5,273	76,177	14.45
Region II: New York	108,644	2,615,043	24.07
Region III:			
Delaware	2,581	27,901	10.81
New Jersey	26,971	514,883	19.09
Pennsylvania	88,958	1,891,833	21.27

Region and State	Number of recipients	Amount of obligations incurred for payments to recipients	Average per recipient
Region IV			
District of Columbia	3,241	$81,893	$25.27
Maryland	17,205	301,282	17.51
North Carolina	31,193	288,806	9.26
Virginia	4,770	39,848	8.35
West Virginia	17,925	246,711	13.76
Region V:			
Kentucky	43,128	380,003	8.81
Michigan	68,889	1,192,436	17.31
Region VI:			
Illinois	123,073	2,252,393	18.30
Indiana	49,139	805,562	16.39
Wisconsin	42,482	867,860	20.43
Region VII:			
Alabama	15,599	149,803	9.60
Florida	31,908	444,025	13.92
Georgia	35,176	310,654	8.83
Mississippi	17,996	121,381	6.74
South Carolina	22,366	160,371	7.19
Tennessee	22,599	299,040	13.23
Region VIII:			
Iowa	49,879	988,714	19.82
Minnesota	64,462	1,305,075	20.25
Nebraska	26,631	411,883	15.47
North Dakota	7,720	132,782	17.20
South Dakota	16,010	321,339	20.07
Region IX:			
Arkansas	17,731	74,832	4.22
Kansas	21,172	396,818	18.74
Missouri	73,142	1,329,955	18.18
Oklahoma	64,949	987,382	15.20
Region X:			
Louisiana	27,082	273,122	10.08
New Mexico	3,763	41,816	11.11
Texas	113,342	1,566,540	13.82
Region XI:			
Arizona	6,598	171,510	25.99
Colorado	37,417	1,081,663	28.91
Idaho	8,741	188,286	21.54
Montana	12,415	253,430	20.41
Utah	13,281	270,078	20.34
Wyoming	2,940	63,345	21.55
Region XII:			
California	123,734	4,008,326	32.39
Nevada	2,053	54,438	26.52
Oregon	18,603	395,890	21.28
Washington	36,946	816,705	22.11
Territories:			
Alaska	1,045	28,546	27.32
Hawaii	1,766	22,208	12.58

In conclusion, Mr. Speaker, let me say that I have given much thought and consideration to this subject. I was never more convinced of anything in my life than I am of the injustice of this set-up. Pensions for the aged needy will eventually be recognized as a national problem. We are not going that far here. We are merely asking for a little better treatment for those aged needy people who live in the less densely populated areas of the country. This is by no means as far as I would like to see the Congress go, but this is as far as I have any assurance or the right to feel that the Congress will go at this time. And so far as I am concerned, I would prefer to get something tangible like this than to render lip service to these poor aged people, as has been such a popular pastime with so many of our public people, and especially candidates for office. [Applause.]

[Here the gavel fell.]

Mr. TAYLOR of Tennessee. Mr. Speaker, I yield 10 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, the gentleman from Illinois [Mr. SABATH] a few moments ago announced a famous New Deal victory in the city of Chicago. Like many others of these famous New Deal victories, however, if you analyze them you will find they are not victories at all. I am informed that in the city of Chicago a list of sitting judges were nominated, Republicans and Democrats alike. There were some 20 sitting judges, 7 of whom were Republicans. They were nominated and endorsed and ran on the Democratic ticket, and were supported by the Chicago Tribune, a Republican newspaper, and by hundreds of thousands of Republicans. If this be the type of New Deal victory you are depending upon to get back in 1940, it seems to me you will have to have a better basis and more effective propaganda work than that.

We Republicans are highly gratified that the Ways and Means Committee have finally come to the conclusion that the Republicans were right 2 or 3 years ago when we advocated the abandonment of the $47,000,000,000 reserve fund. We also are highly gratified that you have taken the Republican position which we proposed by way of a motion to recommit, to raise the pensions for needy aged, which you put in the bill from $15 to $20; so I congratulate you upon your Republican point of view, and I imagine you will have a pretty good bill after a while, a bill that will be satisfactory to the wage earners of the country. Recently you introduced and brought into the House the so-called Townsend plan under a gag rule that made it utterly impossible for the Members to amend the bill or to consider it in any way except to adopt or to reject it.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. O'CONNOR. Is it not a fact that the gentleman from New York is a member of the Committee on Rules?

Mr. FISH. I am, unfortunately, a member of the minority of the Rules Committee. I objected strenuously to the gag rule, but was outvoted.

Mr. O'CONNOR. Is it not a further fact that it lies within the discretion of the Committee on Rules to report any kind of rule, an open or a closed rule? That is correct, is it not?

Mr. FISH. Certainly; but I have just told the gentleman that I did all I could by voting against a closed rule.

Mr. O'CONNOR. Did the gentleman make any attempt to have reported an open rule?

Mr. FISH. Oh, yes. I advocated an open rule, and urged an open rule. I have always opposed gag rules.

Mr. HENDRICKS. Mr. Speaker, will the gentleman yield for a question?

Mr. FISH. I yield.

Mr. HENDRICKS. Did I understand the gentleman to say that the Republicans would offer a motion to recommit this bill and bring it back with a $20 contribution by the Federal Government?

Mr. FISH. No; the gentleman misunderstood my statement. I stated that a number of years ago when the social-security bill was under consideration in the House the Republicans offered a motion to recommit for $20, which was defeated. Now, however, the Democratic Ways and Means Committee have adopted the old Republican motion; and, step by step, they are improving and perfecting the bill until some of these days we shall have a scund and workable bill. In view of the fact, however, that this whole question of old-age pensions was not discussed or debated except as to the actual text of the Townsend bill, the opportunity now arises for every Member of the House to express his or her views as to what an adequate old-age pension should be, or what the adequate old-age pension provision should be in this bill.

Listening to what has been said, you must come to the conclusion that certain States of the Union are practically insolvent or virtually bankrupt. When, therefore, we adopt even this $20 provision, it does no good in certain States, for they cannot afford to take advantage of it. It is a political hoax. You are not fooling the Townsendites, nor are you fooling the aged needy in the country. When the Congress of the United States raises this limit to $20 it does no good except in the State of California and one or two others. It certainly amounts to political trickery and a contemptible action as far as the needy aged are concerned.

We assume that we are legislating in good faith and desire to provide adequate old-age pensions. We Members of the House of Representatives have the power to legislate here today. We should consider all angles of the question. I am willing to accept two or three different amendments any one of which would be preferable to the present bill. I am willing to follow the gentleman from Tennessee [Mr. TAYLOR], who advocated that the Federal Government pay five-eighths of the pension and that the States pay three-eighths. The purpose of his amendment is to encourage the States to do everything in their power to put up their three-eighths in order to get the five-eighths from the Federal Government.

In this way the needy aged will not be discriminated against in the poorer States of the Union. Whether those States happen to be Democratic States or not, it is a matter of sound common sense, justice, and fair dealing. I am willing to go even further; I am willing to support an amendment, or maybe to offer an amendment to get the will of the House on a flat pension of $10 to the needy aged in every State of the Union without discrimination, limiting it to the needy or qualifying it so that, for instance, it will not be paid to those who have more than $1,000 in real or personal property.

Mr. COLMER. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Mississippi.

Mr. COLMER. I am interested in the gentleman's statement, although I am not sure I heard all of it. I understood that the gentleman favored the principle of giving the so-called poorer States an opportunity to pay a better pension by having the Federal Government pay better than on a 50-percent basis. I want to congratulate the gentleman upon his stand and I hope he may be supported.

Mr. FISH. I think the House has a right at this time under an open rule to work its will. It has this opportunity now. It cannot hide behind a gag rule if it wants to do something for the aged and needy of this country. The Ways and Means Committee has been very fair. It has raised the ante $5, but that does not mean this money will reach the aged in many States of the Union. I am not criticizing the Ways and Means Committee. We have the power here to amend and we cannot now hide behind a gag rule as was done when the Townsend bill was being considered.

Mr. DISNEY. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Oklahoma.

Mr. DISNEY. The gentleman spoke about the gentleman from Tennessee [Mr. TAYLOR] who advocates the payment of five-eighths by the Federal Government and three-eighths by the States. As an ultimate conclusion, why not say one-eighth by the States and seven-eighths by the Federal Government?

Mr. FISH. I think his proposition is fair and equitable. We are trying to be reasonable. If we follow the gentleman's suggestion, why not pay it all?

Mr. DISNEY. That is my next question.

Mr. FISH. I believe the States should pay a substantial part. I am willing, however, to provide a minimum flat pension of $10 to the needy aged, with some restrictions as to the definition of need.

[Here the gavel fell.]

Mr. TAYLOR of Tennessee. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. DISNEY. Either proposition involves the final drifting to a Federal payment without State participation.

Mr. FISH. I am opposed to that. I think the States should pay something.

Mr. DISNEY. When you go further than a 50-50 proposition, are you not getting ready for ensuing concessions along that line?

Mr. FISH. I do not agree with that logic at all. We opened the gate on a 50-50 basis. When we did that we hoped it would work, and we thought the States would be able to contribute their 50 percent. The fact is the States have not been and are not able to contribute the 50 percent; therefore, we are willing to grant a further concession as an encouragement to those States in order that the needy of those States may be able to get the same treatment as the needy in other States. That is the purpose of any reasonable amendment along these lines, and it seems to me it is sound and logical, but we should not go the entire way by paying seven-eighths or nine-tenths or the whole thing.

Mr. DISNEY. Just one other question. Is it not an invitation to the States not to participate when we start stepping up?

Mr. FISH. No. It would be just the reverse. If we stepped it up to five-eighths and say to the States that they will have to put in three-eighths, that is an encouragement, because they get more than they put up. Any sensible businessman or any sensible State would like to do that if it can do so within its finances.

Mr. DISNEY. Does not the gentleman think the States have a right to decide how much they will put in?

Mr. FISH. I do; yes. I thoroughly agree with that. I do not believe in putting a limitation upon the States. If they want to put up a hundred dollars, that is their right. If California wants to vote a hundred-dollar pension, that is its right to do so. We should not dictate to the States what they should put up. As far as the three-eighths is concerned, they have to put up three-eighths in order to get five-eighths. There will be lots of other amendments offered. I am only speaking on the principle. Some people think we ought to put up two-thirds as opposed to one-third. As far as I am concerned, either one of those is satisfactory.

Mr. Speaker, I would like to have a vote on another proposition, and I am going to offer it simply to get the will of the House. I refer to a flat minimum pension of $10 to be paid to the needy, with a limitation of $1,000 in personal and real property. I would like to have a vote on that. Then we can proceed to legislate along these lines. I am also in favor of lifting the $20 pension to $25. I have been in favor of the $25 pension for years. Again I want to congratulate the Ways and Means Committee on going to $20, but I am perfectly willing and ready to vote a $25 pension into this Social Security Act.

Mr. BUCK. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from California.

Mr. BUCK. If that plan is adopted, how soon will it be until $200 is offered as a flat pension for the entire United States, a proposal which we just voted down?

Mr. FISH. I think the matter of reasonableness enters into the picture there. We voted down the Townsend plan, and we voted against it because we did not believe in $200 a month, nor did we believe in the financial set-up. Many of us believe if you can give $20 you can give $25, which is certainly a reasonable proposition. According to the committee, it costs between $5,000,000 and $10,000,000 more to raise it from $20 to $25. That is all it costs. We appropriate $100,000,000 for a battleship without even discussing the proposition, yet we are afraid to appropriate $5,000,000 or $10,000,000 for the aged and needy of this country.

Mr. O'CONNOR. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Montana.

Mr. O'CONNOR. What benefit would a poor State or the people of a poor State get out of the gentleman's proposal if you increase the $15 to $25 when those States cannot now match the $15?

Mr. FISH. That is a perfectly proper question. That is why I propose to offer an amendment to pay a flat pension to all needy over 65 years of age with certain restrictions, so that it will be shown they are needy and not the welfare needy, of $10 a month.

Mr. O'CONNOR. Do not make it less than $20 a month. You cannot ask people to live on $10 a month.

Mr. FISH. I am not asking them to live on $10 a month. I am going by what the country can afford to do and what I think is the fair, humane, and just thing to do at the present time. [Applause.]

Mr. O'CONNOR. Then make it $20.

[Here the gavel fell.]

Mr. CLARK. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Speaker, it is not my purpose to discuss the social-security proposition at this time. I hope I shall have a few minutes to do that in the course of the debate. At this time I wish to answer the gentleman from Ohio [Mr. BENDER], who complained this morning that people were being laid off by the W. P. A. in his State. He blamed the administration for these lay-offs. But it ought not to be necessary to point out to any intelligent human being that the reason these people are being laid off is that the appropriation was in an amount sufficiently small that everybody knew it

was going to be necessary to lay off some 200,000 people at the beginning of each month.

I merely wish to say that, in my opinion, the thing that would do more, perhaps, to restore real confidence to this country than anything else would be for this Congress to determine that every family that is totally unemployed would have an opportunity to have one person at work. Of course, consideration of matters such as the social-security program is evidently related to that. The better we can do in the matter of real old-age pensions the less necessity there will be for other types of legislation such as W. P. A. It is all connected together. [Applause.]

[Here the gavel fell.]

Mr. CLARK. Mr. Speaker, I yield the remainder of my time to the gentleman from New York [Mr. MARTIN J. KENNEDY].

Mr. MARTIN J. KENNEDY. Mr. Speaker, I ask unanimous consent to proceed out of order.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. DOUGHTON. 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. 6635) to amend the Social Security 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 H. R. 6635, with Mr. WARREN in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. The gentleman from North Carolina [Mr. DOUGHTON] is recognized for 1 hour.

Mr. DOUGHTON. Mr. Chairman, H. R. 6635, now before the Committee for discussion and consideration, is the result of the work of the Committee on Ways and Means, which began the 1st of February last. That committee conducted hearings for about 50 days, during which approximately 2,500 pages of testimony were taken. The committee was then in executive session for something like 6 weeks, giving diligent and painstaking thought and consideration to the very important matter it had under consideration.

The report on the bill contains about 120 pages and is a full and detailed explanation of the bill. Much of the bill, I may say, is technical and somewhat complicated and difficult to understand. I, therefore, would suggest to Members who are anxious to know what the bill contains that they read very carefully the report of the committee, which gives a fuller and more complete explanation of the bill than either I or any member of the committee, for lack of time, would be able to give during the debate. I am sure that if any Member who may be uncertain as to what is contained in the bill will give careful study to the report he will be able to get information on the subject.

The bill has the unanimous support, I believe, of the Committee on Ways and Means. It is true that the minority filed supplemental views, but as far as I know they have no criticism of or have made no objection to what is contained in the majority report. The majority and minority members of the committee sat together in studying this bill. This is the first bill of this magnitude and importance, and of such controversial a nature, to be free from any evidence whatever, the least trace, of partisanship, as far as our deliberations were concerned during the consideration and preparation of the bill in executive session. However, I regret that their fine record is spoiled by what is contained in the supplemental report, which is rather full of political implications and suggestions. I may say with all due respect that while I appreciate the fine cooperation and assistance given by the minority members of the committee, who are entitled to credit along with the other members for the work of our committee, yet I have noticed that our Republican friends have a patent on two things. One is criticism and the other is boasting. As far as I am concerned, I have no desire or disposition to infringe on that patent. They are welcome to it. They say something about what they told us when the bill was up before, and about their record, but they do not call attention to the fact that during the long years of the incumbency of the minority party, when social-security legislation was needed just as badly as it was in 1935, not a step was taken, not a thing was done, not a move was made as far as a Nation-wide effort on the part of the Federal Government to deal with this question was concerned.

If they are so infallible and so perfect of judgment, if their conversion is genuine and sincere, if it is a real regeneration and not just a reformation, if it is an act of the heart and not of the head, why on earth did they not do something about it when they were in power. This is, indeed, a strange thing to me, and it does seem that with their splendid record on this bill they should not have spoiled it in their supplemental views.

The first definite step toward enacting into law a comprehensive national social security program was begun by the transmission of a Presidential message to the Congress on June 8, 1934. In that message President Roosevelt said:

> Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature.
>
> Among our objectives I place the security of the men, women, and children of the Nation first.

And later, in transmitting the report of the Committee on Economic Security and in urging its adoption by the Congress, the President said:

> The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions, but we can reduce those dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.
>
> We pay now for the dreadful consequences of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

With the benefit of the report of the Committee on Economic Security and the splendid cooperation of the advisory committees, the Congress, in August of 1935, enacted into law our existing social-security program. Until that time, no effort had been made on a comprehensive national scale to provide relief for distress, destitution, and unemployment among all of our citizens, and want among our aged until these hazards were actually upon us in full measure. Theretofore we had waited until the grip of depression or other national crisis had so weakened our resources that to then make a reasonable provision for these hazards, that were created or greatly intensified by such a crisis, was either impossible or likely to seriously disrupt our economic structure.

By the social-security plan we are doing on a national scale what the prudent individual attempts to do for himself; that is, to utilize and equalize the fruits of labor by laying up a portion thereof for relief during unemployment and destitution in old age. The adoption of this plan was an enormous step and not one to be taken hurriedly and without the advice of experts and the well-considered forethought of persons trained and qualified in the fields of economics and social science. We did the best we could with all of the resources at hand, but no one considered the program perfect, no more than the first steam engine, the first automobile, the first airplane, or the first radio was thought to be perfect.

The important thing—the point upon which we all have reason to be proud—is that the first step, the difficult step, was taken and the plan is now in full operation. Our faith has been eminently justified by works rather than words, and our hopes have ripened into realities. Let us look at some of the concrete accomplishments of this program. More than 27,500,000 workers are protected by unemployment insurance laws in all of the States; some 44,000,000 workers have old-age insurance accounts and are laying up amounts, which are matched by their employers, to provide for a decent and

respectable old age free from want; more than 2,500,000 of those now in need—the aged, the blind, and children in broken homes—are receiving aid from combined Federal-State funds; and public-health and child-welfare measures have been provided and strengthened throughout the length and breadth of our land.

Before Congress undertook national consideration of this problem only one State had succeeded in passing an unemployment compensation law. Today, in line with the terms of our national act, all of the States in the Union, together with the District of Columbia, Alaska, and Hawaii, have such laws.

During the past 4 years more real progress has been made in bridging the gaps of unemployment among our workers than in all of our past history. Although the benefits are just beginning to be effective, approximately $600,000,000 has already been paid to temporarily unemployed persons. This money has not only provided the workers and their families with daily necessities, but in doing so it has accomplished a double purpose by helping to turn the wheels of local and national industry by helping to maintain consuming power at something like a normal level.

The majority of our workers need no longer fear the dire distress and want for bare necessities that formerly accompanied unemployment, particularly in our industrial centers. While the benefits are less than full pay, and thereby put no premium on idleness, they do spread earnings and conserve savings and, above all, provide for the necessities of a decent existence. In addition, unemployment insurance operates in conjunction with public employment services in every State, and one of its major objectives is to find jobs for workers temporarily unemployed.

While losing a job is a serious matter, and is an event that may occur several times, it generally has a temporary aspect. The impending hazard of destitution in old age, which hangs like the sword of Damocles over the heads of a large percentage of our people in our highly industrialized society, is far more final. It is an easy enough thing to say that everyone should lay aside enough to sustain him in old age, but experience has proved that even the best intentions of thrift are defeated by the vicissitudes and circumstances that attend our daily lives. We know that whatever intentions or efforts there may be regarding modest comfort during the final years, few achieve this goal. Of our citizens over 65, 2 out of 3 are dependent upon others for support.

To many of the youth or middle-aged this two-to-one gamble carries no effective threat. Our old-age insurance system, however, enables them to build up a retirement income as a right based on their own work and wages. We are thus fostering savings and furnishing a strong incentive to thrift in providing for our citizens a systematic program under which they may lay by a sufficiency during their earning years to provide for their wants when they are no longer able to earn. A large percentage of those gainfully employed in our country already have accounts under this plan, and upon retirement at the age of 65 or later the vast majority of these will be entitled to monthly benefits which will continue for the rest of their lives.

In addition, the Federal Government is providing about one-half of the cost of public assistance to almost 2,000,000 old people who lack means of support. These are the persons who are already old and during whose youth there was no social-security program providing for insurance against want in their old age. Theirs is an immediate need and is being met.

Under this plan more than $620,000,000 has been made available by Federal grants and aids to the States for the maintenance of the program of public assistance. Of this amount, $553,000,000 was for old-age assistance; over $16,000,000 was for aid to the blind; and $72,000,000 was for aid to dependent children. These figures coupled with the $500,000,000 which has been paid in unemployment insurance, make a total of more than $1,200,000,000 in benefits that have been paid under this program by the Federal Government alone. With respect to the grants for public assistance, these amounts have on the whole been matched by State funds. Amounts paid under the old-age insurance are so far relatively small, as monthly payments have not yet become effective.

These are, in brief outline, some of the concrete achievements of our social-security program. I know, however, of no reliable yardstick with which to measure what is undoubtedly the greatest benefit of all. I refer to the peace of mind, the contentment, and satisfaction which is created in the minds of our citizens by the realization of the security which this program makes possible. I refer also to the intangible but nevertheless valuable asset in the attitude of citizens toward their Government. The American people believe that government can and should, insofar as its resources will permit, provide for the security and well-being of all the people by the establishment of a program under which they can contribute to their own welfare and at the same time to the welfare of their fellow citizens.

Although we know that this program is not perfect and, because of administrative difficulties, is not as inclusive as it might possibly be, the plan does contain the broadest program for social security ever undertaken by any government.

The present bill aims to strengthen and extend the principles and objectives of the Social Security Act. The foundations of a permanent program have been laid and your committee deems it wise to build upon the present structure.

Old-age insurance, unemployment compensation, and public assistance are now accepted as permanent in our fabric of social reforms.

The present bill is designed to widen the scope and to improve the administration of these programs without altering their essential features.

I shall but briefly summarize some of the principal features of the bill.

First, I desire to call attention to the matter of taxes.

The old-age insurance tax has been frozen at 1 percent on both employee and on employer for the years 1940, 1941, and 1942, instead of 1½ percent applicable for said years under existing law. This change will save employers and workers about $275,000,000 in 1940, or a total of approximately $825,000,000 for the 3-year period.

Another change of material benefit to business is that of limiting the unemployment insurance tax to the first $3,000 of salaries paid, rather than the entire amount of salaries paid. This change will save employers approximately $65,000,000 annually. A further $15,000,000 saving is made for refunds and abatements to employers who paid their 1936, 1937, and 1938 unemployment compensation contributions too late to the States to receive the 90-percent credit allowed under the existing law.

Other savings to business are carried in the pending bill by a provision under which States may reduce the rate of their unemployment compensation tax when their reserve fund has become one and one-half times the highest contributions, or benefit payments, during any 1 year out of the preceeding 10. Under this provision, it is estimated that all except about five States will be able to meet the requirement and the minimum standards provided, during 1940, and if they should reduce their rates from 2.7 to 2 percent an additional savings of from two hundred to two hundred and fifty million dollars will be brought about.

Thus the savings above mentioned through 1940 may aggregate some $530,000,000. In addition such savings for the ensuing 2 years may amount to approximately $1,130,000,000, or a total savings of $1,710,000,000.

I shall now briefly touch upon the benefit side of the picture.

OLD-AGE INSURANCE BENEFITS

Old-age insurance benefits have been liberalized, benefits provided for aged wives, and for widows and children. The number of aged persons in our population is steadily growing. The extent of this growth is best illustrated by com-

paring the estimated 8,200,000 persons over 65 years of age at the present time to the number in 1900 when there were only 3,080,000 and with the 6,634,000 in 1930.

As a result of our study of the problem of old-age insurance we are agreed that the present system should be revised in order to bring the structure of benefits more closely to the basic needs of our people now and in the future.

However, we cannot too strongly emphasize that with the limited funds available for this type of insurance protection, thrift and individual effort must continue to be the chief reliance for future security.

Under existing law old-age insurance benefits do not begin until 1942, and for a considerable number of years thereafter the benefit payments would remain small, and in many cases would have to be supplemented by outright grant of old-age assistance.

Our committee believes it is essential that the contributory basis of old-age insurance should be strengthened, not weakened, and therefore has provided that benefit payments begin as of January 1, 1940, instead of 1942. This change coupled with larger monthly payments in the earlier years will lessen what misapprehension some might have as to the financial operation of the plan.

The basic problem confronting the committee was how to provide more adequate and effective benefits, particularly in the early years of operation, without unduly increasing the future costs.

We, therefore, have provided for carrying into effect the suggestion and recommendation of the Social Security Advisory Council, which was created by the Senate and whose personnel, was to a large degree, selected by the senior Senator from Michigan [Mr. VANDENBERG] in cooperation with the other members of the Senate subcommittee and the Social Security Board.

Their recommendation, which our committee followed was, first, to substitute additional monthly benefits to wives and children, widows, and orphans in lieu of the present 3½ percent lump sum payable to the estates of deceased workers. We, however, enlarged upon their recommendation by providing for dependent parents, and certain payments in lieu of burial expenses.

We likewise agreed to their suggestion and recommendation to increase the amount of benefit payments in the earlier years to both single and married persons, but the benefits of single persons with high earning retiring years hence are reduced somewhat. However, this does not mean that unmarried persons who contribute for many years will receive less protection than they could purchase from a private insurance company. They still receive more protection than they could purchase with the same amount of contributions.

Tables 1 and 2, on pages 8 and 10 of the committee report, give a comparison of benefit payments under existing law and under the provisions of the pending bill, which I ask permission to insert in my remarks at this point.

TABLE 1.—*Comparison of benefit payments under present Federal old-age insurance plan and under revised plan on the basis of the intermediate retirement rate estimates*

Calendar year	Present title II	Revised plan	Additional expenditure
1940	$46,000,000	$88,000,000	$42,000,000
1941	42,000,000	211,000,000	169,000,000
1942	92,000,000	350,000,000	258,000,000
1943	150,000,000	508,000,000	358,000,000
1944	221,000,000	598,000,000	377,000,000
1945	290,000,000	713,000,000	423,000,000
1946	403,000,000	855,000,000	452,000,000
1947	501,000,000	997,000,000	496,000,000
1948	615,000,000	1,134,000,000	519,000,000
1949	725,000,000	1,265,000,000	540,000,000
1950	834,000,000	1,389,000,000	555,000,000
1951	951,000,000	1,523,000,000	572,000,000
1952	1,078,000,000	1,621,000,000	543,000,000
1953	1,193,000,000	1,719,000,000	526,000,000
1954	1,338,000,000	1,843,000,000	505,000,000
Total 1940–54, inclusive	8,499,000,000	14,814,000,000	6,315,000,000

TABLE 2.—*Illustrative monthly old-age insurance benefits under present plan and under revised plan* [1]

	Present plan	Revised plan		Present plan	Revised plan	
		Single	Married [2]		Single	Married [2]
	Average monthly wage of $50			Average monthly wage of $100		
Years of coverage:						
3	(3)	$20.60	$30.90	(3)	$25.75	$38.63
5	$15.00	21.00	31.50	$17.50	26.25	39.38
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of $150			Average monthly wage of $250		
Years of coverage:						
3	(3)	$30.90	$46.35	(3)	$41.20	$61.80
5	$20.00	31.50	47.25	$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

[1] It is assumed, with respect to the revised plan, that an individual earns at least $200 in each year of coverage in order to be eligible to receive the 1-percent increment. If this were not the case, the benefit would be somewhat lower.
[2] Benefits for a married couple without children where wife is eligible for a supplement.
[3] Benefits not paid until after 5 years of coverage.

The present law provides for only two general types of benefits, namely (1) monthly old-age benefits to qualified individuals, and (2) lump-sum payments to nonqualified individuals and upon death.

The present law is therefore limited in scope in that it does not provide current monthly benefits to the surviving wife of an aged annuitant nor to the surviving widow with dependent children. This bill provides for paying survivor benefits, and I direct your attention to table 3 of the report on page 12, which I shall insert at this point.

TABLE 3.—*Illustrative monthly survivor benefits* [1]

	1 child or parent 65 or over	Widow, 65 or over	Widow and 1 child	1 child or parent 65 or over	Widow, 65 or over	Widow and 1 child
	Average monthly wage of deceased, $50			Average monthly wage of deceased, $100		
Years of coverage:						
3	$10.30	$15.45	$25.75	$12.88	$19.31	$32.19
5	10.50	15.75	26.25	13.13	19.69	32.81
10	11.00	16.50	27.50	13.75	20.63	34.38
20	12.00	18.00	30.00	15.00	22.50	37.50
30	13.00	19.50	32.50	16.25	24.38	40.63
40	14.00	21.00	35.00	17.50	26.25	43.75
	Average monthly wage of deceased, $150			Average monthly wage of deceased, $250		
Years of coverage:						
3	$15.45	$23.18	$38.63	$20.60	$30.90	$51.50
5	15.75	23.63	39.38	21.00	31.50	52.50
10	16.50	24.75	41.25	22.00	33.00	55.00
20	18.00	27.00	45.00	24.00	36.00	60.00
30	19.50	29.25	48.75	26.00	39.00	65.00
40	21.00	31.50	52.50	28.00	42.00	70.00

[1] It is assumed that an individual earns at least $200 in each year of coverage. If this were not the case, the benefit would be somewhat lower.

The net effect of these changes in benefit payments is that the annual cost in the early years will be greater, the annual cost in the later years less, although the average annual cost over the next 40 years will be about the same as under the present law.

The pending bill extends old-age insurance coverage to approximately 1,100,000 additional workers by removing the exemption of maritime employees, wages earned after 65, and covering employees of certain Federal instrumentalities such as national banks and State banks which are members of the Federal Reserve System.

On the other hand, in order to eliminate the nuisance of inconsequential tax payments, the bill excludes certain services performed for fraternal benefit societies and other nonprofit institutions, such as college students working their way through college by working for fraternities, and persons receiving nominal sums of not over $45 per quarter.

Additional coverage amendments are proposed in the pending bill dealing with agricultural labor, State employment, family employment, employees of foreign governments, and others.

The present act excludes agricultural labor, domestics, and casual labor. None of this class are brought under the terms of the act, as the committee was unanimous that it would be practically an administrative impossibility. I repeat, the pending bill continues the exemption of agricultural labor but defines the term so as to clarify its meaning and to extend the same to certain services not now exempt under the present definition of agricultural labor.

The pending bill contains certain amendments which affect the financial framework of the old-age insurance system, especially with reference to the old-age reserve account, concerning which you and the country have heard much in the past several months. Much misinformation as to the handling and investment of the funds of this account has been given, and the amendments proposed in the pending bill are made in spite of and not because of such misinformation. If anyone still entertains any doubt as to the stability and safety of these funds, or the manner in which they have been invested, I suggest they read the remarks of the gentleman from California [Mr. BUCK] in the CONGRESSIONAL RECORD of April 6, beginning on page 3933, and especially note the quotations contained therein from Secretary Mellon's annual reports of 1925 and 1926 relative to his handling and investment of the funds in the adjusted-service certificate fund account in the same manner as Secretary Morgenthau has handled and invested the old-age reserve account.

The bill changes the old-age reserve account to a trust fund, with the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio, acting as a board of trustees. Instead of requiring that such funds shall be invested so as to yield 3 percent, as provided under the present law, the pending bill provides that they shall be invested so as to earn interest at the current average rate of interest as is done in the case of the unemployment trust fund, which at the present time is 2½ percent. Instead of the mythical $47,000,000,000 reserve of which we have heard so much, it will probably never exceed eight to ten billion dollars, and will conform to the recommendation of the Secretary of the Treasury of not more than three times the highest prospective annual benefits in the ensuing 5 years.

UNEMPLOYMENT COMPENSATION

The recommendations of the committee relative to unemployment compensation deal with certain changes which in no way alter the fundamental Federal-State pattern now set in the Federal law. I have previously briefly referred to the change made in the tax provisions with respect to taxing only the first $3,000 of salary, and the reduction of tax rate dependent upon reserves and benefit payments meeting certain minimum standards.

Other provisions of the pending bill clarify existing law as to coverage and administration. It is not surprising that there has been some criticism voiced in the past about the administration of the unemployment compensation laws by the States, when it is considered that at the time of the enactment of the Social Security Act in 1935 there was but one State which had an unemployment compensation law. Today all 48 States and Alaska, Hawaii, and the District of Columbia have such laws. More than 27,500,000 workers are covered by these laws and about 3,800,000 temporarily unemployed workers have received benefits amounting to nearly $400,000,000 during the year 1938, and about $145,000,000 during the first 4 months of 1939. To set up and place these systems into operation was a task that challenged the best of administrators, and, while delay in passing on claims of applicants necessarily occurred, it is gratifying to note that the latest figures available for 1939 show that practically all States are now currently disposing of all claims received.

AID TO DEPENDENT CHILDREN

The bill provides additional aid to dependent children by increasing the Federal grant to States on a 50-50 matching basis instead of only a one-third Federal grant as provided under existing law. The Federal Government likewise increases its grant for administration from one-third to one-half.

VOCATIONAL REHABILITATION

Your committee endorses the splendid work which has been carried on by the States in rehabilitating men and women so they could provide the comforts and necessities of life for themselves rather than be the objects of charity. In view of what has been accomplished with the funds available, your committee has recommended an additional Federal grant of $1,000,000 annually, which I am confident will pay in social dividends many times over that sum.

Mr. TERRY. Mr. Chairman, will the gentleman yield for a question?

Mr. DOUGHTON. Yes.

Mr. TERRY. Did the committee give consideration to a new section of the bill covering totally incapacitated persons?

Mr. COOPER. Mr. Chairman, will the gentleman yield to me?

Mr. DOUGHTON. Yes.

Mr. COOPER. I suppose the gentleman from Arkansas has reference to totally and permanently disabled cases.

Mr. TERRY. Yes.

Mr. COOPER. I am sure the gentleman from North Carolina [Mr. DOUGHTON], the chairman of the committee, will recall that the Social Security Board brought this matter to the attention of the committee but did not recommend immediate action; therefore, the committee thought further study was necessary, in view of the cost and administrative problems involved.

Mr. DOUGHTON. Mr. Chairman, I have related some of the accomplishments of the present social-security law and indicated some of the changes made by the present bill. I am confident that our committee has done the very best work that it possibly could under most difficult and trying conditions. As I have before stated, of course, what we have done up to date is not perfect, but the foundation is well laid. It is a well-thought-out and wrought-out plan, and by continuous study and amending the law as experience demonstrates its imperfections I am sure that we will build a superstructure for social security that will not only be a relief and of benefit to those for whom it is intended but it will be the pride of the Nation, a lamp to the feet and a light to the path of other nations so far as social-security legislation is concerned. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN (Mr. MILLS of Arkansas). Is there objection to the request of the gentleman from Michigan?

There was no objection.

THE RIGHT TO WORK

Mr. HOFFMAN. Mr. Chairman, we all know that the Workers Alliance has a delegation here. They want us to appropriate $2,250,000,000 to provide jobs. Undoubtedly there is merit in the proposition that a man ought to be permitted to work. At the same time that those delegations are here we have in Washington at least three projects, the art project, the Jefferson Memorial, and the big bridge across the river over on Pennsylvania Avenue SE. We have more than 100 private building projects, all of which, if permitted to be carried on, would employ hundreds of men; and we have men on strike, picketing and preventing men working unless the contractors are willing to pay 80 cents per hour for unskilled labor, 90 cents for semiskilled labor, and $13 a day for a

7-hour day for skilled labor. Something is radically wrong when all over the country men and women who want to work for 50 cents an hour or less cannot find jobs and here in Washington men are not permitted to work at 70 cents an hour for unskilled labor.

It is more than passing strange that this Congress should be asked to appropriate this $2,250,000,000 to provide jobs when right here in Washington there are jobs and men cannot work at them. There is something wrong somewhere. There is something decidedly wrong when in the State of Michigan during the past week some 70,000 men were prevented from working at jobs where wages and hours of work and working conditions were entirely satisfactory, and the only fly in the ointment was that those men did not join an affiliate of the C. I. O.

What is the sense of appropriating money to put men to work when there is in this country some organization that can say to 70,000 men in one city, "You shall not work until you have joined a particular organization." What is the sense to it?

The Committee on Labor of this House is now conducting hearings on the Wagner law, which is being used by the C. I. O., with the assistance of the National Labor Relations Board, to keep men who want to work out of their jobs. There is no question about it. I think it was in yesterday's paper I noticed an article that in the clothing industry there will soon be a combination between employer and employee to the effect that no garments are to go on the market to be sold by retail merchants unless they bear a certain label.

Within the past 2 weeks we had a demonstration—and it was a demonstration; we cannot get away from that fact—where all of the miners in the soft-coal industry, or at least a vast majority of them, were forced, whether they wanted or not, to join the United Mine Workers in order to get a job. We have the fact that down at Harlan, Ky., the Federal Government is feeding the men who are on strike and who will not work because the men who want to give them jobs—because the operators who are willing to pay them to work—will not sign a contract which provides that every man who works must belong to a particular organization.

I have not been able to get a copy of the decision that the Supreme Court rendered yesterday in which it was held that the freedom of speech was denied to those who wanted to hold certain meetings in Jersey City in New Jersey. I assume that that decision is correct under the Constitution; and if it is correct, and if it be true that the C. I. O. has—as the Court held in the case where the Communists wanted to distribute their literature in Oregon—the right to use the streets and parks to distribute its literature, then the question which I have in mind is this: Are the employers, those who have the jobs, those who have the money to pay men who are willing to work and who want to work and who need work, are those employers to be permitted to tell prospective employees, at least, that they need not join that particular organization in order to hold a job?

Putting it a little differently: Does this rule work both ways; or is it true that only members of a certain organization can have the benefit of free speech and a free press?

The papers tell us that our Attorney General, the one-time Governor of Michigan, who suspended for a period of more than 30 days the operation of the laws in Michigan and who defied court orders, who was a law unto himself, is now going about the country and sending men down to Harlan, Ky., to see that men should have their civil liberties protected. But nowhere in any paper that I have been able to find has there been any declaration on the part of the Attorney General, or anyone else connected with this administration, that the employer may say anything about the advisability of his employees joining or not joining any organization; and nowhere has the Attorney General of the United States, the man who is in charge of the enforcement of the law, or any other administrative officer charged with the enforcement of the law, said that a man who wants to work shall have the right to work.

And the Wagner law and the decisions of the Labor Board make it an unfair labor practice for an employer to advance any argument whatsoever to his employees suggesting that their interests can be best served by not joining a labor organization or by joining a particular labor organization.

Where is the right of free speech and a free press guaranteed to the employer? Nowhere but in the Constitution, and it is denied to him by the National Labor Relations Act and the practice of the Labor Board.

Mr. DOUGHTON. Mr. Chairman, I regret to do so, but the rule provides that the debate must be confined to the bill. The gentleman is speaking out of order.

Mr. HOFFMAN. But I obtained permission to speak out of order.

Mr. DOUGHTON. I beg the gentleman's pardon.

Mr. HOFFMAN. It is all right. In any event, I am talking in a way on the bill, because the bill, as I understand it, is devised to bring aid to a certain group of our citizens. And I am speaking about another group which is deprived of its constitutional rights by a law which we passed and by a board which is spending funds appropriated by us.

The matter that I have been speaking about is where this Congress has appropriated money to aid those who lack jobs, those who are in need, and the thought that comes to some of us is whether or not if we appropriate this money—and I am not speaking against the bill or the amendment to the bill—but whether, if we do appropriate this money, it is going to fall into the hands of those who use it to advance their own purposes. For example, if I am correctly advised, and I think I am, down here this morning at the hearing before the committee investigating W. P. A. a man named Charles H. White, who was a member of the Communist Party until 1936, who was a member of the Workers Alliance, who at the present time is a member of Federal Project Workers Local 20940, who was once a member of Workers Alliance Staff Local of the Federal arts project, testified that he was sent to Russia along with a group to get instructions over there on how and what to do here in America; that over there he was instructed in a school, that he was to organize a new republic in the South among the Negroes, that he was given instruction in sharpshooting, machine gunnery, horsemanship, building of barricades in the streets, the destruction of tanks, methods of street fighting—and this, mind you, on a trip where he was recommended for instruction by Herbert Benjamin, the head of the Workers Alliance.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN. I yield.

Mr. GREEN. Did the gentleman say he was to instruct the young Republicans when he came back?

Mr. HOFFMAN. The young what?

Mr. GREEN. The young Republicans. Was not that what the gentleman said?

Mr. HOFFMAN. I do not know of any young Republican who would listen to any such instruction.

Mr. GREEN. I misunderstood the gentleman. I thought he stated this man was to instruct the young Republicans.

Mr. HOFFMAN. I said he was to establish a new republic amongst the Negroes, create a Negro organization in the South, he was going to establish a new political state among the Negroes in the South. That was the point, and that was a part of his instructions.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 2 additional minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. He belonged to the same outfit that pulled those sit-down strikes on us in Michigan. He belonged to that same organization—he has seen the error of his ways, he said—he belonged to the same organization which attempts to nullify the efforts which we make here. We can appropriate all the money we wish to create jobs, to create work, and then these men come along and prevent men working in your district in the mine, on the farm, in the factory, or in the mill. Throughout the country are

millions of men willing to work at the average wages being paid. What do these men do? They come along and by force—and I do not mean maybe, I mean by force—prevent men who want to work from working; deprive them of their civil liberties, and the Attorney General does nothing about that.

The result is that when we have the jobs the men cannot work at them. How much longer are we going to stand for it? In my humble judgment what this House should do is to make the Labor Committee get busy on amendments to the Wagner law, reaffirm our rights, and see to it that once more the civil liberties are returned to the people. And I mean to the people as a whole, to every individual citizen. I do not mean civil liberty only for the members of the C. I. O., for the Communists, for the labor racketeer. But I mean the civil liberty of the worker should be returned to him; that he should be permitted to work; that the employer should be permitted to hire and to pay the man who wants to work and that the man who wants to work should not be required to join any organization. The employer should not be required to hire only those who belong to a particular organization.

Unless we do that, a part of our liberty is gone and it is only a question of time until the practice will be extended to include all and the revolution which so many have predicted will be with us. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Maine [Mr. OLIVER.]

Mr. OLIVER. Mr. Chairman, I ask unanimous consent to proceed out of order.

The CHAIRMAN. The Chair cannot recognize the gentleman to submit such a request. The rule adopted by the House provides that debate must be confined to the bill.

Mr. OLIVER. I would remind the Chairman that the gentleman who occupied the chair a while ago allowed the preceding speaker to speak out of order.

The CHAIRMAN. Under the rule, that cannot be done.

Mr. TREADWAY. Mr. Chairman, I yield myself 15 minutes.

SOCIAL-SECURITY BILL

Mr. TREADWAY. Mr. Chairman, as the opening speaker for the Republican minority, let me say that in the consideration of the bill over the last several months we have endeavored to do all we could to help perfect the existing Social Security Act.

We have joined with the Democratic members of the committee, in a nonpartisan way, to make such amendments in the law as would make it more liberal and more sound.

Admittedly the job that has been done is not perfect.

There are a number of features of the bill with which I for one do not agree, and, of course, it is doubtful if any man or group of men could write a bill which would be satisfactory to everyone.

The position of the Republican members of the Ways and Means Committee with respect to this bill is set forth in our report which accompanies that of the full committee.

In the opening paragraph of the statement of our views we say:

> This statement is submitted not in opposition to the pending bill but supplemental to the committee report.
>
> While the bill in no sense represents a complete or satisfactory solution of the problem of social security, it at least makes certain improvements in the present law—some of which we have ourselves heretofore suggested—which we believe justify us in supporting it despite its defects.

THE $47,000,000,000 RESERVE

We of the Republican minority are particularly proud of the part we have played in bringing about the abolition of the proposed mythical reserve fund of $47,000,000,000 and the substitution of a modified pay-as-you-go policy with respect to old-age insurance.

We have criticized from the very beginning this reserve fund hoax, under which wage earners and employers were being taxed an excessive amount on the theory that a $47,000,000,000 reserve was being built up to pay retirement pensions in future years.

Of course, we all know that the money which is being raised by pay-roll taxes does not actually go into the trust fund.

Appropriations are made to the fund by Congress, it is true, but the Secretary of the Treasury takes the cash and uses it for current expenditures, and all that goes into the fund is the Government's I O U.

The Republican Party made an issue of this procedure in the 1936 campaign, but the people did not seem to be able to understand the devious ways of high finance.

We kept hammering away, nevertheless.

In January 1937 a minority group which had been appointed to study the question of old-age insurance in behalf of the Republicans in both branches, made a report in which it recommended the abolition of the $47,000,000,000 reserve fund and the substitution of a pay-as-you-go policy with a small contingent reserve.

At the same time a reduction of the proposed schedule of pay-roll taxes was suggested, which, of course, was a natural corollary of the pay-as-you-go policy.

Those serving on this committee of Republicans were Congressmen REED of New York, and JENKINS of Ohio, and Senators VANDENBERG, of Michigan, and TOWNSEND, of Delaware.

Senator VANDENBERG was able to secure a hearing on the Republican proposal by the Senate Finance Committee, and as a result of that hearing an agreement was reached between the Finance Committee and the Social Security Board for the appointment of an advisory committee on social security, to be composed of outstanding businessmen, labor leaders, and experts in the field of social security.

That committee made its report in December of last year, and one of its principal recommendations was the abolition of the colossal $47,000,000,000 reserve fund and the substitution of a pay-as-you-go policy.

All during the hearings our friends on the Democratic side did their best to defend the $47,000,000,000 reserve.

They, of course, did not want to admit that a mistake had been made or that the public was being fooled as to what was actually in the fund.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. BUCK. Mr. Chairman, the gentleman knows that I was one of the Democratic Members who took exception to the remarks made by some of the Republican Members, not the gentleman speaking, with reference to calling the security-reserve fund "I O U's of the Government." They are the same type of securities that are held by all the other trust funds the Government administers. I am sure the gentleman will agree with me in that. I think none of the Democratic Members ever admitted what the gentleman from Massachusetts called a mythical $47,000,000,000 reserve, because we know there was no such reserve and never would be one.

Mr. TREADWAY. I may add to the gentleman's remarks that the reason that there was such a reserve started was the fact that the Secretary of the Treasury wanted to take the cash for governmental expenditures. The money did not go into the trust fund at all, and that is what we objected to. You stated you were laying a foundation for a $47,000,000,000 trust fund, but there was no indication of its being put into effect although the law so provided. I am not saying that the money was used in an unlawful manner, but nevertheless it is a fact that unless the law is changed at this time there will be supposedly a paper accumulation of $47,000,000,000 in the course of years which will not actually exist; therefore the taxpayers of the country will be called upon to pay additional taxes when the obligations become due in the future. That is all I care to say about that at this time.

Mr. McCORMACK. Will the gentleman yield?

Mr. TREADWAY. I cannot help but yield to my delightful friend from the State of Massachusetts.

Mr. McCORMACK. Thank you.

Will the gentleman admit that special obligation bonds were issued with reference to the retirement fund and with reference to other special funds?

Mr. TREADWAY. Oh, it is not limited to this fund. I am criticizing this fund right now.

Mr. McCORMACK. The late Secretary Mellon recommended the issuance of 4-percent special obligations for the retirement fund, and properly so.

Mr. TREADWAY. Is the gentleman asking a question?

Mr. McCORMACK. They will get a certain rate of interest. The Government bonds cannot be purchased in the open market bearing that rate of interest. The only way you can guarantee it is by the issuance of special obligations. What we did in this case was to follow the recommendations of a very able former Secretary of the Treasury, whom I respected and whose memory I admire. [Applause.] He was a great American and I admire him and respect his memory. I refer to the late Secretary of the Treasury, Andrew W. Mellon.

Mr. TREADWAY. The gentleman from Massachusetts is undoubtedly speaking accurately in general terms, but this social-security fund, to which I am referring and which I am now criticizing, was not in existence during the time that Mr. Mellon held the office of Secretary of the Treasury. The social-security fund never was thought of at that time. Therefore, I maintain that the gentleman from Massachusetts [Mr. McCORMACK] should not connect Mr. Mellon's memory up with anything that had to do with a fund which he never heard of in his life. He may know about it now, but he did not know about it during his lifetime. It may be that Mr. Mellon knows what is transpiring here today. If he does, he certainly will repudiate the fact there was any connection between anything he did as Secretary of the Treasury and the social-security fund of the year 1939.

Mr. McCORMACK. I am sure there is no Member on the floor of the House now who for a moment interpreted anything I said as connecting Mr. Mellon with this particular fund.

Mr. TREADWAY. Well, I did.

Mr. McCORMACK. Certainly the gentleman from Massachusetts [Mr. TREADWAY] is the only one who would place any such interpretation on what I said. What I did say was that the precedent for the issuance of special obligations was recommended to the Congress in the case of the retirement fund for Federal employees by the late Secretary of the Treasury Mellon.

Mr. CARLSON. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Kansas.

Mr. CARLSON. I would like to make the comment that defense has been made of these special obligations. It is interesting to note that the Ways and Means Committee is recommending to the Congress that the Board of Trustees purchase regular outstanding obligations of our Government at the current rate of interest. If the Treasury finds that it is not in the public interest to purchase regular bonds, special obligations may be issued.

Mr. TREADWAY. I thank the gentleman for his contribution. Several men have occupied the position of office of Secretary of the Treasury since the gentleman to whom the gentleman from Massachusetts referred. I want to get down to what the present Secretary of the Treasury, the Honorable Henry Morgenthau, Jr., has done in this connection. I may say very definitely to my friend from Massachusetts that certainly the present Secretary of the Treasury knew about this fund to which we are referring at the present time. Here is the story:

When it came time for the Secretary of the Treasury to appear before the committee to explain the Treasury's position on the financing of the retirement provisions, he left his Democratic supporters on the committee high and dry by coming out flat-footedly for the abolition of the $47,000,000,000 reserve and the substitution of a pay-as-you-go policy with a reserve of not to exceed three times annual benefits being paid out.

That is the recommendation of Mr. Morgenthau. It is "right up the alley," if you wish to so refer to it, with the attitude that the Republican minority on the committee have taken from the very first in connection with their criticism of the $47,000,000,000 fund.

Mr. MAY. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Kentucky.

Mr. MAY. As a matter of information to one who does not know very much about it, what is the proportion of the reserve fund under existing law compared with the amount of payments that have actually been made?

Mr. TREADWAY. I am not sure and I stand to be corrected, because there are others who know more about the details of the measure than I do. I do not think the proportion is designated under the present law. There is a rate set and the accumulation is figured to reach in about 30 or 40 years the enormous sum of $47,000,000,000.

Mr. REED of New York. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from New York.

Mr. REED of New York. I may say there has been collected up to date under the old-age annuity system over a billion dollars. There have been paid certain death claims running to a total of something like $25,000,000.

Mr. TREADWAY. There was no direct proportion, however. The reserve under the present law just grows and grows.

Mr. REED of New York. No.

Mr. TREADWAY. I was correct in making that statement.

Mr. MAY. According to that statement, then, the present set-up would be about 14 to 1. I understood the gentleman to say the Treasury now recommends 3 to 1.

Mr. TREADWAY. Yes. Three to one is the proposed recommendation.

In Mr. Morgenthau's statement before the committee he completely reversed his testimony of 4 years ago when he insisted that the full reserve be built up. He explained his changed attitude by saying, at page 2112 of the hearings, that—

> The argument for a large reserve does not have the validity which 4 years ago it seemed to possess.

That was a very frank and fair comment of the Secretary of the Treasury and one for which we are glad to commend him, in that he recognized that the attitude of the Department 4 years ago should not be carried out under existing conditions.

By his testimony before the committee, he admitted the soundness of the major Republican criticism of the law. Therefore, I repeat, that we of the minority are proud of the part we have played in bringing about this wholesome change in policy.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield myself 15 additional minutes.

TAX SAVINGS AS A RESULT OF ADOPTION OF PAY-AS-YOU-GO PRINCIPLE

Now, just a word about the so-called tax savings which will result from this change.

The Democratic majority are endeavoring to make capital out of the so-called saving by reason of not increasing taxes.

How business can save anything it has not already paid is a question.

It would be better to say that the proposed change makes possible the avoidance of an immediate increase in the pay-roll tax.

The New Deal might, by the same process, take credit for the billions of dollars it is saving business by not increasing taxes to the extent necessary to balance the Budget.

I do not mean to belittle the importance of the freezing of the pay-roll taxes at the present rate for 3 more years.

On the contrary, I strongly favor it; but it is just a correction of a Democratic mistake.

The present pay-roll taxes are excessive.

Under a strict pay-as-you-go policy they would not even need to be 1 percent as they are at present.

There is absolutely no justification for collecting from business concern and from the wage earners of the country more pay-roll taxes than are necessary to support the system on a sound basis.

These pay-roll taxes directly reduce the consuming power of the workers of the country and they increase the cost of goods and services because they are a burden on production and distribution.

I am in hopes that some day some substitute form of taxation can be worked out, because in many respects the pay-roll tax is one of the worst forms of taxation yet devised.

It amounts to a gross income tax on the wages of the lowest-paid workers.

It puts a direct penalty on the giving of employment and not only discourages the creation of new jobs but encourages the abolition of existing jobs to avoid the taxes imposed.

Business concerns must pay their share of the tax whether they make a cent of profit or not.

A concern might conceivably lose a million dollars and still have to pay a million dollar pay-roll tax.

To the small merchant the pay-roll tax may be the difference between profit and loss at the end of the year.

In any program of business appeasement the reduction or abolition of the pay-roll tax ought to stand at the head of the list.

Business concerns may complain about the corporation income tax, but they only have to pay that tax if they have a profit.

The pay-roll tax may be a tax on a loss.

The individual only has to pay an income tax if he earns over $1,000 if single and $2,500 if married, and there are other deductions besides, but the pay-roll tax is imposed on every cent the worker earns up to $3,000 a year.

The person who finds an acceptable substitute for the pay-roll tax should have a monument erected to his memory.

UNEMPLOYMENT TAX

The proposed plan of enabling the States to reduce their unemployment insurance pay-roll tax in cases where adequate reserves have been built up should also be heartening to business. The credit for the nucleus of this plan must go to Governor Saltonstall, of Massachusetts, and the unemployment compensation authorities of that State, including Mr. Arthur Rotch, chairman of the State advisory council. It was first suggested in a letter to the gentleman from Massachusetts [Mr. MARTIN] from Governor Saltonstall dated April 7. This letter was turned over to me for a suggestion as to how best to lay the plan before Congress, and the suggestion I made was followed. I did not personally offer the plan in committee because I did not want to jeopardize its adoption by having it come from the Republican side.

Under the plan originally proposed, there was no suggestion of benefit standards which would have to be met as a condition precedent to reducing the State tax. These benefit standards were insisted upon by the Social Security Board, and in their present form they are opposed by many of the State unemployment authorities. Some fear that they may deny relief to States which can otherwise qualify by reason of having the required reserves.

There can be no question but what some form of tax relief is necessary, since many States have been continuing to build up their reserves even after making heavy payments of benefits during the present depressed state of business. As business improves, tax receipts will be even greater and the need for unemployment compensation will decline, thus further adding to the present large reserves, which now exceed over a billion dollars. A flat reduction of the tax is opposed by the Social Security Board on the ground that it would be insufficient in many instances; hence the only solution is some plan such as that sponsored by Governor Saltonstall, under which the tax rate can be adjusted to meet the needs in each State. Under the plan, regardless of the rate fixed by the State, employers will continue to get the full 90-percent credit against the Federal unemployment tax of 3 percent.

OLD-AGE PENSIONS

Next, as to old-age pensions. When the original social-security bill was before the House in 1935, I moved to amend the bill by increasing the Federal contribution for old-age pensions from $15 a month per person to $20 a month per person, thus making possible a pension of $40 per month instead of $30.

That motion was voted down by a vote of 146 ayes to 254 noes, the vote being along party lines, with the Republicans voting "aye" and the Democrats "no."

Now, 4 years later, we have the Ways and Means Committee coming in with a recommendation along that very line.

The Democratic mills grind slowly; but eventually they come around to our point of view.

They are about to do the same thing on the tax question, with respect to which a bill will shortly be presented to the House.

On the question of old-age pensions, there can be no question but what the amounts now being paid in most States are far from adequate.

Unfortunately most of the States are not yet taking full advantage of the Federal Government's offer to make a contribution up to $15 on a 50-50 matching basis.

The average pension being paid throughout the country is only a little over $19.

In my State the average happens to be a little over $28, which means that some are getting more than that amount and some less.

The effect of the amendment will not be to increase anyone's pension automatically.

It simply holds out an offer on the part of the Government to pay one-half of the pension fixed by the State up to a maximum of $40.

At the present time Massachusetts and a number of other States are paying pensions in individual cases in excess of $30 but they have to stand the entire cost insofar as the pension exceeds that amount.

Under the amendment proposed, the Federal Government will match 50-50 on amounts between $30 and $40, the same as it is now matching 50-50 on amounts up to $30.

Doubtless proposals will be made here for the Federal Government to pay two-thirds instead of one-half, or to pay some flat sum without requiring any matching by the States.

Both these proposals are in the direction of straight-out Federal pensions on which we had a rather decisive vote here the other day.

If we start paying two-thirds it will be only a matter of time until we are requested to make the contribution three-fourths, and the next step after that will be paying it all.

If we do not have State responsibility the States will be putting everybody on the roll regardless of need.

If we adopt the amendment proposed by the bill, a reasonably adequate pension can be provided if the States meet the Federal Government half way.

The responsibility is theirs to see that adequate pensions are provided.

Some will say the States cannot afford to pay increased amounts and that therefore the Federal Government should assume the burden.

But can the Federal Government afford it either?

Are the States any worse off than the Federal Government when it comes to being able to afford things?

By the end of the next fiscal year we will have piled up an accumulated deficit of twenty-seven billions, and we have been running several billions in the red each year with no end in sight.

So do not let us hear anything in this debate about the Federal Government being better able to pay old-age pensions than the States.

The proposal to pay a flat sum to the States regardless of any matching is aimed at transferring the cost of old-age pensions in the South to the Northern States.

We might as well face that issue frankly and meet it head on.

In the Washington Post this morning there appeared an editorial on the question of increased Federal grants for old-age pensions.

Reference was made to the announced intention of a certain Member of the other body to propose that the Federal contribution be increased to two-thirds in the so-called poorer States.

The Post editorial indicated that this was simply a back-door entrance to a Federal pension system, and I agree.

I read the concluding paragraph of that editorial:

When the House begins debate on the proposed amendments to the Social Security Act today it must be alive to the very real danger of ushering in Townsendism through the back door.

AID TO DEPENDENT CHILDREN

The committee has increased the Federal contribution for aid to dependent children from a one-third matching basis to a 50-50 matching basis, the same as now prevails with respect to old-age assistance and pensions for the blind.

There has been a widespread demand for this change, which should prove of considerable benefit to the States by permitting them to extend their services to dependent children by taking care of more cases and by paying increased benefits to those now on the rolls.

OTHER CHANGES

I shall not at this time go into other matters covered by the bill.

The liberalized provisions relating to old-age retirement have been explained in detail and will be further referred to as the debate progresses.

I shall not take the time to go into the complicated details of these provisions, nor into some of the other matters which I have not touched upon.

Instead, I shall ask permission to insert at the conclusion of my remarks the minority report on the bill, which sets forth our comment on these provisions.

CONCLUSION

In closing, I want to utter a word or two of caution.

The pending bill goes a long way further toward a system of Government paternalism than the present law.

Its objectives are strictly humanitarian, and of the highest purpose, but we must proceed slowly or else we will be thrust fully into a socialized state.

Under Government paternalism, the people surrender their liberty for what they believe is security.

Under the old-age insurance provisions of the bill the people are being forced into a system of paternalism, regardless of their individual wishes in the matter.

I am not here today arguing against social security. On the contrary, I want to say that I am for all the security we can afford.

My remarks are simply intended as a word of warning to watch our step as we proceed in the direction of what we believe to be more liberalized social security.

If we proceed too fast the whole system may collapse of its own weight, and we may find that instead of more security we have none at all.

This bill proposes the first amendments that have been made to the Social Security Act as passed in 1935.

It puts the Federal Government more and more into the position of godfather to the people.

If other amendments are made in later years, as undoubtedly they will be, we will reach the point of absolute Government paternalism.

While I intend to vote for the bill now before the House, which in many respects improves the present law, I dread to anticipate what it may lead to in future years.

We are told that despite the fact that the bill proposes to increase benefits and to pay pensions to wives, widows, dependent children, and parents of workers, it will cost no more in the long run than the present limited system.

This is because lump-sum payments are done away with in the case of workers dying before reaching the retirement age and because benefits to single persons are reduced insofar as future years are concerned.

However, this Congress cannot legislate for or control future Congresses. We know that benefits under the act will not be reduced, but further extended. We know that this will increase the cost still further. But we do not know whether future Congresses will levy the taxes necessary to maintain the system without taxing the people generally for its support. We are not even sure that the scheduled increase of pay-roll taxes in 1943 will be allowed to go into effect. At that time the rate will jump to 2 percent each on employers and employees instead of the present 1-percent rate, which the bill continues for 3 more years.

There is a question how much the workers are going to be willing to contribute out of their wages for old-age security or how much they can afford to contribute. There is also a question how much business can stand in the way of increased taxes for social security. Even at the present 1-percent rate the pay-roll taxes amount to $500,000,000 annually. At 2 percent the yield will be around a billion annually, and at 3 percent the yield will be around one and one-half billions in addition to all other taxes.

We are continually urging reemployment, but at the same time we are putting increased burdens on employers for giving employment. If we keep on adding burdens to business, the time is not far distant when the Government will have to take over all business, industry, and commerce if it is to be carried on at all. Then the Government will indeed become the Great White Father. So I repeat, let us proceed slowly in liberalizing the Social Security Act lest in pursuing security we lose it altogether, and with it the liberties of the people. [Applause.]

The minority views referred to by me are as follows:

SUPPLEMENTAL VIEWS OF THE REPUBLICAN MINORITY

This statement is submitted, not in opposition to the pending bill but supplemental to the committee report.

While the bill in no sense represents a complete or satisfactory solution of the problem of social security, it at least makes certain improvements in the present law (some of which we have ourselves heretofore suggested) which we believe justify us in supporting it despite its defects.

ELIMINATION OF $47,000,000,000 RESERVE

We particularly commend the abandonment of the staggering and illusory $47,000,000,000 reserve fund for old-age insurance, which we have criticized from the very beginning as being unnecessary, misleading, and dangerous. The substitution of a pay-as-you-go system, with a moderate contingent reserve, as provided by the bill, is in line with what the Republican minority has always advocated. It is in accord with the Republican platform of 1936, and with the recommendations made in January 1937, by the minority group which was named by the Republicans of both branches of Congress to study the question of social security, composed of Senators VANDENBERG and TOWNSEND and Congressmen REED of New York and JENKINS. The recommendations of the latter group led to the appointment by the Senate Finance Committee and the Social Security Board of the Advisory Council on Social Security, which in December 1938 submitted a report suggesting many of the changes made by the pending bill, including the establishment of the pay-as-you-go policy. Those serving on the Advisory Council included outstanding businessmen, labor leaders, and experts in the field of social problems.

Republicans in both branches may deservedly be proud of the part they have played in calling to the attention of the country the dangers and burdens inherent in the present reserve structure, and in bringing about the changes proposed. The action taken by the committee is an acknowledgment of the soundness of the major Republican criticism of the existing law.

While an attempt is made under the bill to assure the workers of the country that the money they contribute through pay-roll taxes will be kept in a separate trust fund, the fact is that the amended provisions governing the investment of the reserve make little change in the present provisions. The Secretary of the Treasury, as managing trustee of the fund, will still be able to use the pay-roll tax contributions for current governmental purposes simply by continuing to place in the fund special bonds—that is, Government I O U's—as is now being done. Although the Secretary is required to first attempt to buy outstanding obligations for investment of the reserve fund, this provision is negatived by the further provision that he need not do so if in his opinion the public interest requires that he issue the special bonds (I O U's). Probably at no time will the Secretary ever deem it expedient to buy bonds in the open market, which means that the present practice of issuing I O U's to the fund and using the trust money for general governmental purposes will be continued unabated. The only redeeming feature is that with the abandonment of the $47,000,000,000 reserve, and the substitution of a contingent reserve of not to exceed three times the highest annual benefit payments during

the succeeding 5 years, there will not be as much money as otherwise for the Treasury to make use of for current extravagances.

ELIMINATION OF CONTEMPLATED INCREASE IN PAY-ROLL TAX UNDER TITLE VIII

As a consequence of the abandonment of the $47,000,000,000 reserve fund, a 3-year delay in the scheduled increase in the old-age insurance pay-roll tax has been made possible. Under existing law, the tax under title VIII would automatically increase next year to 1½ percent each on employers and employees, instead of 1 percent on each as at present. Under the pending bill, the 1-percent rate will be continued for 3 more years, thus eliminating the immediate threat of higher pay-roll taxes.

There is no question but what the present schedule of pay-roll taxes is excessive, and that these taxes constitute a powerful deterrent to business recovery. They put a direct penalty on employment and reduce the purchasing power of millions upon millions of employed persons. We heartily approve the reduction proposed by the bill, which will result in considerable relief to business and at the same time permit employed persons to retain for their own purposes a larger portion of their pay envelopes. The postponement of the scheduled increase in the pay-roll tax was one of the principal recommendations made in January 1937 by the Republican group to which we have previously referred. It, of course, was an essential feature of the pay-as-you-go policy advocated by the Republican members of both branches.

It is estimated that as a result of the postponement of the tax increase there will be a saving to employers and employees of $275,000,000 annually, or a total of $825,000,000 over the 3-year period 1940–42. This amount will go into the channels of trade instead of into the Treasury to be squandered by the present administration.

UNEMPLOYMENT-INSURANCE TAX RELIEF

No less important to business are the tax savings made possible by the changes proposed in the unemployment-insurance title. Under the established policy of providing unemployment insurance under State laws, with a uniform rate of tax, despite varying conditions of unemployment, reserve funds have been built up in many States to needlessly large amounts. We feel that there is no justification for continuing to extract from business more unemployment taxes than are necessary to meet current outlays in each State and maintain a reasonable reserve. It is essential that some plan be put into effect which will result in adjusting revenues to benefits and prevent the piling up of even greater reserves as business conditions improve and receipts from the tax increase.

At the instance of Governor Saltonstall and the Massachusetts unemployment-compensation authorities, the committee has adopted a plan whereby those States which have ample reserves may reduce their unemployment tax below the 2.7-percent level now prevailing. This plan is explained in detail in the report of the full committee.

According to information given the committee, all but nine States are now in a position to meet the requirement as to reserves. However, there is fear on the part of many of the State unemployment-compensation officials that the standards set up as a condition precedent to reducing the State tax are such as to nullify the possibility of any reduction under the plan. Due to the fact that the proposal was not discussed during the public hearings, and that the specific language of the plan has only been available for examination by the State authorities since May 24, it is possible that some adjustments will have to be made if the hoped-for tax reduction is to be realized. These standards were insisted upon by the Social Security Board as a condition to its approval of the plan.

It is estimated that this provision may result in a saving to business of $250,000,000 annually in those States which now have the required reserves. State action will, of course, be required to put the plan into operation.

In addition, there will be a further saving of $65,000,000 annually because of the limitation of the tax base under title IX to the first $3,000 of each employee's annual earnings, as is now provided under title VIII.

A still further saving will result from the adoption of the Carlson amendment eliminating the so-called 90-percent penalty in cases where the taxpayer failed to pay his State unemployment tax for 1936, 1937, or 1938 in time to get the benefit of the credit against the Federal tax. This will relieve business from unjust and excessive penalties amounting to perhaps $15,000,000.

We strongly favor the foregoing changes, which do not appear to jeopardize the payment of unemployment benefits or involve any reduction in the amount thereof.

OLD-AGE PENSIONS

Under existing law, pensions to needy persons over 65 are provided under the laws of the several States, the States themselves having full control in fixing the amount thereof, with the Federal Government reimbursing the States for one-half the total sum expended. It is provided, however, that in no case shall the Federal contribution exceed $15 per month per person. In other words, the Federal Government matches the State funds paid out for old-age pensions on a 50–50 basis, and makes no contribution unless there is a like contribution by the State. If a State pays an individual $15 per month, the Federal Government contributes $7.50 of the total. If it pays him $30 per month, the Federal contribution is $15. If it pays $40, the Federal Government contributes the first $15 and the State the balance.

When the original Social Security Act was under consideration in 1935 the Republican minority offered a motion to increase the Federal contribution to a maximum of $20, which, with a like contribution by the State, would have provided a pension of $40 per month. The motion was defeated, due to the opposition of the Democratic majority.

The committee, by its action in incorporating such an amendment in the pending bill, has agreed that the change we then proposed is desirable.

Our purpose in offering the original motion was that we considered a pension of $30 per month to be inadequate. Unfortunately, the States have not provided anything approaching even this amount on the average, despite the willingness of the Federal Government to contribute one-half the total. As of March 15, 1939, according to figures submitted by the Social Security Board, the average pension being paid throughout the country was only $19.51. The average payment by States ranged from a low of $6.11 in Arkansas to a high of $32.47 in California. The following table gives the figures for each State:

Average old-age pensions being paid, February 1939, by States with plans approved by the Social Security Board

[Data corrected to Mar. 15, 1939]

AVERAGE AMOUNT PAID TO RECIPIENTS OF OLD-AGE ASSISTANCE

Total	$19.51
Region I:	
Connecticut	24.16
Maine	20.50
Massachusetts	28.45
New Hampshire	23.31
Rhode Island	18.74
Vermont	14.86
Region II:	
New York	24.27
Region III:	
Delaware	10.85
New Jersey	19.51
Pennsylvania	21.25
Region IV:	
District of Columbia	25.52
Maryland	17.47
North Carolina	9.53
Virginia	9.67
West Virginia	13.85
Region V:	
Kentucky	8.69
Michigan	16.97
Ohio	22.54
Region VI:	
Illinois	18.74
Indiana	16.75
Wisconsin	20.98
Region VII:	
Alabama	9.35
Florida	13.80
Georgia	8.62
Mississippi	7.06
South Carolina	7.61
Tennessee	13.23
Region VIII:	
Iowa	19.83
Minnesota	20.55
Nebraska	17.37
North Dakota	17.52
South Dakota	19.57
Region IX:	
Arkansas	6.11
Kansas	19.73
Missouri	18.62
Oklahoma	19.89
Region X:	
Louisiana	10.37
New Mexico	11.41
Texas	13.91
Region XI:	
Arizona	26.14
Colorado	29.07
Idaho	21.33
Montana	20.56
Utah	20.50
Wyoming	21.89
Region XII:	
California	32.47
Nevada	26.45
Oregon	21.27
Washington	22.13
Territories:	
Alaska	27.59
Hawaii	12.61

Of course, until the States take action to increase the amount of their old-age pension payments, no benefit to elderly persons will result from the more liberal Federal contribution which the bill

provides. However, we hope that this evidence of a willingness on the part of the Federal Government to do its share in bringing about an increase in old-age pensions will give rise to action by the States along this line. The responsibility is now theirs to see that more adequate pensions are provided.

OLD-AGE RETIREMENT PROVISIONS

Under existing law, provision is made for a Federal system of old-age retirement annuities, under which employed persons (with certain exceptions) are to be paid retirement benefits upon reaching the age of 65. A pay-roll tax, to which we have previously referred, is imposed on such employed persons and their employers for the purpose of financing this retirement scheme. To qualify for retirement benefits, workers must have reached the age of 65 and have contributed to the system for at least 5 years. The first benefits are scheduled to be paid under existing law on January 1, 1942. The present schedule of benefit payments ranges from a minimum of $10 per month to a maximum of $85, based on the worker's total earnings during the years he has been covered under the system. In the case of workers dying before reaching the retirement age, their estates are now paid a lump sum equal to 3½ percent of the total wages earned while the worker was covered, this amount being deemed to be a return of his own contributions under the pay-roll tax. The present law makes no distinction as between married and single workers in the amount of benefits paid. No survivor benefits are provided for except the lump-sum payment above referred to.

Under the bill, it is proposed to revise the present old-age retirement provisions by increasing the benefits in certain directions and decreasing them in other directions, without making any net change in the total cost over the years. We call particular attention to these changes so that it may be fully understood just what is proposed.

The new benefits provided by the bill include the payment of monthly pensions to widows of deceased workers where there are dependent children or where the widow herself is over 65 years of age, and to dependent parents over 65 where there is no widow of the deceased worker and no dependent child.

The bill also proposes to make a distinction between married and single workers by providing a supplemental pension to workers whose wives are over 65.

The details of these proposed new benefits are set forth in the report of the full committee.

Insofar as the workers themselves are concerned, the bill proposes to reduce the eligibility requirement from 5 to 3 years coverage under the system, and to commence the payment of benefits in 1940 instead of 1942. This change has been advocated by the Republican minority for several years. In fact, the report made by the minority group in January 1937, to which we have already called attention, proposed that payments begin on January 1, 1939.

The pending bill also revises the schedule of benefits for retired workers by increasing the amounts payable to all those retiring in the next few years, and reducing the amounts payable in future years to single persons and married men whose wives are under 65. Under existing law, the formula for computing benefits is as follows: One-half of 1 percent of the first $3,000 of total wages earned since the system has been in effect, plus one-twelfth of 1 percent of the next $42,000 of total wages, plus one twenty-fourth of 1 percent of the balance. Since only the first $3,000 of each employee's annual wage is taxed, only the first $3,000 of the annual wage is counted in computing benefits.

Under the pending bill, it is proposed to base benefits not on the total earnings of the employee during his working span but upon the average monthly wage earned during that period. The new formula provided under the bill is as follows: Forty percent of the first $50 of the average monthly wage, plus 10 percent of the balance, the total thus obtained to be increased 1 percent for each year in which the worker earned $200 or more since he has been under the system. In other words, if the average monthly wage was $100, and the worker had been under the system for 20 years, his pension would be computed by taking 40 percent of the first $50 (or $20), plus 10 percent of the remaining $50 (or $5), making a total of $25, plus an additional 20 percent for the 20 years covered under the system ($5), or a grand total of $30. Following is a comparative table showing present and proposed benefits to retired workers:

Present and proposed schedules of retirement benefits for employed persons

	Present law (no distinction between married and single persons)	Proposed schedule	
		Single persons and married men with wives under 65	Married men with wives 65 and over
Average monthly wage of $50:			
3 years coverage	None	$20.00	$30.00
5 years coverage	$15.00	21.00	31.50
10 years coverage	17.50	22.00	33.00
20 years coverage	22.50	24.00	33.00
30 years coverage	27.50	26.00	39.00
40 years coverage	32.50	28.00	40.00

Present and proposed schedules of retirement benefits for employed persons—Continued

	Present law (no distinction between married and single persons)	Proposed schedule	
		Single persons and married men with wives under 65	Married men with wives 65 and over
Average monthly wage of $100:			
3 years coverage	None	$25.75	$38.63
5 years coverage	$17.50	26.25	39.38
10 years coverage	22.50	27.50	41.25
20 years coverage	32.50	30.00	45.00
30 years coverage	42.50	32.50	48.75
40 years coverage	51.25	35.00	52.50
Average monthly wage of $150:			
3 years coverage	None	30.90	46.35
5 years coverage	20.00	31.50	47.25
10 years coverage	27.50	33.00	49.50
20 years coverage	42.50	36.00	54.00
30 years coverage	53.75	39.00	58.50
40 years coverage	61.25	42.00	63.00
Average monthly wage of $250:			
3 years coverage	None	41.20	61.80
5 years coverage	25.00	42.00	63.00
10 years coverage	37.50	44.00	66.00
20 years coverage	56.25	48.00	72.00
30 years coverage	68.75	52.00	78.00
40 years coverage	81.25	56.00	84.00

From the foregoing table, it will be observed that the single person and the married man whose wife is under the age of 65 received less under the proposed plan than under the present system in the following instances:

(a) Such worker with an average wage of $50 monthly where he has been under the system 30 years or more.

(b) Such worker with an average wage of $100 or over per month where he has been under the system 20 years or more.

In the case of the $50 per month worker, the reduction is much smaller than in the case of the worker earning up to $250.

It has been estimated that about 40 percent of the persons now 21 years of age will not live to reach age 65 so as to qualify for monthly benefits. Under the proposed plan, these workers will contribute their pay-roll tax money into the system without building up any vested interest therein, such as they have under the existing law. At the present time, in the case of workers dying before reaching the retirement age, their estates would be entitled to lump-sum payments (representing a return of such contributions) as follows:

Lump-sum payments under existing law, which are abandoned under proposed plan

Years of coverage after 1937	Average monthly wage				
	$50	$100	$150	$200	$250
10	$210	$420	$630	$840	$1,050
20	420	840	1,260	1,680	2,100
30	630	1,260	1,890	2,520	3,150
40	840	1,680	2,520	3,360	4,200

These lump-sum payments will be abandoned under the proposed plan, and all that the estate of the worker will receive, provided he leaves no one behind entitled to monthly benefits, will be six times the monthly benefit he would be entitled to receive upon retirement. Such sum will be only a fraction, in many instances, of the amount of the present lump-sum payment. The virtual confiscation of the sums paid into the system by workers dying before reaching the age of 65 is for the purpose of paying a part of the cost of the increased benefits to others.

The justification for this confiscation, in the eyes of the Social Security Board, is the new concept of what the worker is purchasing under the old-age insurance system. At present he is deemed to be buying an annuity at age 65, with a guaranteed return of principal in case of his death before reaching that age. But under the proposed plan he is merely deemed to be insuring himself against the hazards of old age in case he reaches the retirement age. Whether the workers of the country will be satisfied with this new concept remains to be seen. It puts the Government in the position of changing the terms of a contract after it has been entered into.

In the absence of such confiscation of the pay-roll-tax contribution of workers dying before reaching the retirement age and in the absence of the contemplated reduction in the retirement benefits of workers retiring some years in the future, it would, of course, be necessary to increase the present pay-roll taxes substantially above the present schedule of rates in order to provide the proposed new and increased benefits to others.

In making these comments we do not wish to be understood as opposing the liberalization of the present old-age insurance provisions, which we believe to be commendable. However, we do question

the fairness of providing these increased benefits at the expense of single persons and married men whose wives are under 65.

Many of those interested in the problem of social security are of the opinion that the existing system should not be extended or liberalized until it has been in effect for a longer period. Especially is there need for study into the ultimate costs involved. Care must be taken that unforeseen future liabilities of great magnitude are not being placed upon the taxpayers of the country by reason of providing benefits not contemplated by the original law. Investigation should also be made into the possibility of finding some means other than the present pay-roll tax to finance the old-age insurance system. It is in many respects one of the worst forms of taxation ever devised.

BROADENING OF EXEMPTIONS FROM PAY-ROLL TAXES

We wish to endorse the broadening of the exemptions from the pay-roll tax as provided under the bill, particularly as regards agricultural employment and nominal salaries paid to officers of lodges, fraternities, chambers of commerce, and so on. These exemptions are more fully explained in the report of the full committee.

PROPOSED INCLUSION OF RELIGIOUS, CHARITABLE, AND EDUCATIONAL ORGANIZATIONS UNDER SOCIAL SECURITY ACT

The Social Security Board recommended the inclusion under the act of employees of religious, charitable, educational, and scientific institutions which, under existing law, are specifically exempted from coverage.

Due to the expressed desire of these institutions not to be covered under the act, we unanimously voted to continue the present exemption accorded to them. We believe that churches, charities, educational institutions, and other groups included in the present exemption should have the right to say whether or not they wish to be included under the Federal social-security system and we oppose any effort on the part of the Government to change their status in disregard of their wishes in the matter.

AID TO DEPENDENT CHILDREN

Under the bill it is proposed to increase the Federal grants to the States for aid to dependent children from the present one-third matching basis to a 50-50 matching basis, such as already provided under the provisions relating to grants for old-age pensions and aid to the blind. We heartily endorse this change and sincerely hope that the increased funds which will be made available to the States for this worthy purpose will be used in liberalizing present benefits and in extending aid to those now denied assistance by reason of lack of funds, rather than to relieve the States of any part of their present expenditures for such assistance.

VOCATIONAL REHABILITATION

We of the Republican minority strongly urged that provision be made under the bill for increased appropriations for vocational rehabilitation, to supplement the present program of grants to the States for this great humanitarian activity, which has already retrained 120,000 crippled persons who are now gainfully employed. The relatively small amount which the Government is expending for this purpose is paying rich dividends. Not only is there a saving by reason of not having to maintain these cripples at public expense but when they are restored to gainful employment they become taxpaying citizens.

ALLEN T. TREADWAY.
FRANK CROWTHER.
HAROLD KNUTSON.
DANIEL A. REED.
ROY O. WOODRUFF.
THOMAS A. JENKINS.
DONALD H. MCLEAN.
BERTRAND W. GEARHART.
FRANK CARLSON.
BENJAMIN JARRETT.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Chairman, in my opinion this is the most important bill that has been before the House at this session and the most important bill that we will be called upon to consider during the session. The fact that there are only 50 or 60 Members of the House on the floor may not be very flattering to those who are scheduled to speak, but it is flattering to the work of the Ways and Means Committee, because evidently the House is accepting, without knowing what is in this bill, the work of that committee.

The distinguished gentleman from Tennessee [Mr. TAYLOR] told you in speaking on the rule that it would take a Philadelphia lawyer to understand what is in the measure. He was stating the truth, and it would take a Philadelphia lawyer who had spent a good many months studying this bill if he were expected to give any intelligent opinion about it. Never in my recollection has the Ways and Means Committee so carefully considered proposed legislation. We have devoted about 4 months of hard work and study to this bill, with the hope that we could bring out a measure that would meet with the approval of the House and the country. Evidently we have succeeded for the most part, because I am sure no Member of this House who is not a member of that committee knows what is in this bill, as many are not here to hear those who have been studying the bill explain its provisions.

I shall not take your time to try to explain the many intricate provisions of this measure.

This is the most liberal social-security program ever proposed by any nation in the world, but the phase of the program that gives me, personally, the most concern—and that is its extreme liberality—has been the subject of most of the discussion so far today from the standpoint that it is not liberal enough. Of course my distinguished colleague from Massachusetts, who preceded me, called to your attention the fact that this is a very liberal program, that we have gone far beyond the 1935 bill in bringing benefits to widows, to wives, to dependent children, and that we would also increase the Federal grants to a 50-50 basis for dependent children, increase the appropriation for rehabilitation, and have done various and sundry other things that will increase the cost of this program to the Federal Government; yet I anticipate that the only fight that will be made on this floor will be to still further liberalize the provisions of the bill, either because the Members will not know how liberal it already is or else because they have no proper concern for the ability of our Nation to finance present burdens and the additional burdens that will be added by this legislation.

I do not hesitate to say, and, as a matter of fact, it is already of public record in the press, I vigorously opposed the liberalized benefits portion of this bill, feeling it would be better and safer for the time being simply to freeze the pay-roll taxes, improve the administrative features of this law, clarify the situation as to agriculture, give an opportunity to the States to make a suitable reduction in the 3-percent tax for unemployment compensation insurance, exempt certain nonprofit organizations, commence benefit payments in 1940 instead of 1942, but defer the rest of the liberalized program until some of the shadows have lifted from the road ahead.

As the gentleman from Massachusetts has pointed out, our committee was flooded with requests from industry not to let the 50-percent increase for pay-roll taxes for old-age benefits go into effect in 1940. They said they could not stand that additional taxation and that it would result in unemployment.

We yielded to their importunities and froze that tax until 1943, but I have no assurance that the second session of the Seventy-seventh Congress may not be confronted with the same appeals that met the first session of the Seventy-sixth Congress. Neither do I have any assurance that the Members of that Congress will not then yield to such appeals.

The report states that in the next 5 years the increased benefits under this program, roughly, will amount to $1,200,000,000, but that is based on what is called the intermediate estimate, and the distinguished Chairman of the Social Security Board frankly told us that so many factors enter into the matter of determining what will be the cost of this program, that it would be only safe for us to allow, in computing costs for future years, a 50-percent margin of error between the possible low and the possible high. So when the committee reports the intermediate estimate of increased costs of $1,200,000,000 for the next 5 years, you must consider in connection with appeals that will undoubtedly be made to you to increase the benefits for old age, noncontributory pensions, and to increase the contributions to the States for various and sundry things, that the cost already contemplated by this bill may far exceed our present estimates and expectations.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I yield to the distinguished chairman of my committee.

Mr. DOUGHTON. Is it not a fact that if we increase the liberal provisions of the bill and have the Government as-

sume additional obligations, we might just as well get ready now to raise additional taxes to meet those obligations, because that is something that will have to be done.

Mr. ROBERTSON. There can be no doubt about that fact. We should face this issue in a realistic manner. There is a limit to what the Government can pay, and no one can with certainty predict when the country will lose faith in Government obligations. No Member of this House should want to push the Government to the point where confidence in the Government and in Government securities would be lost. I am sorry my distinguished colleagues of the minority have seen fit to bring in partisanship, but at this point I feel I should say that we sat around the conference table in that committee for a month after the hearings had closed as free from partisan situations as any political committee could be, considering this economic question as an economic question, working together, Democrats occasionally voting for Republican motions and Republicans occasionally voting for Democratic motions—all seriously bent on the one objective, to bring out the best possible bill. I am sorry that they have seen fit to insert in the minority report reference again to the fact that the Government bonds in which this trust money will be invested are still I O U's. I do not know exactly what an I O U is, but I have always thought it is more or less in the nature of what they call in China a chit—something scratched on a piece of paper, "I will pay you if, as, and when—but I owe you so much." The bonds into which this trust fund will be invested are the same bonds in which we have always invested all of the annuity and retirement fund for the civil-service employees, bonds of our Postal Savings and all other savings of that kind—the very same kind of bonds. Let no concern be given by anyone on that point, but I do strongly urge that when we start reading this bill under the 5-minute rule for amendments you resist the temptation to further load this bill down with amendments that would increase its cost to the Government, to the taxpayers, and maybe finally to the undoing of us all.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. Yes.

Mr. O'CONNOR. I have heard some complaint about the law as it is now from the employers. For instance, they contribute to this fund. I have heard them say, "Suppose that one of us goes broke, suppose an employer goes broke and he has contributed to this fund for years, what benefits does he get?"

Mr. ROBERTSON. This fund is not set up for the protection of the employers, but it is for the protection of the employees, and if the employer goes broke, the employee still has to his credit what he has put into this fund and it is as safe as wheat in the mill.

Mr. O'CONNOR. Can he get anything back?

Mr. ROBERTSON. He can get it back when he reaches the retirement age.

Mr. O'CONNOR. Not until then?

Mr. ROBERTSON. He cannot get an immediate cash payment, and nobody can under this bill.

Mr. Chairman, it is my information on the Democratic side that we have not had applications enough for time this afternoon to scarcely run us through today, and I expect the same condition applies on the Republican side. Therefore, I see no good purpose to be served by continuing this debate, which under the rule is limited to 8 hours, and unless applications are made for time before we adjourn today, I suggest the sensible thing would be to close the general debate when the Committee rises this evening and start the reading of the bill under the 5-minute rule tomorrow. I make that suggestion now so that if anyone wants to speak on the bill, he can make application for time now.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. Yes.

Mr. TREADWAY. I respect the gentleman's views on all matters, of course. The suggestion he now offers would be impractical and impossible. I for one on the part of the minority have made commitments for tomorrow and the next and it would not be fair to these people to close debate tonight. Besides that, we could not do that in Committee of the Whole. I hope the gentleman will not consider bringing it up in the House.

Mr. ROBERTSON. I shall not insist upon it, but I think if those who are going to speak on this program are not sufficiently interested to be here when we have the bill under consideration, they might just as well insert their remarks in the RECORD.

Mr. TREADWAY. And may I further suggest that until this morning the committee report, containing both the majority and the minority views, was not available for general distribution to the House.

It has been impossible for our colleagues to secure copies of the reports until this morning. So, of course, it would not be fair to them to close debate today.

Mr. ROBERTSON. I realize there is merit in that suggestion, because I tried to get some extra copies of the report myself yesterday afternoon and was unable to do so.

I wish to conclude these brief observations on this bill with this very definite appeal that we do not attempt to load this bill down with one further cent of expense to the Federal Government. [Applause.]

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, I am only going to discuss one phase of this bill. It is one that appeals to me very deeply. It is one in which I am sure there cannot be one iota of partisanship. It would be impossible for me, in discussing it, to inject any partisanship into it. I think it is a phase of this bill that comes very close to the heart of every American citizen.

The reason I am going to discuss it is because I think a record should be made outside of the printed reports from the various bureaus, which oftentimes do not reach the public. I refer to the subject of rehabilitation of persons crippled in industry or otherwise. This subject, I am sure, will interest the public, and I believe that in due time the program to promote it will be greatly extended.

If you are in possession of the majority report of the committee, you will find on page 3 rather a brief reference to rehabilitation. You will notice by the report that in this bill there has been authorized an appropriation of $1,000,000 to increase the work of vocational rehabilitation. It is an increase from $1,938,000 to $2,938,000.

The history of rehabilitation is very interesting. I am going to trace it very briefly. I suppose the reason for my great interest in this subject is because I came in touch with it almost by accident.

In 1917 I had the privilege of being in France and while in the city of Paris a fine old French professor named Doleans was very insistent that I go out to the National Agricultural School or University located at Grignon. I hesitated about going because the war was on and there were things to be done. It occurred to me there would be no students in the university, because all the young men, especially of student age, were in the army. But as a matter of courtesy I went out to this old National University, and much to my surprise found that the domitories were all occupied by injured soldiers. It was a beautiful old educational institution located on 600 acres of land, enclosed with a stone wall. The buildings were beautiful and serviceable. There were the usual classrooms, lecture rooms. These soldiers, practically every one of them had earned a distinguished service medal for heroism on the field of battle. I saw men there with their legs off. I saw men with their arms off. I saw the blind. I saw them injured in every conceivable way by the terrible instrumentalities of modern war. With the exception of a few men, I found them very cheerful and contented, because they were taking courses in the university to prepare them, regardless of their physical handicaps, to go back to their own communities

and be self-respecting, self-sufficient, and self-supporting citizens.

I became so interested that I made a most careful study of the whole situation and reduced it to writing. I made a list of the various activities there. There were the workshops, the laboratories, animal husbandry, dairying, fine barracks, recreation, chapel, a host of other activities; even the training of sheep dogs. Classes in all of these various activities.

I saw large classes where they were studying the tractor—how to operate it; men with perhaps one leg driving a tractor. There were lecture halls where others were studying the mechanism of tractors. I saw others learning to make cheese and butter, to go back to their own localities to earn a livelihood. There were coopers being trained to make casks and barrels for the wine sections of France. So I might go on almost indefinitely with a large list of things which they were teaching the physically handicapped men.

It was an inspirational sight, because I saw old professors there taking the blind up to the chapel. These blind boys had become a little blue and discouraged. They had blind men who had been blind all their lives leading them up to the chapel to hear fine music. They were telling the boys what a joy it was to be blind and how much they could get cut of life. It was humanitarian in every respect.

I made complete notes. I came home in January 1918 and made a full report to the United States Government. Just how much influence that report might have had on subsequent legislation I do not know, and it is of little importance.

The fact is that a very fine Senator from Georgia, Senator Hoke Smith, introduced a bill embodying a rehabilitation program for the soldiers. He also had in mind including in that bill persons employed in industry, but he omitted this feature, thinking that perhaps the public mind was not quite attuned to such a program. You will all be interested to know that a companion bill was introduced in the House of Representatives by our distinguished Speaker, the gentleman from Alabama [Mr. BANKHEAD]. The civilian rehabilitation bills introduced by Senator Hoke Smith in the Senate and by Representative WILLIAM BANKHEAD, of Alabama, did not pass the Sixty-fifth Congress. These bills, however, were reintroduced in the Sixty-sixth Congress by Senator Smith and Representative Fess. These measures became law on June 2, 1920. I may say in this connection that rehabilitation of soldiers was a direct Federal responsibility, but under the civilian act the responsibility of carrying out the work was placed upon the States, although on a 50-50 contribution plan.

I had one experience which I recited to the committee the other day. It was rather interesting, but it shows just how these things sometimes appeal to the man who is discouraged and feels that there is no hope left for him in life. In the early days of the war there was an Irish boy located out at Walter Reed Hospital. He was a lad from my own district, who was injured. In those days, you know, we were very thoughtful of the soldiers in the hospitals—far more so than we are today; our sense of pity was very keen; we had not forgotten to visit them in those days. I drove out to Walter Reed Hospital to take this young man from my district for a ride and told him he could bring along a buddy. When we got out there on a bright Sunday morning the lad from my district came out, but he said, "My buddy is inside, and I guess you will have to help him." I went inside and found a smiling young man with both legs off fairly close to the hips. I tucked him under my arm, took him out, put him in the car, and we went for a drive. I asked them where they would like to go, and strange enough they wanted to go to Arlington Cemetery. We went through Arlington Cemetery and then went to a hotel and had dinner. Then I sat down and visited with this young man who had lost his legs, and I said: "What are you going to do now?"

"Oh," he said, "I am going to get along fine. I am rather a lucky fellow."

I said, "How is that?"

"Well," he said, "the Government is going to give me a course in school. I have always wanted to go to school. I worked in the railroad yards in my home town and helped my mother, and I never could get the education I wanted, but the Government is going to give me a chance. I think I am pretty lucky."

I said, "My boy, I think the American people are lucky to have boys like you, with your spirit."

Then he said, "You know, these girls are funny ones, aren't they?"

I said, "How is that?"

"Well," he said, "you know I was going with a girl, but when I lost my legs I figured that she would not want me any more, so I was not going to bother her, because she liked to dance, and I would not be able to dance, but," he said, "when I got back she seemed to like me better than ever, and you know we are going to be married."

Several years later I was invited to speak in his home town. When the committee met me at the station I asked them about this boy, and they said they would take me up to see him. When I went up to see him he was occupying his own office. He was running a fine business. He was very glad to see me. He walked out on artificial limbs, happy and smiling as usual, told me he had made a success, married the girl, that he had a home, and that was paid for. Then he hauled out of his pocket and displayed a license authorizing him to drive his Cadillac car which he owned. A special license had been issued to him by Governor Pinchot, of Pennsylvania, and he was very proud of the distinction.

Thousands of soldiers were rehabilitated under that act which was later extended to cover persons injured in industry. The work proceeded rather slowly at first. Later, I was chairman of the Committee on Education and I handled a great deal of this legislation in the early days and watched with interest the results. I am going to make a long story short. I just want to remind you that since then, in extending it to persons injured in industry, 120,000 hopeless, helpless cripples have been retrained, rehabilitated, and placed in gainful occupations.

The gentleman from Virginia deplored the fact that there might be some liberalization of this bill. I do not know of anybody who will hew closer to the line when it comes to saving money than I will, but there are certain types of expenditure which are an investment. If you want to figure it in dollars and cents and leave out the human aspects, these 120,000 people who have been retrained, rehabilitated, and put back in gainful occupation, had they become objects of charity would have cost this country as a whole, at least the communities, at the very minimum $60,000,000 every single year to maintain them. To retrain them cost about $300 on the average. You will be interested to know that Henry Ford employs over 11,500 of these people, many of whom are blind. Industry has cooperated throughout the country; and what a challenge, gentlemen, today when you see the strikes, when you see the violence, when you see one group of labor arrayed against another, when you see 11,000,000 men walking the street, when you realize that 120,000 hopeless, helpless cripples are earning their own way and supporting their families, what a challenge in this great land of opportunity. [Applause.]

Mr. SIROVICH. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from New York.

Mr. SIROVICH. How many years did it take to rehabilitate these 120,000 people?

Mr. REED of New York. That has been done since 1923.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I served side by side with the gentleman on the committee that promoted this legislation that has reclaimed crippled men in industry.

Mr. REED of New York. That is correct.

Mr. ROBSION of Kentucky. I have taken no part in any legislation that I felt better over than that particular legislation. I have always admired the gentleman's wonderful service and leadership in helping reclaim people crippled in

industry instead of throwing them on the scrap heap. I want to express again my appreciation for his long years of service along that line.

Mr. REED of New York. I thank the gentleman.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Along the line of what the gentleman from Kentucky has just said, may I say that when I first came to Congress some 15 years ago the first recollection I have of the gentleman who is speaking, Mr. REED of New York, was his eloquent presentation when he was a pioneer in this movement to rehabilitate disabled persons.

If he never does any more, the American people owe him a debt of gratitude that they can never pay him because he started this activity which has had such a beneficent effect on people who need help. I cannot let this opportunity go by without interpolating and stating how much good I have received out of it and how proud I have been to vote at every opportunity to increase expenditures to extend this fine work.

Mr. REED of New York. I thank the gentleman.

Mr. DONDERO. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Michigan.

Mr. DONDERO. The gentleman mentioned the name of Henry Ford. Does the gentleman know that in Mr. Ford's factory at Dearborn, Mich., he has working for him many thousands of men between the ages of 50 and 70?

Mr. REED of New York. And 80.

Mr. DONDERO. And some 80 years old?

Mr. REED of New York. Yes.

Mr. Chairman, the Members of Congress come in many times for a great deal of criticism.

I find that there are employed in the Ford factory a great many of these men, and I mention the Ford plant because he employs so many of these people, but there are many other industries doing likewise. You cannot realize what these men have had to overcome. Some of these men were armless, legless, some suffering from heart disease, tuberculosis, and from many other physical and organic difficulties. Here is a list of over 500 workers in one plant 30 percent of whom in this one plant fall in this class of disabled.

If you will go into that factory you will see the blind putting washers on bolts. They are perfectly happy. You will see men with crutches leading the blind to work. There was a group in the 30 percent, above referred to, who turned out 10,000 technical pieces for automobiles, 7,000 distributor assemblies, and 8,500 automobile horns and switches.

Mr. Chairman, there is a strange thing about these people. Do you know that they have less time off on sick leave than those who are physically sound? Just keep in mind every one of them is earning a full day's pay for a full day's work, supporting himself and in many instances his family. I want that to soak into this country. These physically handicapped go-getters seem to get jobs. Certainly these crippled, blind, helpless people when they are retrained and given the opportunity go out and get work and make good.

Mr. DOUGHTON. Will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. May I say at this point that the gentleman from New York [Mr. REED] was very insistent before the committee when this matter was under consideration to increase the amount by $1,000,000. No doubt the information he gave to the committee, he having had some experience with the matter, was very persuasive in securing an increase in the authorization contained in the bill. [Applause.]

Mr. REED of New York. I thank the chairman of the Ways and Means Committee and may I say that all credit is due the majority side because it was by unanimous vote of the committee that this $1,000,000 was put in here.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. REED of New York. Mr. Chairman, I intended to go through the various States and make a few remarks touching each one of them, but time will not permit. In Illinois in 1 year there were placed in gainful occupations 5,895 persons who were once hopeless, helpless cripples, subjects for charity. Those people are engaged in 500 different kinds of employment.

In 15 months in California there were placed 1,392 handicapped persons in 90 different occupations. Illinois had 329 victims of industrial accidents, and I want you to listen to this, if you please. As normal workers they average $726 yearly. Retrained they earned on an average $1,292.

I am going to conclude with a little story. When we approach sound legislation, legislation by which we are really making an investment, I do not care what the papers or magazines say about the Members of Congress, I want every Member of the House to receive credit for some of the hard legislative work which he performs.

I remember years ago reading a poem by Anton Chester. I am not going to recite it. He had been over in the Far East where they make these marvelous tapestries and oriental rugs. He wrote a poem entitled, "The Weavers." There out on the burning sands he found these looms set up where women and children were tying thousands of knots to the square inch, working from a blueprint, working from the under side and standing in most awkward and painful positions from sunrise to sunset.

They were working day in and day out, month in and month out, year in and year out, sometimes for 3, 4, or 5 years, to make these beautiful tapestries and rugs you see on the floors and on the walls of your museums, your art galleries, and palatial homes. The master weaver left them with a blueprint; but one great day came in the lives of those people that had suffered the tortures of the damned doing this work and not knowing what the result would be. That great day came when the master weaver came, because notice had been sent to him that the last knot had been tied and that the loom was to be lowered and the product of the work spread before them on the sand. There he described how they would leap with joy and the tears would roll down their cheeks as they saw the beauty of their product, a perfect piece of work that would bring joy through the years to others.

When we weave legislation that performs the work that has been done by this rehabilitation service, let us hope that some day when your work is spread out before the master weaver, or before posterity, your name, even although it may be maligned now, will be glorified and appreciated then. [Applause.]

Mr. BOEHNE. Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, there is no use in anyone attempting to explain this legislation in 15 minutes or 30 minutes. There are so many provisions of such technical character that most of us who have worked on them for a month have to think about them ourselves before we know exactly what they are about.

During the past week in this House there has been a great deal of politics played in connection with old-age pensions. A long time ago I adopted the philosophy that "I would rather have a part of something than all of nothing." It is no use for this House to think about providing relief to the aged or relief to any other group of people in this country to an extent that is beyond the financial possibilities of the taxpayers. Whenever relief is provided and whenever pensions are provided they are upon a permanent basis, you and I know that. The taxes must be raised with which to meet the obligation. It is unlike the relief appropriations we have been making. We are at least hopeful that such appropriations are temporary and will not be continuing responsibilities on this Government, but when we provide for old-age pensions, when we provide for annuities, we

must realize as sensible men and women that they are continuing obligations and that this House is to be called upon to raise the taxes with which to meet the obligations.

We know that the problem of old-age pensions is with us. It came upon us rather suddenly. I believe in it, and I believe that most of the Members of this House believe in old-age pensions. Only a few years ago the aged population of this country was about 3 percent—that is, the population beyond 65 years of age. It is now more than 6 percent. In a comparatively few years, as time goes, it will have reached approximately 16 percent of the population of this Nation. By 1980 the population of the country over 60 years of age will have reached more than 25 percent of the total population, if I am not mistaken. This is a tremendous percentage of old-age population.

There is a reason for this. The birth rate in this Nation is practically static. Through medical science people are living longer than they used to live. A comparatively few years ago there were 1,000,000 immigrants coming into this country annually. So our population increased tremendously over a comparatively short period of time. This means that we are going to reach a maximum old-age population in a comparatively few years.

There are two titles to this bill, as you who have read it know, that deal with old-age problems. The first title, title I, deals with old-age assistance, old-age pensions. The second title deals with old-age and survivor benefits. The second title has been modified tremendously in the recommendations submitted by the committee. It has been liberalized beyond my fondest hope when these hearings were started, and we are informed that it will not cost any more than under existing law.

Let me impress upon the members of the Committee that as title II is perfected and takes care of the increasing and approaching old-age load in this country, just so much will the responsibility for old-age assistance be modified or relieved, because, as these people who are now employed reach the age of retirement and can benefit from the provisions of title II, they will, of course, not be applicants for old-age assistance. Provision is also made for orphans and for widows so long as their children are below a certain age. This will materially aid and help the general social problem of the country.

I do want to say something to you about title I, old-age assistance. I believe in the State and Federal system. I do not believe in a national old-age pension law.

In the first place, I am a firm believer in States' rights. We have the most unusual problems in this Nation of any nation in all the world when it comes to dealing with social problems of this kind. There is just as much difference between the social, economic, and climatic conditions in Maine or northern New York or Wisconsin and those in New Mexico or Texas or California as if they were in different countries. In one section of this country the people have to dress differently than in others. They have to build against the cold; they have to buy every particle of food they eat, and it comes from some other section of the country. In other sections the people grow five or six garden crops a year and grow different types of crops. They do not have cold temperatures to contend with.

It may be that $10 a month would go farther in one section of the country than $50 a month would in another section of the country. It may be that an old couple living out in the country, owning a little home but having no income, could get along on $15 a month, although if the same couple were moved into the city where a house had to be rented and money had to be paid for fuel and light and other necessities, it would take $50 a month for them to get along as comfortable as they could on $10 or $15 a month, having a little property and growing a few chickens, some garden produce, and that sort of thing. So I believe the communities or the States are better qualified to determine those conditions than the Federal Government.

There has been a great deal of misunderstanding, I believe, in the States. I know there has been in my State, and applicants for old-age pensions have bitterly criticized the Social Security Board in Washington when they have been turned down because they had a little bit of property. When Dr. Altmeyer was before the committee I very definitely and specifically asked him about that question and his answer was that the States are the sole judges of the question of eligibility for old-age pensions. It is true there is written into this bill a provision that in determining the eligibility of an applicant there shall be taken into consideration the income of the applicant, but, after all, it is up to the State to determine it, and I know that it has been discussed in the Ways and Means Committee time after time. It was discussed 5 years ago and agreed by every man on the committee that it was not absolutely necessary to be in want in order to have an old-age pension.

You might have a piece of property, you might have a house and yet be eligible for an old-age pension. Some States, I admit, have attempted to say that you must be in want or in absolute need of the necessities of life before you can get a pension, but that is absolutely not required under the Federal Social Security Act.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield to the gentleman from Maine.

Mr. BREWSTER. Then as I understand the act, as administered, and as the gentleman understands it, there really is not a needs test necessarily required.

Mr. DUNCAN. Except insofar as the income of the applicant shall be taken into consideration in granting the pension. They do not have to be absolutely without everything.

Mr. BREWSTER. Is it possible to draw any line? You either have other income or you have not.

Mr. DUNCAN. I do not believe that is entirely a correct statement. I believe a person might have, as I said before, a house or probably an old person has a home, but no other income. Now, to make that old person give up that home and sell it and dispose of it in order to get an old-age pension, it seems to me would be the height of folly because to permit him to live there and give him enough to get along on would be far better than to require him to dispose of the property and give him twice or three times as much and leave him without a home, and that is not the intention, I believe, of this bill.

Mr. BREWSTER. You do understand, then, that in its administration if any State chooses to allow a man to have a home and then a pension in addition the Federal administration will not object?

Mr. DUNCAN. That is my understanding of it, and I asked Dr. Altmeyer very definitely about it.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield to the gentleman.

Mr. McCORMACK. As a matter of fact, under the law, what constitutes need is left to the States; in other words, the Federal Government, by the Social Security Act, does not undertake to say to any State what constitutes need. For example, one State might exempt the equity in a house up to $2,000, another one $3,000, while another State might say, "No; we will allow no equity." The Federal Government does not concern itself with that, but leaves the matter entirely up to the States.

Mr. BREWSTER. Would there be any limits imposed? Suppose they gave one to John D. Rockefeller.

Mr. McCORMACK. Of course, there would be a limit.

Mr. BREWSTER. What is the limit?

Mr. McCORMACK. This money comes out of public funds, and one of the basic requirements is need, but what is need is a question of fact for the State to determine. Of course, there are cases where it clearly goes beyond need, but so far as the Federal Government is concerned the question of need is left to the State in a very flexible manner.

Mr. BATES of Massachusetts. In the State of Massachusetts if one has an equity not in excess of $2,500 he is entitled to an old-age pension.

Mr. McCORMACK. And another State could enact a law permitting no equity. In other words, the Government does

not go into that, but leaves it to the local legislature to meet local conditions.

Mr. BOEHNE. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield to the gentleman from Indiana.

Mr. BOEHNE. The bill now under consideration, may I say to the gentleman from Maine [Mr. BREWSTER], clearly specifies in lines 17 to 20—

That the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance.

Mr. BREWSTER. That would be almost contrary to what has been said here; that would look in the other direction as a mandatory requirement that they shall take that into account.

Mr. McCORMACK. The purpose of that is this: Certainly, the gentleman from Maine would not want a State to pass a law paying an old-age pension coming out of public funds to A, for example, when that same party is receiving a contributory pension under another provision of the social-security law. The gentleman would not want that, would he? In other words, the gentleman would not want a person to draw two pensions, would he?

The CHAIRMAN. The time of the gentleman from Missouri has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes more to the gentleman.

Mr. DUNCAN. Mr. Chairman, I might say to the gentleman from Maine [Mr. BREWSTER], using it as a practical example, that in my State the court of appeals held that a man who was receiving $50 a month from his son was entitled to an old-age pension. The Federal Security Board objected to that, because it was apparent that that man was not in need of a Federal pension, when compared to others who had no such income. So that, after all, it is up to the States to determine that fact, and I make those observations so that they may be in the RECORD.

The testimony of Dr. Altmeyer appears in the hearings with respect to the Board's attitude on that question. I frankly feel that the pressure that has come from those seeking old-age pensions has been directed to the wrong legislative body, especially until the States match the amount of the Federal grants, and that they should go to the States where they must ultimately obtain increases in their pensions.

Mr. BREWSTER. Did I understand the gentleman to say that the court in Missouri upheld that but that the Federal Security Board objected to it?

Mr. DUNCAN. The Federal Security Board contends that the courts have no authority to pass on this question of old-age pensions.

Mr. BREWSTER. They objected to it on that ground?

Mr. DUNCAN. Yes.

Mr. BREWSTER. And not on the other ground?

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Yes.

Mr. DONDERO. To say that in my own State of Michigan it is permitted old people to retain a modest home, and it is left entirely to the local investigators and the local boards in the counties to determine the question of need. They are not asked to move from their home or to dispose of it.

Mr. DUNCAN. I think that is a commendable law. Mr. Chairman, we are going to be called on when we come to the reading of this bill probably to pass on a number of amendments.

I join with those who have spoken before in commending the gentlemen of the minority for the splendid cooperation they have given us, keeping politics out of the executive sessions at least. Of course we are all politicians, more or less, and in the hearings they naturally attempted to make a record. A motion was made the other day to recommit the Townsend bill back to the Ways and Means Committee, directing the committee to bring in a pension bill giving to the old folks adequate pensions. My good friend from Massachusetts [Mr. TREADWAY] talks here about this $20 limit today. I voted for it but it does not mean anything at this time and will not until the States increase their contributions beyond the present $30 limit. Is that the type of old-age relief that our friends over here want to give, when there is only one State in the Union that is now meeting the present $15 limit? That does not mean anything. In my own State when the old-age pensions came into existence, they said we would have to have a sales tax to provide the revenue. A 1-cent sales tax was imposed. Relief got 50 percent, schools got 33 percent, and old-age pensioners got 17 percent of that tax. Two years later they increased that 1-percent tax to a 2-percent tax and the old-age pensioners are still getting 17 percent of it. The proceeds from the 2-percent sales tax amounts to millions. If one-half of the effort had been directed toward inducing the legislature to give them a just proportion of that sales tax, which has been exerted in trying to get some plan here that everybody knows will never become a reality, there would be more people on the pension rolls today, and they would be getting larger pensions.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Yes.

Mr. BREWSTER. Did I understand the gentleman to say that the suggestion to raise this $20 does not mean anything?

Mr. DUNCAN. It does not mean an earthly thing.

Mr. BREWSTER. Then, do I understand that the gentlemen of the majority are playing politics with this?

Mr. DUNCAN. Oh, no.

Mr. BREWSTER. I thought they were the ones who raised it to $20.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. In just a moment. The minority members of the Committee on Ways and Means, I believe, boast that the minority introduced this amendment 2 years ago when this bill was under consideration. They have been urging its adoption ever since, and in their minority views contained in the present committee report they make the following statement:

When the original Social Security Act was under consideration in 1935, the Republican minority offered a motion to increase the Federal contribution to a maximum of $20, which, with a like contribution by the State, would have provided a pension of $40 per month. This motion was defeated due to the opposition of the Democratic majority.

And I say that the gentleman himself admitted that it is not going to result in any increased pensions, with the possible exception of the State of California and the State of Massachusetts.

The CHAIRMAN. The time of the gentleman from Missouri has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman 2 additional minutes.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Mr. Chairman, I yield to the gentleman from California.

Mr. BUCK. Apparently California is being held up as the only State that this amendment will benefit. Does not the gentleman realize that if the Congress takes this action it will be an incentive to every other State to increase the amount that they may appropriate out of their own funds to match the Federal funds? Does he not also realize that the legislators in the State legislatures hereafter will be put in a position where they must look to their own funds and not pass memorials and resolutions asking the Congress to pass fishy bills such as we voted down the other day?

Mr. DUNCAN. The gentleman is quite correct in his observation that the pressure which some of the legislatures, through the passing of resolutions and sending petitions to the Congress have been imposing will find the shoe on the other foot.

Mr. DONDERO. Mr. Chairman, will the gentleman yield at that point?

Mr. DUNCAN. I yield.

Mr. DONDERO. When the gentleman says it does not mean anything, he means that it will not mean anything unless the legislatures of the States increase their maximum?

Mr. DUNCAN. It does not mean anything in dollars and cents right now, because the States have not yet reached the maximum. I am talking about it from a very practical standpoint. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Maine [Mr. OLIVER].

Mr. OLIVER. Mr. Chairman, I am introducing today a bill which has for its primary purpose the amendment of the so-called Johnson Act, which is now on the statute books and which prohibits further loans to nations which are in default of their honest debts to us. This bill amends the present law in two particulars. The first particular is to define the technical status of default in a way that will make it impossible for any nation making a token or part payment to us on that debt to borrow any further money from us until the full and complete payment of their overdue obligations is made.

The second particular in which this bill will amend the present act is to provide a penalty time period to run from the time that the nation in default to us makes full payment of its overdue debts under the provisions of this bill. This penalty time period will equal the period of time which the defaulting nation has taken to make up its mind to make such full payment of its long overdue obligations.

With that brief explanation, may I state, Mr. Chairman, that it is with sincere pleasure that I learn of a miraculous awakening of common honesty among the nations of Europe, a bestirring of conscience so overpowering as to cause those nations not only to remember the debts that they have owed us these many, many years, but actually to start talking about paying them. Astounding though such advices be, I am informed further that this unprecedented display of honesty is not content to find expression in words alone, but has impelled our suddenly penitent debtors to send emissaries of the bluest blood to proffer the reborn affection, to vow their undying love, and to seek to cement anew the ancient friendships.

Happy, indeed, am I, Mr. Chairman, to have lived to behold so beautiful and, shall I say, so touching a proof of the love of the Old World, to have lived to know that peaceful gestures are stylish once more where naught but contempt and scorn have reared their ugly heads these many, many years. And, most of all, am I delighted to see the spirit of common honesty restored to bestir our beloved cousins across the sea into gestures toward meeting their long-ignored obligations. Let us by all means encourage such gestures. Let us cordially welcome these emissaries. And let us joyously welcome the payments, if and when these penitents permit dollars to follow words.

Sad indeed am I, Mr. Chairman, that the ever-pressing needs of my constituents, of the poor and needy, the unemployed, the ill-fed and the ill-housed and the ill-clothed—so representative of the fruits of new dealism's planned economy in every congressional district of these United States—prohibit my participation in the glamorous and glittering and outrageously costly public welcomes accorded at the expense of our suffering people to these visiting dignitaries. Yet that sadness is salved by the knowledge that I, at least, shall escape by that absence from these undemocratic demonstrations the guilt of being party to such damnable squandering of the people's money in a land where millions of desperate citizens know naught but poverty and unemployemnt and economic agony.

No, Mr. Chairman, I cannot become a party to these public manifestations. Yet I do believe we should rejoice. And upon this momentous, this unprecedented occasion, I believe it behooves each and every one of us solemnly to review the whole history of these debts, carefully to recall the bitter lessons learned during years of impotent waiting, seriously to reflect upon the marvel of this reawakened honesty, and strongly to sniff as we seek the degree of sincerity underlying this talk of settlement.

Let us remember that the ending of the World War found Uncle Sam holding the bag to the tune of many billions of dollars owed by these very European nations whom we had saved first with our wealth and then with our armies from the fruit of their own madness. Let us not forget that during all the long years since the ending of that World War these same European nations have continued to owe us and that but one among them all, little Finland, has proven itself honorable enough to meet its obligations. These others, the great and powerful and able, have preferred to offer excuses, to pay nothing, and to scoff at Uncle Sam as the prize sucker of all time. Let us not forget that these defaulters, these dishonorable debtors, during all those years had money to lend to their neighbors, money for the building of great armaments, great navies, and great empires, but no money with which to pay their just debts to us.

Let us remember, Mr. Chairman, that this dishonest evasion continued year after sadder year, that when payments came due they were ignored by these nations, safe in their knowledge that, other than through force of arms, we were powerless to compel them to be honest. Let us not forget that year after sadder year they laughed at us and let us whistle for our money; that year after year they went on lending to others, went on lavishing wealth upon armaments and upon empire; that year after sadder year we waited in vain.

But there came a time at long last when we wearied of empty promises and lies and evasions, when we grew weary of playing the sucker role, when we let our resentment manifest itself and forbade, through the passage of the Johnson Act, all further borrowing from our Government or from our private citizens by these nations so unquestionably proven to be without honor. We reared a hedge against these defaulters. We had been flimflammed once, but were determined never to be again. And so the Johnson Act was passed so these bad debtors could borrow no more until they paid up.

Did this act of ours arouse the honesty of these branded debtors? It did not, Mr. Chairman. They preferred the stigma to the paying; preferred to let Uncle Sam go on holding the bag. They managed without borrowing more from us, and they kept what of ours they had, year after year.

Why, then, do these nations now send their emissaries, in pomp and glory, to our shores? Have they new cause to love us? Have long-calloused consciences become aware of gratitude, of common honesty, of that decency which impels honest folk to pay just debts? Have the swords of Europe turned to plowshares, the plots of wily diplomats to benedictions, the greed of war mongers and munitions makers to human kindness? Or is this newly found honesty, this suddenly refired love, this touching gesture of kingly hands across the sea but a delusion and a snare, but a cleverly conceived and cleverly camouflaged attempt to lure us again into the sucker role we played so ably and so well at the behest of these same European schemers two short decades ago?

Over in Europe today every nation bristles with the implements of organized murder, and every mother prays, dreading, as dreads every true lover of peace, the possible harvest of the morrow. Over in Europe today shrewd and ungodly worshipers of gold spin their evil webs and greedy makers of munitions, of poison gas, of all the hellish devices designed for the murdering of their fellow men, rub their hands in anticipation. Over in Europe bide wily diplomats, awaiting, insanely lusting for greater power over the lives of men. They wait, Mr. Chairman, all these unholy conspirators wait for the spark to set the dawn aflame with infernal fires. They wait, as they must, for the money without which their horrible scheming can bear no fruit. The guns stand ready, mute from the lack of gold.

As once before he stood when European war mongers cried for gold, so stands Uncle Sam today, possessed of that gold, keeper of the one thing needed to launch the carnage and the profit grabbing. Then, two decades ago, he was a gullible

fool, eager to be victimized. But Uncle Sam is no longer the fool, the easily plundered. For about him stands the hedge of the Johnson Act to prohibit further picking of the old gentleman's pocket until these suddenly honest ones pay what they owe him.

To the unwary this hedge may represent security, may seem to be ample to insure the continued immunity of Uncle Sam's pocket from the greedy fingers eager to pick it again. To the unwary, these long-overdue debts and their accrued interest represent staggering sums and the unwary know these improvident debtors have no such sums with which to repay if they would. To the unwary this fact would appear to prohibit further borrowing, bar funds from the war mongers, permit no gold to be sent to set the mouths of the waiting guns abelch for many years to come. But to the knowing, to the remembering, to those unable to forget the bitter lessons of the long, long years, to those awake to the true character of those with whom we deal, to such. Mr. Chairman, a just suspicion whispers at this talk of settlement of those debts. For this talk is not of paying what is owed. It is not of meeting these obligations in full. It is not of really paying the score at all. This talk is of settlement—of buying us off for a mere fraction of what rightfully should be paid. The intent is to settle cheaply, for a mere 10 percent or less. And the true intent of it all is to tear down the hedge of the Johnson Act and open the way to make suckers of the American people all over again.

What intelligent American can doubt it?

And what intelligent American, guiltless of ulterior motive, is willing to see that hedge destroyed, that safeguard removed, as may become reality should this administration or any succeeding one accept such picayune settlement and clear the way for the raiding? What intelligent American wants to send our wealth again to the war mongers of Europe, to set aflame the seething hell of hates and touch off the volcano of destruction?

Not one, Mr. Chairman, I am certain. And because I am so certain, I am proposing this amendment to the Johnson Act to provide that, in the event of any settlement, in whole or in part, of any of these previously defaulted war debts, the restrictions against further borrowing shall remain in force until such time shall elapse thereafter as did elapse between the date the debt was due and the date upon which actual settlement was made.

In other words, Mr. Chairman, if a defaulter required 10 or 15 or 20 years to become honest enough to pay and now does make settlement, let that defaulter prove good faith by remaining honest for 10 or 15 or 20 years, as the case may be, before asking for our trust again. [Applause.]

If these suddenly honest European nations intend no harm, the enactment into law of this proposed amendment will not deter them from settling. If they sincerely want to square up, even though they pay but a fraction of the true score, fine. Let us welcome them and their token of reawakened honesty. Let us forgive. But let us not forget, nor permit them to forget, that we waited many, many years for them to become honest enough to want to pay, that we taxed that money from our own suffering people; that money which, had these Europeans discovered honor sooner, we could have used most profitably in our own battles against our own enemies of destitution and unemployment and similar economic torments now assailing us. Let them remember as we so long have remembered. And then let them wait as long as waited we before they may borrow more and are tempted to abandon this miraculous new morality of theirs and scheme again to squandor first our money for their warring and then the flower of our manhood to snatch them from their self-dug pit. [Applause.]

Over there they cannot fight without money. The enactment into law of this amendment to the Johnson Act would nip in the bud any scheme of the European sly ones to inveigle the administration into destroying the protection of the Johnson Act by accepting a pittance in lieu of the rightful amounts justly due us and so opening the way for another raid upon our wealth. Over there the guns stand waiting, mute for the lack of gold. How better to preserve the peace of the world than by keeping our gold over here?

That, Mr. Chairman, is the purpose of this proposed amendment. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I am not going to make a speech. I am going to open a few oysters and hope we may find a pearl somewhere in them.

It is very certain that the Government of the United States has gone into the insurance business in a big way. Somebody has asked for it. The people are going to get it. So I think we ought to examine the system a little and find out some of the things about it. In this little discussion that I hope to make, I invite interruption by members of the Ways and Means Committee, and I hope they will prove me wrong or right, as the case may be.

In the first place, the Government being in the insurance business, are these payments that the people make under the Social Security Act actually taxes or are they premiums on insurance? If you consider them taxes, most certainly the Federal Government has a right to do with them as it sees fit. I understand that the Federal Government is taking so-called taxes that are supposed to apply as insurance premiums, as I see them, and using them for very different purposes.

For example, I ask the gentleman from California, a member of the Ways and Means Committee [Mr. BUCK] to correct me, if he will: On the subject of the taxes that are paid by people who pay social security taxes. As I understand it, those taxes, in addition to being insurance premiums for their own benefit, are for the purpose of aiding the needy aged all over the United States. Is that correct?

Mr. BUCK. The gentleman is referring to the pay-roll tax?

Mr. HINSHAW. To the social-security taxes for retirement purposes; yes.

Mr. BUCK. They have no relationship whatever to the aid of the needy in the United States. They are taxes which are general taxes and covered into the Treasury of the United States. The Congress is authorized to appropriate, or appropriates, if this bill is adopted, an amount equivalent to those taxes to a fund which will be available for the payment of contributory benefits. Those old-age insurance benefits have nothing to do with the question of need. A man who is entitled to a contributory benefit has earned it on the basis of his wage record as a matter of right.

Mr. HINSHAW. I understand that, but, on the other hand, from the contributions that are made through social-security taxes, part by the employee and part by the employer, which are paid into the Treasury of the United States, do we then appropriate from this fund to the aid of the needy aged?

Mr. BUCK. Not a penny. The appropriations are made from the general funds of the United States Treasury.

Mr. HINSHAW. You mean that the appropriations to the needy aged do not come from the social-security taxes?

Mr. BUCK. They do not; not one cent.

Mr. HINSHAW. In other words, all of the funds appropriated under the social-security pay-roll taxes are paid out directly to those who contributed?

Mr. BUCK. Let me explain this again for the benefit of the gentleman from California as well as those gentlemen listening here. Benefit payments under the contributory system—title II—are made to those who have established wage records up to the time they become 65 or who are entitled to receive benefits when they cease work after 65. Under the terms of the bill that money is paid, of course, only to those specified. That money is appropriated by the Congress annually from the general funds of the Treasury. If this bill is adopted, Congress appropriates annually an amount equal to the money received from the contributions from pay-roll taxes paid by employers and employees so

that all of the money thus received will go into this new trust fund. In other words, whatever money is appropriated for the care of the needy under title I—that is, payments to States to match aid that they themselves give to the aged needy—comes out of the general funds of the Treasury and has no relationship whatsoever to the employer and employee pay-roll taxes.

Mr. HINSHAW. The gentleman means to say, then, that the budget as set up under the Social Security Act here—that is, the entire income of the act—is used for the purposes of the act exclusive of the aid to the needy aged?

Mr. BUCK. Exactly; it will be if the pending bill is adopted.

Mr. HINSHAW. Then the aid to the needy aged comes from some other form of taxation than the social-security taxes?

Mr. BUCK. It comes from the general funds of the Treasury. I cannot tell the gentleman any more than that. I cannot tell him whether it comes from excise taxes, liquor taxes, customs receipts, or any other special tax. It comes, if I may say so, from the same funds as do the appropriations for the War Department, the Treasury Department, or any other appropriation.

Mr. HINSHAW. That is very interesting to me. I had understood that the budget of the Social Security Act applied also to the needy aged.

Mr. BUCK. I am very glad to correct the gentleman's impression because I want him and everyone else in the House to understand that the funds authorized to be appropriated under title I and subsequently appropriated by the Congress have nothing whatsoever to do with the employer and employee pay-roll taxes.

Mr. BREWSTER. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. BREWSTER. The gentleman would do well to make clear that the funds which have been paid in for pay-roll taxes go into the general funds of the Treasury.

Mr. BUCK. I think I have made that clear.

Mr. BREWSTER. The gentleman has not made that clear to us.

Mr. BUCK. I certainly think I have made that clear to everybody.

Mr. BREWSTER. And that old-age assistance is then taken out of the general fund; in other words, there has been a great deal of more or less partisan argument about this question of what becomes of the pay-roll taxes; but it is true that 80 percent of the pay-roll taxes have not gone for the purpose for which they were paid, but have gone——

Mr. BUCK. I think the gentleman is mistaken.

Mr. BREWSTER. The gentleman from California [Mr. HINSHAW] yielded to me, I believe—but have gone into the general funds of the Treasury and those funds have then been paid out so that 40 years from now when it is necessary for our successors to pay the contributory pensions the people of this country have got to be taxed again to pay the old-age pensions. Is not that correct?

Mr. BUCK. The gentleman is in entire error and I am going to refer him——

Mr. BREWSTER. I shall be very glad to be educated.

Mr. BUCK. Just a minute—I refer the gentleman to the remarks I made on the floor on the 6th day of April which are contained in the CONGRESSIONAL RECORD. They are rather long and are exhaustive on this subject. They were referred to by the chairman of the committee during his discussion this morning. I think if the gentleman will read them he will understand just what happens to these funds and what the situation is.

Mr. BREWSTER. I think I do understand, and I think I have stated it absolutely correctly.

Mr. BUCK. Why, my dear friend, with all due respect, you have stated them absolutely incorrectly.

Mr. BREWSTER. This year you are going to collect $750,000,000 in pay-roll taxes. Is that approximately right?

Mr. BUCK. I do not know what the exact sum will be.

Mr. BREWSTER. Let us take that as an approximate figure.

Mr. BUCK. We will say approximately that.

Mr. BREWSTER. What is is going to become of the $750,000,000 which will be paid this year?

Mr. BUCK. That will go into the general funds of the Treasury. The Congress, if this bill is passed, appropriates by it an amount equivalent to the $750,000,000, if that be the correct figure, to this trust fund that is set up where it will be invested for the benefit of future annuitants.

Mr. BREWSTER. That does not follow the funds to their disbursement. Who gets the $750,000,000 that is paid in this year? Who gets the money?

Mr. BUCK. The trust fund.

Mr. BREWSTER. The gentleman does not mean to say that the $750,000,000 in cash is going to be put in a strongbox somewhere, does he?

Mr. BUCK. The gentleman is not using his head at all on this matter.

Mr. BREWSTER. I do not wonder the gentleman wishes to extricate himself from his difficulty.

Mr. BUCK. I have no difficulty at all. The gentleman is wandering in a fog of financial mist.

Mr. HINSHAW. I think we are all rather in a fog.

Mr. BUCK. I want to read the gentleman a portion of the bill if he will yield, and if he needs more time I will yield it to him.

Mr. HINSHAW. I yield.

Mr. BUCK. I want to read a portion of section 201 (a) of the bill before us, which makes a definite appropriation to the trust fund that is created:

> There is hereby appropriated to the trust fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 percent of the taxes, including interest, penalties, and additions to the taxes received under the Federal Insurance Contribution Act covered into the Treasury.

If the gentleman agrees with me that that is a proper policy, he ought to vote for that provision when we come to it in the bill.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. HINSHAW. Mr. Chairman, I am very much concerned over this matter, coming from the State of California, where we pay higher old-age assistance payments than any other State in the Union. We are in the position there of paying some $32 or $33 per month on the average to the needy aged, about half of which comes from taxation of real estate. It involves a terrific burden on our people out there trying to live up to the aspirations of the Social Security Act. We find that something like 43 percent of our county budgets, which are twice as big as they ever were before, goes for various purposes such as this, but very largely for this particular purpose. Under the circumstances, while we may be encouraged to pay higher old-age pensions, under this system it is going to be a terrific burden upon those who own their own homes and the places in which they do business.

I would like to call attention to one other thing. If a person has an average monthly wage of $100 a month, which is in excess of the average wage of the people of the United States, after 40 years steady work at $100 per month, he will be able to receive $35 per month under the Social Security Act. We in California are paying something like $33 a month already. This fellow will have to wait 40 years in order to get $35. It seems to me he would rather go on the county- and State-aid program when it comes time for this thing to happen. That will be one of the principal difficulties of the whole scheme, as I see it. In 5 years they will be able to get only $26.25 under the Social Security Act, while already in California they are paying something like $33. Why should he not take this pension under the needy aged program in the State of California? It pays more.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I yield myself one-half minute.

Mr. Chairman, the reason is he will obtain his $35 or whatever he may get under title II as a matter of right. He does not have to give up one cent. He may have $10,000 worth of property or $50,000 worth of property. This is paid according to his wage record. He cannot obtain old-age assistance unless he gives up everything he possesses.

Mr. HINSHAW. Exactly so, and what are our needy aged going to do in the meantime, and what is the real property taxpayer going to do? Both are sunk.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I yield 10 minutes to the gentleman from Alabama [Mr. HOBBS].

Mr. HOBBS. Mr. Chairman, I hope no one here will think I am speaking in anything but the best spirit. I am not seeking to fan the embers of old fires nor to open old wounds. I am not the least bit peeved. I am in perfectly good humor. But I wish to analyze this bill from the standpoint of that region which I love best of all on this earth.

Since Alexander Hamilton advocated and the Republican Party inflicted upon the farmers of the Nation the steal of the high protective tariff, we have had an average of 45 percent of the money we spend in the South taken away from us by that iniquitous exaction.

Although cotton is responsible for every dime of the trade balance in favor of America, except $2,000,000,000, in all the 150 years of the history of this Government—thirty-three out of the thirty-five billion dollars—yet the region which produced all of that cotton has not even one slick, thin dime of that $35,000,000,000 of favorable trade balance to show for the sweat, blood, brains, brawn, and natural resources that went into it.

There never was one slave ship that sailed from a southern port under southern capital. Every slave that was brought to this country came in a New England bottom. My father was a Maine Yankee, so I am not in the least bit antagonistic toward that section. Thank God, my father got religion and served in the army of the Confederacy, but he still admitted being born in Maine.

New England is a great region. Its people are smart and probably no more selfish than the rest of us. I might have done exactly what they did had I been in their shoes, but the fact remains that they stole slaves in Africa, brought them here, and enslaved them. When it proved to be unprofitable for them to work those slaves, they sold them to the South. It then became a heinous crime to own slaves, although slavery was a recognized institution, guaranteed in the Constitution of the United States. Abolition became thoroughly moral. They did not wage the War Between the States to take back the slaves that New England stole and sold to us. That was not the purpose of the war. They did not want them, for they could not use them profitably. They simply did not wish us to have them. The purpose of the war was economic, because one smart Yankee came down South and multiplied the value of those slaves that New England sold us until the average value went from $200, the price we paid, to $2,000. When Mr. Eli Whitney did that with the cotton gin, our New England friends could not stand it.

Mr. Chairman, in that war there were only three plotted paths of destruction—to Atlanta, the railroad center, to New Orleans and Mobile. My home town, Selma, Ala., was marked for destruction because there was there located the second largest arsenal of the Confederacy. Although there were only three plotted paths of destruction, there was not left in the whole South two bricks standing on one another in an industrial institution. Of course they burned libraries and universities also, but that was a mere passing fantasy.

They not only destroyed our homes and every industrial establishment, took the economic treasure of our slaves, but, at the point of the bayonet, they held elections which sent our former slaves to our legislatures to pile up our State debts for railways which frequently were never built. Under much of such debt we still groan. Then they added to the iniquity of the protective tariff discriminatory freight rates.

I realize that the Interstate Commerce Commission can and will work out the steal from freight-rate structures, eventually. There is hope of justice to be attained gradually, in the not too distant future. But tariff levies and discriminatory freight rates are only minor calamities compared with the devastation continually wrought for the farmers by price fixing, coming and going.

The farmer is the only man in America who has not one word to say about the price of his products. The manufacturers fix the price of plow points and everything else they sell us, but they also fix the price of our cotton, our corn, our wheat, and all other agricultural commodities.

There could not be a vacuum cleaner for money, sucking it out of the pockets of the producers, any more effective than this beautiful price-fixing system that has been going merrily on all these years. But in spite of all these handicaps there has been some modicum of success. We have come back to some extent.

So then the Civil War was reopened under the guise of regulating wages and hours, but really seeking to get back the shoe business from St. Louis and the cotton mills from the South. There was no other reason for the wage-hour bill which was enacted, but to try again to destroy industry in the South and drive us further back into peonage. It is said to the South: Get back between the plow handles, produce the raw product, ship it north under a discriminatory freight rate, there, behind a high tariff wall, we will manufacture it into products to be shipped back under preferential freight rates, and sold to you feudal slaves of our economic system at whatever prices we think the traffic will bear.

Mr. MAPES. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. It gives me pleasure always to yield to the genial gentleman from Michigan.

Mr. MAPES. It ought not to be overlooked, ought it, that the wage and hour bill to which the gentleman is referring, was fathered by a distinguished Senator of his own State?

Mr. HOBBS. I will say in answer to that that the wage and hour bill that was fathered by the distinguished Senator from Alabama is not the one that was adopted, nor was it anything like the one that did pass.

Mr. MAPES. But it had its genesis there, did it not?

Mr. HOBBS. Possibly so, but that first bill put a ceiling to wages and a floor to hours, instead of the reverse, and my recollection is that it provided for differentials.

Then we come to the social-security bill.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I gladly yield to the gentleman from New York.

Mr. SIROVICH. It has always been the tendency in science to go from diversity to unity, and every great economist has always formulated every rule on the basis of going from diversity to unity. Does the distinguished gentleman, for whom I have a wholesome respect, believe that we ought to have 48 different levels of minimum wages in the 48 States and that human beings should be exploited at wages no human being should receive, or should there be one uniform law providing for a minimum wage that would enable every small working man to have purchasing and consuming power?

Mr. HOBBS. I appreciate the question and I wish I had time to answer it.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I yield 5 additional minutes to the gentleman from Alabama.

Mr. HOBBS. I appreciate the question and I favor exactly what the gentleman has so eloquently described, but that is not what we have. The wage-hour law, the monstrosity on the statute books today, does nothing of the kind. It excluded from its operation 58,000,000 out of 60,000,000 workers. It did not have the nerve, because of political prostitution, to touch the two most underpaid elements of our cititzenry, to wit, domestic servants and farm labor. What I favor is not increasing the existing disparity, but leveling up the farmer and farm laborer to parity with

industrial labor and then raising the pay of all, till every worker shall be receiving as high a wage as possible.

We will never have prosperity in this country as long as the average wage on the farm in Alabama is $91 per annum. You should not continue this peonage.

I am going to offer an amendment to this bill in due season, which will tend to give some substance to the beautiful dreams born of title I of the social-security law. In Alabama and many other States the old-age assistance feature of this law is but a cruel joke. Not one in a hundred of those aged supposed-to-be beneficiaries under title I, is now eligible under the law some States have been forced by their poverty to pass. And those few get, not $30 a month, but $9. The total budget of our State for all purposes, excluding "earmarked" funds, is about $6,000,000, and you say, "Appropriate $15 a month and we will match it." That would take $27,000,000 a year for Alabama's part, under title I alone. It is bad enough to be poor, but it is adding insult to injury when you laugh at our poverty.

But even this is not the worst. By the passage of this bill the South will be driven even deeper into peonage. We cannot participate to any appreciable extent, yet we pay our full share, in proportion to our wealth, of the taxes that foot the bill for California and New York and these other States that are able to obtain this Federal largess for their aged citizens by matching dollar for dollar.

These gentlemen who boast of how much North Carolina pays to the Federal Government or how much New York pays, are fundamentally erroneous in this regard. Although they buy the stamps and put them on their cigarettes and their tins of tobacco, Alabama smokes the cigarettes and smokes the pipe tobacco. We smoke the Pittsburgh and the Wheeling stogies. Thus, we pay our part of that indirect tax, although North Carolina and these other places claim full credit because they actually buy the revenue stamps.

They buy the stamps, but mainly with outside money. Alabama will pay her full part of every dollar that goes out of the Federal Treasury under the Social Security Act, but will not get one mill of benefit per dollar of her contribution.

Verily, "For whosoever hath, to him shall be given, and he shall have more abundance; but whosoever hath not, from him shall be taken away even that he hath."

My amendment provides that in aid of those States who do their best, but cannot match enough of the Federal funds to give their eligible aged $15 per month, the National Government shall contribute $2 for every $1 of State contribution until a monthly payment of $15 is assured. This will give us in Alabama, on the basis of our present contribution, $13.50 per month for each of the aged who have been certified as being eligible. This is the only way we can get even that much.

Why protest friendship for the aged and a desire to help? Why make stump speeches the preamble to such acts about what you are going to do, and then deny the real needy of this country, who are on the sunset slope, going down into oblivion, any fruition of the hope you create? The aged in the poverty-stricken States are asking for bread, will you continue to give them a stone? [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. NORRELL].

Mr. NORRELL. Mr. Chairman, but for my interest in the welfare of the aged and the other beneficiaries under this bill, I would not attempt to say anything at this time. I am fully aware of the tradition that a new Member of Congress should not be very conspicuous in the Well of the House. I have religiously lived up to the tradition, but my interest in this bill necessitates my coming before you and saying something with reference to it.

It is my hope that when we come to passing legislation dealing with human need we can forget the section of the country from which we come. It is all right when we are dealing with property matters to try to do the best we can for our respective districts, though there should be a limit to that. I feel that when we come to legislating relief to the aged and the other classes to which this bill extends, we should deal with all the people of the country alike. I am not going to appeal to you to make large appropriations for the aged of the South because of the many inequalities that exist as between different sections of the country. I am not going to try to arouse your passion, if I could, with reference to any of these inequalities as we see them, but I feel that when it comes to dealing with old-age pensions we should realize that we are dealing with citizens of the United States. Their relief ought to be upon two bases: First, citizenship; and second, need.

A needy citizen of one State is entitled under his Federal constitutional rights to the same treatment as a needy citizen of another State. It is not right for the United States Government, in the face of the preamble to the Constitution with reference to welfare, in the face of the provisions of the fourteenth amendment to the Constitution, and in the face of the other constitutional provisions, to say to a citizen of the United States in one State that he shall be treated differently from a citizen in any other State. If we pay $20 a month to a citizen of one State, we should pay $20 per month to citizens in all States.

I propose to offer an amendment at the proper time providing that whatever the Federal Government may give shall be given alike to all needy aged throughout this great Nation. We have gotten away from the Civil War; we are no longer fighting those battles. We in the South, the North, the East, and the West recognize today that this is one great country, not split up into 48 subdivisions in matter of human need. Let us legislate upon this basis, and on this theory I want to see this Congress, if you please, pass some legislation dealing with human need and providing allotment of the largest possible pension, payable to the needy aged alike, regardless of what the State of his or her residence may pay.

Talk about economy. Yes; I believe in economy, but when this Government is able to spend billions for national defense, when this Government is able to spend millions for the conservation of the beasts of the field, the birds of the air, and the fish of the sea, I say we should spend as much as possible for the welfare and comfort of our aged citizens, and I shall offer an amendment to page 3 of the bill to provide an outright pension of $15 per person to each needy aged person under the provisions of the bill, regardless of place of residence and contribution of such State.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 additional minutes to the gentleman from Arkansas.

Mr. NORRELL. I am going to do this, Mr. Chairman, on the theory that the Federal Government can pay it. You are increasing the allocation of money to $20. The law now provides a maximum of $15. If we as a nation are able to increase the maximum amount for pension purposes, we ought to equalize it to some degree, anyway; so I shall offer an amendment to provide up to $15 a month. If we are not able to pay that much, let us pay $10 a month, or $7.50 a month, but pay it alike to all of these grand old men and women who are going down the western slope of life. I thank you. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WARREN, 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. 6635) to amend the Social Security Act, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. BUCK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein

an address delivered by the gentleman from Massachusetts [Mr. McCORMACK] over the radio last night.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. BUCK]?

There was no objection.

Mr. TREADWAY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include at the point where I spoke today the minority views on the pending bill as printed.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. TREADWAY]?

There was no objection.

Mr. SIROVICH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by printing in the RECORD a speech delivered on the floor of the House.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. SIROVICH]?

There was no objection.

Mr. FULMER asked and was given permission to extend his own remarks in the RECORD.

Mr. BUCK rose.

The SPEAKER. For what purpose does the gentleman from California [Mr. BUCK] rise?

Mr. BUCK. Mr. Speaker, may I ask what the request of gentleman from Massachusetts was?

The SPEAKER. Will the gentleman from Massachusetts [Mr. TREADWAY] restate his request?

Mr. TREADWAY. Mr. Speaker, my request was that I be permitted to extend my remarks in the RECORD and to include therein the minority views on the Social Security Act.

Mr. BUCK. Mr. Speaker, reserving the right to object, I certainly want to give the minority every possible consideration in presenting their views, but if we consent to that we shall have to insist that the entire report, both majority and minority, be printed.

Mr. MARTIN of Massachusetts. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MARTIN of Massachusetts. Has not consent already been given?

Mr. BUCK. The gentleman from California was endeavoring to learn what the request was.

Mr. MARTIN of Massachusetts. The consent was given, and another gentleman had propounded a unanimous-consent request which was granted afterward.

Mr. BUCK. The Speaker recognized the other gentleman while I was on my feet.

Mr. MARTIN of Massachusetts. The RECORD will speak for itself.

Mr. TREADWAY. Mr. Speaker, I was not even in the Well when I propounded my request. I was back there.

EXTENSION OF REMARKS

Mr. BUCK. Mr. Speaker, I ask unanimous consent that the majority report be printed in the RECORD preceding the minority views.

Mr. TREADWAY. Mr. Speaker, reserving the right to object, I asked to have the minority views put in in connection with the remarks I made. If the gentleman wants the majority views put in also, he cannot include them in my remarks and insert them in the speech I made this afternoon.

The SPEAKER. The Chair did not understand the gentleman from California to ask unanimous consent that the majority views be incorporated in the remarks of the gentleman from Massachusetts, but made it as an independent request. Does the Chair correctly understand the gentleman from California [Mr. BUCK]?

Mr. BUCK. The Chair is correct.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. BUCK]?

Mr. TREADWAY. Mr. Speaker, reserving the right to object, may I have it restated?

Mr. BUCK. Mr. Speaker, I modify the request so that it will not include the portion of the majority views explaining the Ramseyer rule. I ask unanimous consent to include the remainder of the majority report.

The SPEAKER. Is there objection to the modified request of the gentleman from California [Mr. BUCK]?

Mr. BREWSTER. Mr. Speaker, reserving the right to object, at what point is this to be inserted under the gentleman's request?

Mr. BUCK. It may be inserted at the present point as far as I am concerned.

The SPEAKER. Unless the gentleman makes the specific request to have it incorporated at this point in the RECORD, it will be inserted in the Appendix of the RECORD.

Mr. BUCK. I ask unanimous consent that it be inserted at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. BUCK]?

There was no objection.

The report is as follows:

[House Rept. No. 728, 76th Cong., 1st sess.]

SOCIAL SECURITY ACT AMENDMENTS OF 1939

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following report (to accompany H. R. 6635):

The Committee on Ways and Means, to whom was referred the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

DIVISIONS OF THE BILL

This bill amends the Social Security Act and certain sections of subchapters A and B of chapter 9 of the Internal Revenue Code (formerly titles VIII and IX of the Social Security Act).

The bill is divided into nine titles:

Title I—Amendments to title I of the Social Security Act (grants to States for old-age assistance).

Title II—Amendments to title II of the Social Security Act (Federal old-age benefits).

Title III—Amendments to title III of the Social Security Act (grants to States for Unemployment Compensation Administration).

Title IV—Amendments to title IV of the Social Security Act (grants to States for aid to dependent children).

Title V—Amendments to title V of the Social Security Act (grants to States for maternal and child welfare, etc.).

Title VI—Amendments to the Internal Revenue Code (provisions formerly in titles VIII and IX of the Social Security Act).

Title VII—Amendments to title X of the Social Security Act (grants to States for aid to the blind).

Title VIII—Amendments to title XI of the Social Security Act (general provisions).

Title IX—Miscellaneous amendments.

SUMMARY OF PRINCIPAL CONTENTS OF BILL

TAXES

1. The old-age insurance tax has been frozen at 1 percent on the worker and 1 percent on the employer for the 3 years 1940, 1941, and 1942 as against the 1½-percent rates on each under the present act. This will save employers and workers about $275,000,000 in 1940, or a total of $825,000,000 in the 3 years.

2. Provision is made so that the States may reduce their unemployment-insurance contributions if a certain reserve fund has been attained and minimum benefit standards have been provided. All except about five States will be able to take advantage of this change during 1940. This may save employers from $200,000,000 to $250,000,000 during 1940 if the States reduce their contribution rates from an average of 2.7 to 2 percent.

3. Only the first $3,000 an employer pays an employee for a year is taxed under the unemployment-compensation provisions. This is already the case in old-age insurance. This will save employers about $65,000,000 a year.

4. Provision is made for refunds and abatements to employers who paid their 1936, 1937, and 1938 unemployment-compensation contributions late to the States. This will save employers about $15,000,000.

5. Thus the savings above mentioned, through 1940, may aggregate some $580,000,000. In addition, such savings for the ensuing 2 years may amount to approximately $1,130,000,000. This represents total savings of approximately $1,710,000,000.

BENEFITS

The old-age insurance benefits have been liberalized, benefits provided for aged wives, and for widows, children, and aged dependent parents, and the date for beginning monthly benefit payments has been advanced to January 1, 1940. About $1,755,000,000 in benefits is estimated to be disbursed during 1940–44, or about $1,200,000,000 above what it is estimated would be spent under existing law during these 5 years.

The total cost of these benefits over the next 45 years will be about the same as the cost of the present benefits would be during

that period of time. Of course, the cost in the early years will be more but the cost in the later years will be less.

COVERAGE

1. Certain services, including services for agricultural and horticultural associations, voluntary employees' beneficiary associations, local or ritualistic services for fraternal beneficiary societies, and services of employees earning nominal amounts (less than $45 per quarter) of nonprofit institutions exempt from income tax, are exempted from old-age insurance and unemployment compensation in order to eliminate the nuisance cases of inconsequential tax payments.

2. The term "agricultural labor" is defined so as to clarify its meaning and to extend the exemption to certain types of service which, although not at present exempt, are an integral part of farming activities.

3. About 1,100,000 additional persons (seamen, bank employees, and employed persons age 65 and over) are brought under the old-age insurance system and about 200,000 under unemployment insurance (chiefly bank employees).

VOCATIONAL REHABILITATION

Provision is made for a $1,000,000-per-year increase in the authorization for Federal grants to the States for vocational rehabilitation work. This will increase the present Federal authorization from $1,938,000 to $2,938,000.

ADMINISTRATION

1. A Federal old-age and survivor insurance trust fund is created for safeguarding the insurance benefit funds. The Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board are made trustees of this fund.

2. Provision is made to restrict the use of information concerning recipients of State old-age assistance (particularly their names and addresses) to purposes directly connected with the administration of old-age assistance. This is designed to prevent the use of such information for political and commercial purposes.

3. Other amendments are recommended to simplify and clarify administration of the law.

HISTORY OF LEGISLATION

The Social Security Act became law on August 14, 1935, after many months of deliberation in Congress. The bill was passed by an overwhelming majority in both the House and the Senate, the votes being 372 to 33 and 77 to 6, respectively. The insurance provisions of the act (substantially as reported out by this committee) were upheld by the United States Supreme Court in the cases of *Steward Machine Co.* v. *Davis* (301 U. S. 548); *Helvering* v. *Davis* (301 U. S. 619); and *Carmichael* v. *Southern Coal Co.* (301 U. S. 495).

The enactment of the Social Security Act marked a new era, the Federal Government accepting, for the first time, responsibility for providing a systematic program of protection against economic and social hazards. Though admittedly not perfect or all inclusive, the Social Security Act did embrace the broadest program for social security ever launched at one time by any government.

Relieving and reducing dependency: The Social Security Act aimed to attack the problem of insecurity upon two fronts: First, by providing safeguards designed to reduce future dependency, and second, by improving the methods of relieving existing needs. The first objective was promoted by providing a Federal system of old-age insurance and by granting Federal aid to State-administered programs of unemployment compensation; the second objective was promoted by providing Federal grants to State programs of aid to the needy aged, aid to dependent children, and aid to the needy blind. Funds were also provided to stimulate development and extension of various health and welfare services.

Public assistance: Under the Social Security Act great progress has already been made. As a result of the Federal aid provided in the Social Security Act, the States were enabled to extend their assistance programs to the needy aged, dependent children, and the needy blind. All the States, the District of Columbia, Alaska, and Hawaii now have approved plans for old-age assistance and receive Federal funds to supplement their contributions. Forty States, the District of Columbia, and Hawaii participate in the Federal-State program for aid to dependent children, and an equal number are receiving Federal grants for aid to the needy blind. Some 2,500,000 needy individuals are now receiving regular cash assistance under these cooperative Federal-State programs. From the beginning of the system through March 1939, over $1,177,000,000 of Federal, State, and local funds have been spent in States with plans approved by the Social Security Board. During the calendar year 1938 the total Federal, State, and local expenditures were over $495,000,000, of which $391,000,000 was for old-age assistance, $93,000,000 for aid to dependent children, and $11,000,000 for aid to the blind.

Unemployment compensation: The incentives provided in the Social Security Act stimulated rapid passage of State unemployment compensation laws. Before the act was passed only 1 State, Wisconsin, had a going system of unemployment insurance; now all the 48 States and Alaska, Hawaii, and the District of Columbia have approved laws. Benefits are already being paid to unemployed covered workers under all but two of these laws; the last two States (Illinois and Montana) will start benefit payments on July 1 of this year. More than 27,500,000 workers are covered by these laws and about 3,800,000 temporarily unemployed workers received benefits amounting to nearly $400,000,000 during the year 1938. In addition, about $145,000,000 has been paid to unemployed workers during the first 4 months of 1939.

Old-age insurance: The full effect of the Federal old-age insurance program will not be felt until monthly benefits begin to be paid. In the meantime, however, the Social Security Board has established wage-record accounts for nearly 44,000,000 persons, of whom more than 32,000,000 have already had wages reported in either 1937 or 1938, thus enabling these individuals to build up rights to protection for themselves and their dependents upon a sound basis. In addition, lump-sum benefits, amounting to 3½ percent of accumulated covered earnings, totaling about $17,200,000, have been paid up to April 30, 1939, to or on behalf of nearly 345,000 who reached age 65 or died.

Revision of Social Security Act: Tremendous as is the scope of this program, it was recognized from the beginning that changes would have to be made as experience and study indicated lines of revision and improvement. Congress, therefore, expressly provided in the Social Security Act that the Social Security Board should study and make recommendations as to methods of providing more effective economic security.

Further to facilitate necessary revision an Advisory Council on Social Security was created in May 1937. It was composed of outstanding citizens representing employers, employees, and the public. The Advisory Council spent more than a year in study and deliberation and transmitted its final report and recommendations on December 19, 1938.

The recommendations of the Social Security Board, based upon 3 years of intensive study, were submitted to the President of the United States on December 30, 1938. The President transmitted the Board's report to Congress, with a special message on January 16, 1939. The President's message and the Board's report were then referred to this committee.

The committee held extended public hearings on these recommendations and alternative proposals relating to social security, including more than 90 bills introduced in the House. These hearings lasted from February 1 to April 7, during which period the committee sat 48 days and took 2,500 pages of testimony. Among the 164 individuals who testified in person there were 3 Senators, 41 Congressmen, 14 Government officials (Federal and State), 21 labor representatives, 27 employer representatives, 16 economists, and 42 others representing themselves or various organized groups of citizens. Many of these witnesses filed supplementary statements for the record. Some 20 or 30 other statements from individuals unable to appear before the committee in person were also placed in the record.

Since the conclusion of the public hearings these various proposals have received the constant attention of the committee. Executive sessions have been held over a period of 6 weeks. The committee has realized the importance of this subject and has taken seriously its responsibility to recommend to Congress the best possible legislation for supplementing and improving our system of social security. The committee therefore recommends immediate enactment of this bill.

GENERAL PURPOSE AND SCOPE OF AMENDMENTS

The present bill aims to strengthen and extend the principles and objectives of the Social Security Act. The foundations of a permanent program have been laid, and it seems wise to build upon the present structure.

Old-age insurance, unemployment compensation, and public assistance are now accepted as permanent in our fabric of social services. The present bill is designed to widen the scope and to improve the adequacy and the administration of these programs without altering their essential features. Benefits will continue to be payable as a matter of right to workers covered by the insurance programs; aid will continue to be related to need under the assistance programs.

FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

The number of aged persons in our population is steadily growing. In 1900 there were only 3,080,000 persons 65 and over, representing 4.1 percent of the population. This figure reached 6,634,000, or 5.4 percent, in 1930, and it is estimated there are about 8,200,000, or 6.3 percent, at the present time. Recent estimates indicate that by 1980 we may have over 22,000,000 persons aged 65 and over, representing 14 to 15 percent of the total population. Recognizing these facts, it is possible to foresee that we shall have a growing number of aged persons for whom some provision must be made. This has been the experience of all industrial countries.

In the course of its study of the problem, the committee has become increasingly impressed by the need to revise the existing old-age insurance program in the direction of fitting the structure of benefits more closely to the basic needs of our people, now and in the future. With limited funds available for this type of insurance protection individual savings and other resources must continue to be the chief reliance for security. As a means of affording basic protection, however, the existing system can be much improved. With the advantage of more than 3 years of study and experience since the passage of the act, and with a greatly enhanced public understanding of the method of social insurance, the time seems ripe for the revision of the program to afford more adequate protection to more of our people. Under the present old-age insurance system monthly benefits would not begin until 1942; for a considerable number of years thereafter benefits would remain small and would in many cases have to be

supplemented by old-age assistance. Such assistance, based on individual need, is also necessary for those already old, and will continue to be necessary for groups outside the insurance system. For insured groups, however, it is both desirable and possible to provide immediately more adequate protection within the framework of the contributory system.

Old-age insurance is designed to prevent future old-age dependency; old-age assistance is designed to relieve existing needs. A contributory system of old-age insurance keeps the cost of old-age assistance from becoming excessive and assures support for the aged as an earned right. If the contributory system is strengthened and liberalized, the cost of old-age assistance for uncovered groups will not increase so rapidly in future years when the proportion of aged in the population will be much higher than at present.

It is essential then that the contributory basis of our old-age insurance system be strengthened and not weakened. Contributory insurance is the best-known method of preventing dependency in old age by enabling wage earners to provide during their working years for their support after their retirement. By relating benefits to contributions or earnings, contributory old-age insurance preserves individual thrift and incentive; by granting benefits as a matter of right it preserves individual dignity. Contributory insurance therefore strengthens democratic principles and avoids paternalistic methods of providing old-age security. Moreover, a contributory basis facilitates the financing of a social-insurance scheme and is a safeguard against excessive liberalization of benefits as well as a protection against reduction of benefits.

The contributory method in social insurance is no innovation. It had its beginning several hundred years ago in several countries when small groups of workmen banded together in mutual-benefit societies to build up group protection against unforeseen contingencies. These early friendly societies developed the insurance method of protection which, by a gradual process of evolution, led to modern social insurance with the government entering to strengthen cooperative thrift and mutual protection. The contributory method of social insurance has stood the test of time and experience. Proof of this is the fact that no country which has once adopted a system of contributory social insurance has ever abandoned it. Many foreign countries, as does the United States, supplement their contributory scheme with a noncontributory pension scheme based on individual need, but no country has ever given up the former system in favor of the latter.

Under the present old-age insurance system only taxes have been payable since 1937, while monthly benefits are not payable until January 1, 1942. So long as only taxes are payable and monthly benefits are postponed, the general public is under a misapprehension as to the financial operations of the plan and lacks a concrete demonstration of the effectiveness of the plan in providing protection. The recommendations of this committee with respect to the old-age insurance plan, it is hoped, will help to improve the understanding of the aims of a contributory social-insurance plan.

Providing more effective benefits: The basic problem confronting the committee was how to provide more adequate and effective benefits, particularly in the early years of operation, without increasing the future cost of the old-age insurance system. The committee has solved this problem in two principal ways, as follows:

1. Monthly benefits to wives, children, widows, orphans, and surviving dependent parents are substituted for the present 3½-percent lump sums payable to the estates of deceased workers.

2. The benefits of both single and married persons retiring in the early years are increased but the benefits of single persons with high earnings retiring years hence are reduced somewhat. However, the benefits proposed for single persons are higher than could be purchased with the employee's own contributions, except possibly in a very few extreme cases.

In other words, the effect of these changes will be to provide for larger benefits in the early years than under the present law and larger than could be purchased by an insured worker from a private insurance company with the amount he has paid the Government. This is particularly true in the case of married persons. However, this does not mean that unmarried persons who will contribute for many years will receive less protection from the Government than they could purchase from a private insurance company with their own contributions. It does mean, however, that a larger proportion of the employer's contributions are used to pay benefits to those retiring in the early years, particularly married persons.

Thus, various changes made by the committee are designed to afford more adequate protection to the family as a unit. The present law provides for only two general types of benefits, (1) monthly old-age benefits to qualified individuals and (2) lump-sum payments to nonqualified individuals and upon death. The present law is, therefore, limited in its scope in that it does not provide current monthly benefits to the surviving wife of an aged annuitant, nor to the surviving widow with dependent children. The payment of these survivorship benefits and supplements for the wife of an annuitant are more in keeping with the principle of social insurance than the 3½-percent lump-sum payments now provided. Under a social-insurance plan the primary purpose is to pay benefits in accordance with the probable needs of the beneficiaries rather than to make payments to the estate of a deceased person regardless of whether or not he leaves dependents.

There is ample precedent for such provision, since 15 out of 22 old-age insurance systems of foreign countries make provision for survivor benefits.

Cost of more adequate benefits: The net effect of the changes is that the annual cost of the benefits payable in the early years will be greater, the annual cost of the benefits payable in the later years will be less, and the average annual cost over the next 40 years, as testified to by the Chairman of the Social Security Board, will be about the same as under the present system. A more detailed explanation of the cost figures will be found on pages 15–17.

TABLE 1.—*Comparison of benefit payments under present Federal old-age insurance plan and under revised plan on the basis of the intermediate retirement rate estimates*

Calendar year	Present title II	Revised plan	Additional expenditure
1940	$46,000,000	$88,000,000	$42,000,000
1941	42,000,000	211,000,000	169,000,000
1942	92,000,000	350,000,000	258,000,000
1943	150,000,000	508,000,000	358,000,000
1944	221,000,000	598,000,000	377,000,000
1945	290,000,000	713,000,000	423,000,000
1946	403,000,000	855,000,000	452,000,000
1947	501,000,000	997,000,000	496,000,000
1948	615,000,000	1,134,000,000	519,000,000
1949	725,000,000	1,265,000,000	540,000,000
1950	834,000,000	1,389,000,000	555,000,000
1951	971,000,000	1,523,000,000	552,000,000
1952	1,078,000,000	1,621,000,000	543,000,000
1953	1,193,000,000	1,719,000,000	526,000,000
1954	1,338,000,000	1,843,000,000	505,000,000
Total 1940-54, inclusive	8,499,000,000	14,814,000,000	6,315,000,000

Before beginning a more detailed explanation of the revised benefit provisions, the following summary presents a brief outline of the new benefit plan:

SUMMARY OUTLINE OF BENEFIT PROVISIONS UNDER THE REVISED FEDERAL OLD-AGE AND SURVIVOR INSURANCE PLAN

EFFECTIVE DATE—JANUARY 1, 1940

OLD-AGE RETIREMENT BENEFITS

1. Old-age benefit: Each fully insured individual who has reached the age of 65 is eligible to receive a monthly primary (old age) insurance benefit determined as follows:

(a) A basic amount computed by applying 40 percent of average monthly wages, up to the first $50, plus 10 percent of average monthly wages in excess of $50.

(b) Such amount to be increased 1 percent for each year of coverage ($200 or more wages).

2. Supplement for wife: In addition, the wife, age 65 and over, of an individual entitled to primary insurance benefits, if she is living with such individual, is eligible for a supplement which, when added to her primary insurance benefit, if any, equals one-half of a primary old-age insurance benefit of her husband.

3. Supplement for children: In addition each unmarried dependent child, under age 18, of an individual entitled to primary insurance benefits, is eligible for a supplement of one-half of a primary insurance benefit of the parent.

SURVIVOR BENEFITS

1. Widows' old-age insurance benefits: A widow of a fully insured individual, who has attained age 65 and who was living with such individual when he died, is eligible for a monthly benefit which when added to her primary insurance benefit, if any, is equal to three-fourths of a primary insurance benefit of her husband.

2. Orphans' monthly insurance benefits: A fully or currently insured individual's unmarried dependent orphan under age 18 is eligible for an orphan's benefit equal to one-half of a primary insurance benefit of the parent.

3. Current monthly insurance benefit to widow with children: A widow, regardless of age, of a fully or currently insured individual, who was living with such individual when he died, and has in her care one or more children entitled to child's benefits receives a monthly benefit which, when added to her primary insurance benefit, if any, is equal to three-fourths of his primary insurance benefit.

4. Parents' insurance benefits: A parent of a fully insured individual who dies leaving no widow and no unmarried child under age 18, if such parent has attained age 65, has not married since the fully insured individual's death, and was wholly dependent upon such individual at the time of such death, is eligible for a monthly benefit which, when added to the parent's other monthly benefits, if any, is equal to one-half of the primary insurance benefit of such fully insured individual.

5. Lump-sum death payment: Upon the death of a fully or currently insured individual, leaving no one immediately entitled to a monthly benefit, a lump sum equal to six times the monthly primary insurance benefit is payable to a surviving close relative, or if no close relative, the person assuming responsibility for the funeral expenses of the deceased to the extent of his actual disbursements.

MINIMUM AND MAXIMUM BENEFITS

The minimum benefit payment shall be not less than $10 per month. The maximum benefit or benefits payable shall be not more than double the primary insurance benefit, 80 percent of average wages, or $85, whichever is the smallest.

EFFECTIVE DATE

The first major change proposed is to advance the date for beginning the payment of monthly old-age insurance benefits from January 1, 1942, to January 1, 1940. From an administrative standpoint such an amendment is entirely practicable since the maintenance of wage records is already functioning successfully. Personnel has been trained and experience has been acquired in all phases of the program. Approximately 44,000,000 account numbers have been assigned, and the individual account for each worker set up by the Social Security Board. Furthermore, a network of over 300 field offices has been set up and is functioning. These offices have already handled over 360,000 claims for lump-sum benefits. The experience obtained in adjudicating these claims indicates that the necessary groundwork has been laid to permit the payment of monthly benefits in 1940. The payment of monthly benefits in 1940 is in keeping with the experience under the social insurance laws of Great Britain, Czechoslovakia, and Germany where old-age insurance benefits were paid within 2 years after contributions first began.

LIBERALIZED AMOUNTS

The second major change proposed is the liberalization of benefits to insured workers retiring in the early years of the system. This liberalization is effected by two important changes. First, the benefit base is changed from total accumulated wages to average wages; second, supplementary benefits are provided in those cases where the annuitant has an aged wife (as well as in the rare cases where there are dependent children). Under the present law the average monthly old-age insurance benefit payments in 1942 were originally estimated at about $17.50 per month. Under the revised plan the average for single individuals will be about $25.85 and for an eligible husband and wife about $38.78 per month. Table 2 shows illustrative monthly old-age insurance benefits under the present plan and under the revised plan.

TABLE 2.—*Illustrative monthly old-age insurance benefits under present plan and under revised plan*[1]

	Present plan	Revised plan		Present plan	Revised plan	
		Single	Married[2]		Single	Married[2]
	Average monthly wage of $50			Average monthly wage of $100		
Years of coverage:						
3	(3)	$20.60	$30.90	(3)	$25.75	$38.63
5	$15.00	21.00	31.50	$17.50	26.25	39.38
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of $150			Average monthly wage of $250		
Years of coverage:						
3	(3)	$30.90	$46.35	(3)	$41.20	$61.80
5	$20.00	31.50	47.25	$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

[1] It is assumed, with respect to the revised plan, that an individual earns at least $200 in each year of coverage in order to be eligible to receive the 1-percent increment. If this were not the case, the benefit would be somewhat lower.

[2] Benefits for a married couple without children where wife is eligible for a supplement.

[3] Benefits not paid until after 5 years of coverage.

REVISED BENEFIT FORMULA

An average wage formula will relate benefits more closely to normal wages during productive years. Since the object of social insurance is to compensate for wage loss, it is imperative that benefits be reasonably related to the wages of the individual. This insures that the cost of the benefits will stay within reasonable limits and that the system will be flexible enough to meet the wide variations in earnings which exist.

An average wage formula will also have the effect of raising the level of benefits payable in the early years of the system, but it will reduce future costs by eliminating unwarranted bonuses payable under the present formula to workers in insured employment only a few years. These bonuses result from the greater weight now given to the first $3,000 of accumulated wages. They are justified, if a total wage formula is used, in the case of older and low-paid workers who retire in the early years of the system and have not time in which to build up substantial benefit rights. In the long run, however such bonuses are unwise and endanger the solvency of the system by permitting disproportionately large benefits to workers who migrate between uninsured and insured employments and accumulate only small earnings in insured employment.

In order to relate benefits to length of employment as well as to average wages a 1-percent increment for each year of covered earnings of $200 or more is added to the basic benefit. Thus the longer a worker is in the system the larger will be his benefit.

Supplementary benefits: The supplementary benefit payable an aged wife is one-half of the primary insurance benefit of the annuitant. (The same amount is payable for each dependent child.) Because most wives in the long run will build up wage credits on their own account as a result of their own employment these supplementary allowances will add but little to the ultimate cost of the system. They will on the other hand greatly increase the adequacy and equity of the system by recognizing that the probable need of a married couple is greater than that of a single individual.

These changes in the benefit pattern are primarily designed to increase the adequacy of the system during the early years without altering the long-run cost proportions of the existing plan. They are not temporary improvements however but represent constructive changes which will increase the adequacy of the Federal old-age insurance system.

SURVIVOR BENEFITS

The bill contains a third major change, designed to improve the long-run effectiveness of our insurance system. This amendment proposes to establish monthly survivor benefits. The Social Security Act now provides a certain amount of survivor protection in the form of lump-sum payments. These are small and inadequate in the early years of the system and entirely unrelated to the needs of the recipients. However, eventually they will be rather costly and may not provide protection where most needed. The new plan will eliminate most lump-sum benefits and will substitute monthly benefits for those groups of survivors whose probable need is greatest. These groups are widows over 65, widows with children, orphans, and dependent parents over 65. The monthly benefits payable to these survivors are related in size to the deceased individual's past monthly benefit or the monthly benefit he would have received on attaining age 65.

In the case of a widow, the monthly benefit is three-fourths of the deceased's monthly benefit or prospective benefit. In the case of an orphan or dependent parent, it is one-half of the deceased's monthly benefit or prospective benefit.

A monthly benefit will be payable to a parent only if no widow or unmarried child under age 18 survived, and only if the parent was wholly dependent upon the deceased at time of death. While it would thus be necessary for a parent to prove dependency at the time of death, once that fact had been established no subsequent showing of need would be required. Ample precedent for such provisions is found in the State workmen's compensation laws, which constitute the oldest form of social insurance in this country.

Illustrative benefits are shown in table 3. As has already been stated, these new monthly benefits can be provided without exceeding the eventual costs of the system as now set up, because of the reduction in lump-sum death benefits and the future benefits to single persons.

TABLE 3.—*Illustrative monthly survivor benefits*[1]

	1 child or parent 65 or over	Widow, 65 or over	Widow and 1 child	1 child or parent 65 or over	Widow, 65 or over	Widow and 1 child
	Average monthly wage of deceased, $50			Average monthly wage of deceased, $100		
Years of coverage:						
3	$10.30	$15.45	$23.75	$12.88	$19.31	$32.19
5	10.50	15.75	26.25	13.13	19.69	32.81
10	11.00	16.50	27.50	13.75	20.63	34.38
20	12.00	18.00	30.00	15.00	22.50	37.50
30	13.00	19.50	32.50	16.25	24.38	40.63
40	14.00	21.00	35.00	17.50	26.25	43.75
	Average monthly wage of deceased, $150			Average monthly wage of deceased, $250		
Years of coverage:						
3	$15.45	$23.18	$38.63	$20.60	$30.90	$51.50
5	15.75	23.63	39.38	21.00	31.50	52.50
10	16.50	24.75	41.25	22.00	33.00	55.00
20	18.00	27.00	45.00	24.00	36.00	60.00
30	19.50	29.25	48.75	26.00	39.00	65.00
40	21.00	31.50	52.50	28.00	42.00	70.00

[1] It is assumed that an individual earns at least $200 in each year of coverage. If this were not the case, the benefit would be somewhat lower.

Not all lump-sum payments are eliminated under the new plan. Upon the death of an insured individual leaving no one immediately entitled to a monthly benefit, there will be paid a lump-sum benefit of six times the monthly benefit of the deceased. This lump-sim will be paid to a surviving close relative, or if no close relative exists, then to the person assuming the responsibility for

the funeral expenses of the deceased person to the extent of his actual disbursements.

Table 4 shows illustrative lump sums payable in these cases.

TABLE 4.—*Illustrative lump-sum death payments payable equal to six times the primary insurance benefit*

	Average monthly wages			
	$50	$100	$150	$250
Years of coverage:				
3	$123.60	$154.50	$185.40	$247.20
5	126.00	157.50	189.00	252.00
10	132.00	165.00	198.00	264.00
20	144.00	180.00	216.00	288.00
30	156.00	195.00	234.00	312.00
40	168.00	210.00	252.00	336.00

QUALIFYING PROVISIONS

The amendments provide a revision in the requirements concerning the length of time covered and amount of wages that must have been earned under the system in order to establish eligibility for benefits.

The revised requirements for benefits are similar in principle to those found in the present law, but are changed in several respects, due to the following reasons:

1. Since payment of benefits would be advanced to 1940, the number of qualifying years and the amount of wages are reduced in the early years.

2. Since wages after the age of 65 are not counted during 1937, 1938, and 1939, the qualification provisions are adjusted to permit such persons to qualify without undue hardship.

3. The present law permits persons who are in insured employment for only a short time to receive very large benefits in comparison to their contributions. In order to reduce the cost of paying benefits to these persons who shift between insured and uninsured employment, there have been added provisions to protect the system in future years.

4. The addition of widows' and orphans' benefits necessitates a shorter qualifying period for current insurance protection in the case of persons who die without having been employed as long as is required to qualify for old-age insurance benefits.

"FULLY INSURED" AND "CURRENTLY INSURED"

Following is a synopsis of the definition of a "fully insured individual" and "currently insured individual" as contained in section 209 (g) and (h) of the bill:

A. An individual aged 65 or over on January 1, 1940, is fully insured for retirement benefits if he has 2 years of coverage and $600 total earnings before retirement (a year of coverage is a year in which $200 or more was paid for covered employment).

B. An individual who attains age 65 or dies in one of the years 1940 to 1945, inclusive, is fully insured with respect to all benefits if he has had at least the applicable coverage and earnings as follows:

Date	Years of coverage	Total earnings
1940	3	$900
1941	3	1,000
1942	4	1,200
1943	4	1,400
1944	5	1,600
1945	5	1,800

C. An individual who attains age 65 or dies in or after 1946 is fully insured with respect to all benefits if he has had not less than 1 year of coverage for each 2 years after 1936 (or the year of attaining age 21, if later), plus an additional year, and not less than $2,000 of total earnings, subject to a minimum of 5 years of coverage, and in any case if he has 15 years of coverage.

Currently insured individual: An individual who does not meet the above requirements is, however, currently insured (i. e., "widows' and orphans' current benefits" are payable) provided that he has had earnings of $50 or more in at least 6 of the 12 calendar quarters immediately preceding the quarter in which he died.

INDIVIDUAL EQUITY PRESERVED

The proposed revision, while maintaining a reasonable relationship between past earnings and future benefits, provides proportionately greater protection for the low-wage earner and the short-time wage earner than for those more favorably situated. But practically every worker, regardless of his level of wages or of the length of time during which he has contributed, would receive more by way of protection than he could have purchased from a private insurance company at a cost equal to his own contributions. In other words, the system recognizes the principle of individual equity, as well as the principle of social adequacy. It has been possible to incorporate in the system both these aspects of security by utilizing a larger proportion of employers' contributions to pay benefits to those retiring in the early years and to low-wage earners. This is similar to the procedure which is followed in private pension plans which recognize that the employer must contribute more liberally in behalf of older workers if they are to have sufficient income to retire.

Table 5 shows that under the tax and benefit plan as recommended every worker will receive more in protection for at least the next 40 years than he could purchase from a private insurance company with his own contributions. Even in an extreme case of a single person earning $250 per month for the next 45 years, the annuity purchasable elsewhere would amount to only 30 cents per month more than the $58 per month such person would be entitled to under the revised plan.

TABLE 5.—*Theoretical monthly annuities purchasable with only employee tax and benefits under proposed plan for single men entering the system Jan. 1, 1937* [1]

	Suggested plan	Purchasable annuity	Suggested plan	Purchasable annuity
	Level monthly wage of $50		Level monthly wage of $100	
Years of coverage:				
3	$20.60	(2)	$25.75	(2)
5	21.00	(2)	26.25	(2)
10	22.00	(2)	27.50	$0.41
20	24.00	$1.55	30.00	3.95
30	26.00	4.25	32.50	9.51
40	28.00	8.16	35.00	17.49
45	29.00	10.68	36.25	22.58
	Level monthly wage of $150		Level monthly wage of $250	
Years of coverage:				
3	$30.90	(2)	$41.20	(2)
5	31.50	(2)	42.00	(2)
10	33.00	$0.94	44.00	$1.99
20	36.00	6.35	48.00	11.14
30	39.00	14.77	52.00	25.30
40	42.00	26.81	56.00	45.46
45	43.50	34.49	58.00	58.30

[1] These calculations are based upon the standard annuity table, at 3-percent interest. Taxes less 10-percent allowance for expenses are used for theoretic premiums. Part of the taxes are applied to the purchase of a death benefit which is identical with that of the suggested plan, and the remainder of the taxes are applied to the purchase of a deferred annuity with no death benefit.

The following assumptions have been made:

As regards taxes: A 1-percent tax rate on employer and also on employee through 1942; a 2-percent tax rate on each in 1943–45; a 2½-percent tax rate on each in 1946–48; and a 3-percent tax rate on each in 1949 and thereafter.

As regards benefits: Continuous years of coverage from age at entry to age 65, retirement at age 65; individual remains single for his entire lifetime and does not leave a widow, a child under 18, or a dependent parent.

[2] Taxes are used up entirely in purchasing the lump-sum death benefit so that no annuity is purchasable.

FINANCING

Certain amendments are proposed which affect the financial framework of the old-age insurance system. First, the old-age reserve account is changed to a Federal old-age and survivor insurance trust fund with the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio, acting as a board of trustees. The board of trustees will supervise the fund and will report to Congress annually and whenever the trust fund becomes unduly small or exceeds three times the highest annual expenditure anticipated in the ensuing 5-fiscal-year period. The Secretary of the Treasury will serve as managing trustee of the fund. All assets credited to the reserve account as of January 1, 1940, are transferred to the trust fund when the reserve account is abolished on that date. It is further proposed that an amount equal to the full amount of the old-age insurance taxes collected in the future be permanently appropriated to the trust fund. Provision is made for the administrative costs of the plan to be met from the trust fund.

The method of investing that portion of the trust fund not needed for current claims or administrative purposes will be like that now provided in the case of the unemployment trust fund. Instead of a minimum 3-percent interest on the investments of the present old-age reserve account, the Federal old-age and survivor insurance trust fund, like the unemployment trust fund, will earn interest at the current average rate of interest borne by all outstanding interest-bearing obligations composing the public debt. At the present time the rate of interest being paid to the unemployment trust fund is 2½ percent.

The present tax schedule is amended so that the current rate of 1 percent on employers and 1 percent on employees is continued until 1943. This postponement in the tax step-up will save employers and workers about $275,000,000 for 1940 or a total of $825,000,000 for the 3 years 1940, 1941, and 1942. However, no change is made in the tax schedule thereafter. The rates will still increase to 2 percent in 1943, 2½ percent in 1946, and 3 percent in 1949 and thereafter.

The result of the committee's recommendations with respect to taxes and benefits on the size of the reserve and the amount of the benefit payments is shown in table 6. It should be noted that the maximum reserve built up in the period shown will be between seven and eight billion dollars. It should also be noted

that the size of the reserve will conform closely to the recommendation of the Secretary of the Treasury of an "eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years."

TABLE 6.—*Progress of reserve under the intermediate retirement estimate of benefit disbursements with interest at 2½ percent—Tax rate at 2 percent until Jan. 1, 1943, and thereafter following the present schedule*

[In millions of dollars]

	1940	1941	1942	1943	1944	1945	1950	1955
Net tax receipts (gross receipts minus administrative expenses)	$501	$505	$504	$919	$1,067	$1,078	$1,751	$1,849
Less benefit payments	88	211	350	508	598	713	1,389	1,930
Net cash receipts, Government	413	294	154	411	469	365	362	−81
Add interest at 2½ percent	41	51	58	66	79	91	153	190
Total addition to fund	454	345	212	477	548	456	515	109
Fund at end of year	1,884	2,229	2,441	2,918	3,466	3,922	6,449	7,752

NOTE.—Fund at end of 1939 is estimated to be $1,430,000,000. The benefit payments exceed the net tax receipts in 1954.

It should be clearly understood that the estimates presented are subject to a margin of error. Changes in average wages, death rates, birth rates, the rate of retirement, the proportion of the aged in the total population, and shifts between insured and uninsured groups may result in substantial changes in these figures in the future. It is impossible, therefore, to predict accurately the future trends of all the factors influencing the long-run aspects of the old-age insurance program. The further one projects estimates of future income and benefit payments, the greater is the margin of error. Constant study and frequent revaluations are, therefore, essential for the long-run financing of our social-insurance system. This is one of the reasons why the committee has recommended that the board of trustees make an annual report to Congress on the actuarial status of the system, and report to Congress whenever the trust fund is unduly small, or exceeds three times the highest annual expenditures expected in the next 5-fiscal-year period.

According to the best expert information available to the committee, the estimates presented here are reasonable approximations of the income and outgo of the insurance plan for the next 15 years. The actual figures will no doubt vary somewhat from those shown in table 6. However, the benefit payments shown, although based upon an intermediate estimate as regards rate of retirement, probably represent maximum amounts payable under the provisions of the bill. A serious downswing in business conditions might increase the rate of old-age retirement and decrease the estimated amount of tax receipts, but such variations would probably not alter the fact that the contributions and interest will cover all benefit payments for the next 10 to 15 years. It is only when consideration is given to the income and outgo of the system for 40 to 45 years, or even more, that it becomes quite impossible to predict the future status of the system.

Table 6 shows that the annual contributions from workers and employers will probably be sufficient until 1955 to meet all the annual benefit payments under the revised plan. If the original actuarial assumptions of 1935 prove to be correct, it is possible that benefits for all time to come can be financed from the present schedule of taxes and the interest from the fund, even with the recommended postponement of the tax step-up until 1943. However, upon the basis of additional data developed since 1935, it would appear that the actuarial calculations of 1935 represent a minimum estimate of the future costs. Therefore it is possible that the annual cost of the benefits may begin to exceed the annual tax collections about 1955 or even somewhat sooner.

Only after experience has been obtained in paying benefits for several years will we have a better picture of the probable future development of the system. Even then continual change will be necessary in the estimates due to the many variable factors which go into making such estimates.

In making the changes in the present plan the committee has kept constantly in mind the fact that, while disbursements for benefits are relatively small in the early years of the program, far larger total disbursements are inevitable in the future.

The plan recommended by this committee is designed to safeguard workers, employers, and the general public. In fact the committee believes the revised plan is a much safer one than the present plan. As has already been pointed out, while the annual costs under the revised plan are greater in the early years of operation, the future annual costs of the benefits when the system reaches maturity are materially lower than under the present law and the over-all average cost is kept about the same. Consequently, it is believed that there is not the same danger as exists in the present benefit schedule, the cost of which, while deceptively small in the early years, mounts very steeply as the years progress.

Unforseen contingencies may, however, change the entire operation of the plan. It is important, therefore, that Congress be kept fully informed of the probable future obligations being incurred under the insurance plan as well as the public-assistance plans. Each generation may then meet the situation before it in such manner as it deems best.

If future annual pay-roll tax collections plus available interest are insufficient to meet future annual benefits it will be necessary, in order to pay the promised benefits, to increase the pay-roll tax or provide for the deficiency out of other general taxes, or do both. Broadening the coverage of the system to bring in those persons now excluded will not only make the system more effective in providing protection but also strengthen its actuarial base by still further eliminating the possibility of unearned benefits to the worker who moves from uninsured to insured employment.

COVERAGE

Four years ago, when the old-age insurance program was being planned, it was expected that the act as passed would provide old-age security for about half of the gainful workers in the country. It was realized, of course, that many workers who might not be insured under the act at any one time would later obtain protection by shifting into insured occupations. It was generally supposed, however, that the group so shifting would be small compared with the great mass of workers, who, throughout their working life, would remain continuously either in the insured category or in the uninsured category.

Operation of the act shows that the extent of migration, temporary or permanent, from uninsured to insured employment is far greater than was assumed by the President's Committee on Economic Security in 1935. As a consequence of the migration, a much larger proportion of the total population of the United States will qualify under the contributory system for old-age benefits than had been expected.

The most important excluded groups are agricultural labor, domestic service, and certain nonprofit organizations; here the committee decided unanimously that it would be unwise to remove the exemptions from these three groups at the present time. The present bill does, however, extend old-age insurance coverage to some 1,100,000 more workers by removing the exemption of maritime employment, wages earned after 65, and certain Federal instrumentalities such as national banks and State banks which are members of the Federal Reserve System.

In order to eliminate the nuisance of inconsequential tax payments the bill excludes certain services performed for fraternal benefit societies and other nonprofit institutions exempt from income tax, and certain other groups. While the earnings of a substantial number of persons are excluded by this recommendation, the total amount of earnings involved is undoubtedly very small. No estimate is available of the number of persons or amount of earnings so excluded. The intent of the amendment is to exclude those persons and those organizations in which the employment is part time or intermittent and the total amount of earnings is only nominal, and the payment of the tax is inconsequential and a nuisance. The benefit rights built up are also inconsequential. Many of those affected, such as students and the secretaries of lodges, will have other employment which will enable them to develop insurance benefits. This amendment, therefore, should simplify the administration for the worker, the employer, and the Government.

Seven other coverage amendments are proposed. They are as follows:

1. Agricultural labor: The present act excludes "agricultural labor" from coverage. The bill continues the exemption of agricultural labor and defines the term so as to clarify its meaning and to extend the meaning to certain services which are an integral part of farming activities. These provisions are explained in detail in a subsequent part of this report, in connection with the definition of "agricultural labor" as defined in section 209 (l) of the bill.

2. Exclusion of payments to employer welfare plans: The term "wages" is amended so as to exclude from tax payments made by an employer on account of a retirement, sickness, or accident-disability plan, or for medical and hospitalization expenses in connection with sickness or accident disability. Dismissal wages which the employer is not legally required to make, and payments by an employer of the worker's Federal insurance contributions or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax. This will save employers time and money, but what is more important is that it will eliminate any reluctance on the part of the employer to establish such plans due to the additional tax cost.

3. Definition of "employee": The bill includes a definition of the term "employee" designed to cover salesmen not already covered by the act.

4. State employment: The exemption relating to employment by State instrumentalities is so defined as to apply only to an instrumentality wholly owned by the State or political subdivision, or tax exempt under the Constitution.

5. Foreign governments: Provision is made for the exemption of foreign governments, and their instrumentalities under certain conditions, from the old-age insurance taxes.

6. Family employment: Service performed by an individual for his son, daughter, wife, or husband, and service by a child under 21 for his parent, is excluded so as to make the old-age insurance coverage identical in this respect with unemployment compensation coverage.

7. Included and excluded services: The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services

which predominate in a pay period determine his status with that employer for that period.

ADMINISTRATIVE CHANGES

1. A provision is included requiring employers to furnish employees a statement, which they may retain, showing the amount of taxes deducted from their wages under the old-age-insurance system.

2. Provision is made for making more equitable the recovery by the Federal Government of incorrect payments to individuals.

3. Provision is made respecting the practice of attorneys and agents before the Board.

4. Detailed provisions have been added relating to rules and regulations, hearings, and decisions with respect to insurance benefits, procedure for judicial review of the Board's decisions, and delegation of authority by the Board.

5. Provision is made for giving an opportunity for a hearing to a wage earner or interested individual with respect to any entry, omission, or revision of the Board's wage record within 4 years after the year any wages were paid or alleged to be paid, and as to the finality of the record.

6. Subchapter A, chapter 9, of the Internal Revenue Code (formerly title VIII of the Social Security Act) is given the short title "Federal Insurance Contributions Act."

UNEMPLOYMENT COMPENSATION

The unemployment compensation and public assistance provisions of the Social Security Act constitute the most comprehensive attempt yet made to utilize a system of Federal-State cooperation for the solution of national problems. To promote State action in unemployment compensation, the Federal law establishes a uniform tax payable by employers regardless of whether the State in which they operate has an unemployment-compensation law; it then permits employers to offset (up to 90 percent of their Federal tax) contributions paid by them under a State unemployment-compensation law. The act also provides that the Federal Government shall make grants to the States to cover the entire necessary cost of proper administration of their unemployment-compensation laws.

The recommendations of the committee relative to unemployment compensation deal with certain changes which in no way alter the fundamental Federal-State pattern now set forth in the Fedcral law. Under the present law the States are given very wide latitude in determining the way in which the State unemployment-compensation laws should operate. The Federal law merely prescribes a few simple standards. The States determine all such questions as the type of fund, the coverage of the law, the eligibility provisions, the waiting period, the amount and duration of benefits, the type of administrative agency. They also select the personnel and determine the compensation and tenure of such personnel.

Though the adjustment of Federal-State relations is at best a difficult and delicate task, particularly in the field of social legislation, experience so far in unemployment compensation indicates a large measure of success. The present provisions of the Federal law have proved completely effective in facilitating the enactment of State unemployment compensation laws. These laws and the character of their administration have, on the whole, been reasonably satisfactory. The inevitable administrative difficulties involved in the inauguration of any large-scale undertaking were accentuated by the fact that in 22 jurisdictions unemployment compensation first became payable in January 1938, at a time of unexpectedly heavy unemployment. It is, therefore, not surprising that a considerable backlog of undisposed claims accumulated during the early months of benefit payments. In spite of these difficulties, the 31 jurisdictions that had begun paying benefits by the end of 1938 had paid out about $400,000,000 in benefits to approximately 3,500,000 unemployed workers.

The most pressing problem in unemployment compensation during 1938 was the improvement and simplification of the State laws. Some 30 States have already passed extensive amendments at this year's legislative sessions and about 13 other States are still considering substantial changes—all designed to simplify and improve administration for the benefit of the employer, the worker, and the Government. Further encouragement is given by the fact that the latest figures for 1939 show that practically all States are now currently disposing of all claims received and have eliminated their backlog of undisposed claims accumulated during 1938.

Although all the States, the District of Columbia, Alaska, and Hawaii are receiving Federal grants for the administration of their unemployment-compensation laws, and although benefits are now being paid in 46 States (in addition to Alaska, Hawaii, and the District of Columbia), the unemployment-compensation program is still in its infancy. Only 22 States, in addition to the District of Columbia, have had benefit-paying experience for more than 1 complete year. In one State benefits have been payable since July 1936, and 21 others, in addition to the District of Columbia, began benefit payments in January 1938. Six more States and the Territories of Alaska and Hawaii came in some time during 1938, so that a total of 31 jurisdictions were paying benefits by the end of 1938; another 16 joined the benefit-paying group in January 1939. Not until July of this year, when the last two States come in, will the Federal-State unemployment-compensation program be fully functioning.

It is estimated that at the end of 1938 approximately 27,600,000 workers had earned wage credits in some prior period of employment covered by State laws, and that at that time 668,000 employers were subject to State laws. More than 38,000,000 benefit checks were issued during the year 1938, the average weekly check for total unemployment being approximately $11. Data on the operation of the States paying benefits in 1938 are shown in table 7. Up to the end of April 1939 nearly $540,000,000 had been paid out in unemployment-compensation benefits by the 46 States, the District of Columbia, and the 2 Territories which had started to pay benefits before that date. (See table 8.) During the month of March 1939 alone almost $49,000,000 was paid out in benefits to more than 1,000,000 workers.

TABLE 7.—*Number of unemployment-compensation claims received and number and amount of benefit payments, 1938, by States*

State	Number of initial claims received [1]	Number of continued claims received [2]	Number of checks issued [3]	Net amount of benefits paid [4]	Average check [5]	
					Total unemployment	Partial unemployment
Total for States reporting	9,484,604	45,511,335	38,075,791	$393,785,709	$10.93	$5.39
Alabama	201,217	1,500,425	1,163,327	8,128,100	7.66	4.77
Arizona	30,637	221,622	161,623	1,902,407	11.79	[6]
California	693,720	[7] 4,042,705	2,485,911	23,715,354	9.72	5.24
Connecticut	354,735	1,900,743	1,216,091	12,254,387	10.59	3.97
District of Columbia	43,991	395,020	196,059	1,672,478	8.81	5.77
Idaho	18,965	77,710	34,143	366,362	10.73	6.13
Indiana	225,806	[8] 1,637,291	1,466,610	16,308,562	12.76	5.99
Iowa	82,355	448,412	280,239	2,585,648	9.30	5.69
Louisiana	134,365	769,543	554,212	4,007,049	8.41	6.38
Maine	126,102	[7] 818,375	566,558	4,535,455	8.93	5.44
Maryland	288,648	1,802,634	1,125,215	10,143,809	10.29	5.98
Massachusetts	626,965	[9] 2,512,694	2,563,871	27,098,765	10.62	[10]
Michigan	584,142	3,509,362	2,958,093	39,903,051	13.49	[11]
Minnesota	179,693	1,278,838	793,079	8,161,095	10.38	5.68
Mississippi	67,639	394,649	240,231	1,414,216	5.89	[10]
New Hampshire	117,042	559,135	324,246	2,731,870	9.23	4.99
New Mexico	4,394	1,017	1,017	9,210	9.20	5.77
New York	2,589,808	[12]	7,417,119	87,330,641	11.97	[10]
North Carolina	400,445	3,445,529	1,140,497	8,216,040	6.89	4.55
Oklahoma	22,325	21,953	6,739	71,231	10.57	[13] 9.00
Oregon	188,320	[7] 761,813	532,712	5,916,399	11.94	6.37
Pennsylvania	1,090,431	9,229,875	6,408,304	71,545,301	11.18	[10]
Rhode Island	192,032	1,681,151	1,069,584	9,293,286	9.63	5.17
South Carolina	34,410	203,546	112,986	595,147	6.71	3.93
Tennessee	194,246	1,906,484	867,015	6,144,192	7.27	4.16
Texas	316,759	1,803,291	1,051,219	9,343,884	9.22	5.87
Utah	58,633	302,259	219,195	2,461,300	11.37	7.56
Vermont	29,870	152,603	94,775	821,712	9.39	5.07
Virginia	148,933	[8] 835,777	805,297	5,635,688	8.08	4.02
West Virginia	187,947	[7] 2,017,094	1,256,577	12,065,373	10.83	5.94
Wisconsin	250,031	1,279,755	963,251	9,407,697	10.54	4.71

[1] An initial claim is a first claim for benefits in a period of unemployment. In some States, "additional" claims, which are the claims initiating the second and subsequent spells of unemployment within a benefit year, are not included.
[2] A continued claim is a claim reported weekly, following the filing of an initial claim, during a period of unemployment.
[3] Not adjusted for returned benefit checks.
[4] Adjusted for returned benefit checks.
[5] No adjustment made for payments for less than the full benefit rate, such as those representing adjustments, supplementary, and final payment checks.
[6] No benefit payments for partial unemployment.
[7] January not included.
[8] May and Jnne not included.
[9] January, February, and March not included.
[10] No provision in State law for payments for partial unemployment.
[11] Payments for partial unemployment not effective until January 1939.
[12] Data not reported.
[13] Only 2 payments made in December 1938, when benefits were first payable.

TABLE 8.—*Unemployment compensation benefit payments,[1] January 1938 to April 1939, by States*

State	Date benefits first payable	Cumulative net benefit payments through April 1939	Net benefit payments, 1938	Net benefit payments, January to April 1939
Total, all States		$539,955,206	$393,785,709	$146,169,497
Alabama	January 1938	9,572,935	8,128,100	1,444,835
Alaska	January 1939	119,875		119,875
Arizona	January 1938	2,473,670	1,902,407	571,263
Arkansas	January 1939	590,752		590,752
California	January 1938	36,926,897	23,715,354	13,211,543
Colorado	January 1939	1,270,341		1,270,341
Connecticut	January 1938	14,369,338	12,254,387	2,114,951
Delaware	January 1939	279,803		279,803
District of Columbia	January 1938	2,311,024	1,672,478	638,546
Florida	January 1939	381,760		381,760
Georgia	do	844,958		844,958
Hawaii	do	33,526		33,526
Idaho	September 1938	1,843,580	366,362	1,477,218
Illinois	July 1938			

[1] Adjusted for returned and voided benefit checks.

TABLE 8.—*Unemployment compensation benefit payments,[1] January 1938 to April 1939, by States*—Continued

State	Date benefits first payable	Cumulative net benefit payments through April 1939	Net benefit payments, 1938	Net benefit payments, January to April 1939
Indiana	April 1938	$21,003,675	$16,308,562	$4,695,113
Iowa	July 1938	5,454,825	2,585,648	2,869,177
Kansas	January 1939	1,085,589		1,085,589
Kentucky	do	1,648,400		1,648,400
Louisiana	January 1938	6,334,070	4,007,049	2,327,021
Maine	do	5,888,341	4,535,455	1,352,886
Maryland	do	12,389,629	10,143,809	2,245,820
Massachusetts	do	33,640,448	27,098,765	6,541,683
Michigan	July 1938	51,015,048	39,903,051	11,111,997
Minnesota	January 1938	12,217,028	8,161,095	4,055,933
Mississippi	April 1938	2,078,518	1,414,216	664,332
Missouri	January 1939	1,616,578		1,616,578
Montana	July 1939			
Nebraska	January 1939	659,768		659,768
Nevada	do	243,982		243,982
New Hampshire	January 1938	3,251,038	2,731,870	519,168
New Jersey	January 1939	5,900,041		5,900,041
New Mexico	December 1938	463,290	9,210	454,080
New York	January 1938	114,548,704	87,330,641	27,218,063
North Carolina	do	10,056,978	8,216,040	1,840,938
North Dakota	January 1939	251,497		251,497
Ohio	do	6,783,475		6,783,475
Oklahoma	December 1938	2,109,334	71,231	2,038,103
Oregon	January 1938	8,026,725	5,916,399	2,110,326
Pennsylvania	do	89,759,617	71,545,301	18,214,316
Rhode Island	do	10,896,637	9,293,286	1,603,351
South Carolina	July 1938	1,388,380	595,147	793,233
South Dakota	January 1939	216,894		216,894
Tennessee	January 1938	7,651,722	6,144,192	1,507,530
Texas	do	13,359,029	9,343,894	4,012,145
Utah	do	3,185,815	2,461,300	724,515
Vermont	do	1,086,207	821,712	264,495
Virginia	do	7,276,865	5,635,688	1,641,177
Washington	January 1939	2,622,418		2,622,418
West Virginia	January 1938	13,446,408	12,065,373	1,381,035
Wisconsin	July 1936	[2] 10,868,157	9,407,697	1,460,460
Wyoming	January 1939	514,589		514,589

[1] Does not include $2,146,827 paid prior to January 1938.

As of April 30, 1939, a total of $1,270,370,000 was available for benefits in all the States (see table 9). This sum represents the total of moneys deposited in the unemployment trust fund, held by the States pending deposit, and withdrawn by the States pending benefit payment. Of this amount, $1,118,120,000 was available for benefits in those jurisdictions actually paying benefits. The reserves at this time would be about $225,000,000 less if all States had started the payment of benefits in January 1938. Since over half the States did not begin payment until later, their reserves were built up at a faster rate than originally anticipated. This is evident from the fact that in the States which did pay benefits in 1938, about 82 cents were paid out in benefits for each dollar collected in contributions for the same year. Benefit payments would have been increased further, and the available reserves reduced to the same extent, if the system had been in operation for several years, so that workers could have built up larger wage records.

TABLE 9.—*Comparison of funds available for benefits as of Apr. 30, 1939, and as of date benefits first became payable*

State	Reserve account when benefits first became payable	Funds available as of Apr. 30, 1939	Percent increase or decrease in reserve account
Total, all States	$885,920,807	$1,270,371,000	+26.1
Alabama	8,838,347	8,923,000	+1.0
Alaska	884,607	917,000	+3.6
Arizona	2,013,866	2,298,000	+14.1
Arkansas	5,309,341	6,042,000	+13.8
California	67,172,761	121,480,000	+80.8
Colorado	8,944,314	9,771,000	+9.2
Connecticut	15,304,439	20,819,000	+36.0
Delaware	3,915,184	4,510,000	+15.2
District of Columbia	5,893,882	12,674,000	+115.0
Florida	9,870,515	12,135,000	+22.9
Georgia	15,501,562	17,729,000	+14.4
Hawaii	3,249,683	3,917,000	+20.5
Idaho	3,005,783	2,466,000	−18.0
Illinois	[1]	146,112,000	[1]
Indiana	27,092,627	27,110,000	+0.1
Iowa	9,966,259	11,259,000	+13.0
Kansas	10,180,746	11,645,000	+14.4
Kentucky	18,936,338	21,297,000	+12.5
Louisiana	7,651,654	13,986,000	+82.8
Maine	3,758,947	2,884,000	−23.3
Maryland	9,057,378	12,662,000	+39.8
Massachusetts	41,775,282	59,282,000	+41.9
Michigan	63,293,234	47,509,000	−24.9
Minnesota	11,923,982	16,667,000	+39.8
Mississippi	2,916,295	3,598,000	+23.4
Missouri	34,035,739	40,390,000	+18.7

[1] Benefits become payable July 1939.

TABLE 9.—*Comparison of funds available for benefits as of Apr. 30, 1939, and as of date benefits first became payable*—Continued

State	Reserve account when benefits first became payable	Funds available as of Apr. 30, 1939	Percent increase or decrease in reserve account
Montana	[1]	$6,133,000	[1]
Nebraska	$7,081,592	8,297,000	+17.2
Nevada	1,528,287	1,670,000	+9.3
New Hampshire	4,247,390	4,888,000	+15.1
New Jersey	66,690,639	77,276,000	+15.9
New Mexico	2,458,817	2,624,000	+6.7
New York	98,362,706	154,082,000	+56.6
North Carolina	9,412,835	13,174,000	+40.0
North Dakota	1,897,266	2,001,000	+5.5
Ohio	97,884,134	109,814,000	+12.2
Oklahoma	12,641,820	12,729,000	+0.7
Oregon	5,855,276	6,177,000	+5.5
Pennsylvania	70,539,642	76,429,000	+8.3
Rhode Island	7,939,285	7,181,000	−9.5
South Carolina	6,267,250	8,686,000	+38.6
South Dakota	1,977,066	2,269,000	+14.8
Tennessee	7,775,930	10,449,000	+34.4
Texas	19,752,701	36,651,000	+85.5
Utah	2,560,109	2,841,000	+11.0
Vermont	1,412,106	2,281,000	+61.5
Virginia	8,367,459	13,325,000	+59.3
Washington	18,890,971	19,726,000	+4.4
West Virginia	10,199,770	9,271,000	−9.1
Wisconsin	[2] 30,282,699	41,789,000	+38.0
Wyoming	2,401,292	2,520,000	+5.0

[2] As of end of December 1937. Benefits first payable July 1938.

However, while the reserve funds of most States are in a stronger position at the present time than when benefit payments were first begun, this is not true for all States. There were 13 States in which benefit payments during 1938 were equal to or in excess of the amounts collected in contributions from the date benefits were first payable. In one State the benefits paid out were nearly three times the contributions collected during the period benefits were paid.

The year 1938 was a year of substantial unemployment, and most States are now rebuilding their reserve funds for future benefit payments. Yet the uneven character of unemployment is shown by the fact that three States paid out benefits during the first 3 months of 1939 in excess of the contributions collected.

Economic resources and unemployment are not of equal magnitude in all the States. Different problems and varying standards are, therefore, to be expected in the various State unemployment compensation systems. While benefit standards in all States are still not fully adequate to meet the problem of unemployment, those in some States are more inadequate than in others. At the same time, some States have accumulated considerable reserves, and there is demand from these States for a reduction in the unemployment-compensation contributions. Caution must be exercised, however, in attempting to remedy these inadequacies and inequalities before sufficient experience is acquired. The Federal-State program of unemployment compensation is the only existing permanent Federal program aimed at meeting part of the unemployment problem. Consequently it must not be viewed as temporary legislation. Proposed changes in the unemployment-compensation program must be tested in terms of both present need and future justification.

In considering the provisions and the experience of the State laws, the committee's objective was to make such changes as will best help to relieve industry of any unnecessary burdens and to provide the unemployed with more adequate benefits. Moreover, the committee earnestly sought to keep any suggested changes within the framework of the present Federal-State system. This the committee has done by developing a plan, after very careful study, whereby the present taxes for unemployment compensation may be reduced in those States which can afford to maintain a certain benefit standard. No drastic change in the basic pattern of the State laws is required, and each State may decide for itself whether it will take advantage of the plan.

STATE-WIDE REDUCTION PLAN

In accordance with this plan, the present bill proposes to amend the Federal tax provisions so that States which have built up a certain reserve and meet minimum benefit standards may reduce their present rate of contributions on a uniform basis. All States now have a basic contribution rate of 2.7 percent or higher.

A sufficient reserve, as a condition for the allowance of reductions in State contribution rates, is defined in the proposed amendment as not less than one and a half times the highest amount paid into the State unemployment-compensation fund with respect to any one of the 10 preceding years, or not less than one and a half times the highest amount of compensation paid out of the State fund within any one of the 10 preceding years, whichever amount is the greater.

The minimum benefit standards which the State must meet if it desires to reduce its general contribution rate below 2.7 percent are as follows:

1. At least 16 weeks of benefits within a period of 52 consecutive weeks or one-third the individual's earnings, whichever is less.

2. A waiting period of not more than 2 weeks in any 52 consecutive weeks.

3. Weekly benefit rates averaging at least 50 percent of full-time weekly earnings with a $5 minimum benefit and a maximum benefit of at least $15.

4. Partial benefits for individuals whose weekly earnings fall below their benefit rate for total unemployment.

The amendment for the proposed horizontal reduction plan would go into effect immediately. State legislatures now in session which will adjourn before final adoption of this bill might anticipate its enactment and pass the necessary legislation to enable the Governor or the State unemployment-compensation agency to take advantage of the plan. In other States special sessions would have to be called if immediate advantage is to be taken of the reduction in the taxes. While the reduction in the tax rate cannot go into effect in the State until the minimum benefit standards are also provided, the State may compute the reserve necessary to meet the requirements as of any time within 27 weeks before the reduced rates and the minimum benefit standards are made effective. This gives all States a retroactive period of slightly over 6 months in which to select a date for computation of the necessary reserve. It should be noted that a State may select such a computation date prior to the effective date of this bill.

It is estimated that this proposed amendment may save employers between $200,000,000 and $250,000,000 during the calendar year 1940. The exact amount will depend upon how many States take advantage of the plan, the dates upon which the reductions take place, and the amount of the new contribution rates.

All except about five States will probably have sufficient reserves so as to take advantage of the horizontal reduction plan sometime during 1940. Depending upon the effective date of this bill, it may be possible that some States will wish to take advantage of the proposed plan and provide for the reduction of contributions late this year. This might result in a tax reduction of as much as an additional $100,000,000 in 1939.

OTHER UNEMPLOYMENT COMPENSATION CHANGES

Under the proposed State-wide reduction plan, described above, employers would still be allowed to obtain their full 90-percent credit against the Federal pay-roll tax. The Federal tax would remain at 3 percent, but additional credits would be provided for all employers in States which were in a position to reduce their contribution rates below 2.7 percent.

This State-wide reduction plan would not alter present individual experience-rating provisions. The States which could make general tax reductions after building up the necessary reserve fund and raising their minimum benefit standards, might still allow further contribution reductions to individual employers with favorable employment experience. States which did not meet the new minimum benefit standards or whose reserve fund was inadequate, could continue under their present laws, with or without individual employer experience rating systems, provided they maintained contribution rates, producing a total amount equal to 2.7 percent of the taxable pay rolls. The bill provides that the provisions with respect to maintenance of the average 2.7 percent will not go into effect until January 1, 1942, with respect to a pooled fund or to a partially pooled account or to a separate reserve account. Those States which do not wish to take advantage of the horizontal reduction plan but wish to maintain the individual employer experience-rating system would do so without having to make any legislative changes at this time.

Further saving to employers would be effected by the proposed amendment granting relief to employers who paid their State unemployment-compensation contributions for the years 1936, 1937, and 1938 too late to qualify for the Federal credit. Employers who pay their delinquent taxes for these years before the sixtieth day after the enactment of these amendments would receive full credit against their Federal taxes for 1936, 1937, and 1938. This would amount to an aggregate sum of about $15,000,000. Further the provisions as to loss of credit on account of future delinquency would be relaxed by (1) increasing from 60 to 90 days the maximum period for which the Commissioner of Internal Revenue is permitted to grant an extension for the filing of Federal tax returns, and (2) by providing that employers who pay their taxes after January 31 but before July 1 next following the close of the taxable year would lose only 10 percent of their allowable credit.

Another of the amendments would result in a saving to employers as well as in considerable simplification of reporting procedures. This is the amendment to limit unemployment-compensation taxes to the first $3,000 of annual wages. Such a limitation already exists in the case of old-age insurance and there are distinct advantages to providing a uniform tax base for both programs. It is estimated that this new limitation would result in a saving to employers of about $65,000,000 a year.

Again in the interests of simplification and uniform reporting, the present bill proposes to change the tax base for unemployment compensation from "wages payable" to the "wages paid" definition used in old-age insurance.

Many of the same changes in coverage are provided in this bill with respect to unemployment compensation as have already been discussed under old-age insurance. The cases involving taxes of small consequence, which would be exempt under old-age insurance, would also be exempt from the Federal Unemployment Tax Act. The agricultural labor exemption is defined and extended as in old-age insurance. The bill proposes to extend coverage to one of the groups now excluded, namely, employees of certain Federal instrumentalities such, as national banks and State bank members of the Federal Reserve System. This amendment would bring about 200,000 additional persons under the unemployment-compensation program, provided the States amend their laws accordingly.

Provision is made in section 902 (h) of the bill granting relief to taxpayers and States in those cases in which the highest court of a State has held contributions paid under the State unemployment-compensation law for 1936 or 1937 not to have been validly required under such law. This provision is to take care of the situation in North Carolina where the State supreme court recently held that the provisions of the State law requiring contributions for 1936 were invalid because they were retroactive. The effect of the proposed amendment is to enable North Carolina to keep about $3,000,000 in its reserve fund for use in the payment of unemployment-compensation benefits.

Other changes affecting unemployment compensation are:

1. Authorization is given to the States to make their unemployment-compensation laws applicable to services performed on land or premises owned, held, or possessed by the United States Government, such as services performed as employees of hotels in national parks. Congress has already enacted a statute giving the States authority to apply their workmen's compensation laws to such employees.

2. The language excluding State instrumentalities is defined as in old-age insurance so that the exemption applies only to an instrumentality wholly owned by the State or political subdivision, as well as those exempt from tax under the Constitution.

3. As in old-age insurance, the definition of "wages" is amended so as to exclude from tax the payments made by an employer on account of a retirement, sickness, or accident-disability plan, or for medical or hospitalization expense in connection with sickness or accident disability. Dismissal wages, which the employer is not legally required to pay, and payments by an employer of the worker's Federal insurance contributions, or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax.

4. Provision is made, as in old-age insurance, for the exemption of foreign governments and their instrumentalities from the unemployment-compensation tax.

5. The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services which predominate in a pay period determine his status with that employer for the period. The same provision is made in connection with old-age insurance.

6. The "merit rating" or "individual employer experience rating" provisions are clarified.

7. A provision has been inserted requiring the State laws to provide for the expenditure of Federal grants for the administration of their unemployment-compensation laws in accordance with the Federal act and requiring the replacement of any moneys lost or expended for other purposes.

8. Extension of time is given for the allowance of credit against the Federal tax in cases where the employer has paid his State tax on time but has paid it to the wrong State.

9. The time is also extended in those cases where taxpayer's assets are in the custody or control of a receiver, trustee, or other fiduciary under the control of a court.

10. The "tax on employers of eight or more" now contained in subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) is given the short title "Federal Unemployment Tax Act."

PUBLIC ASSISTANCE

The committee has included in the bill several amendments designed to liberalize and clarify existing Federal provisions concerning public assistance and to simplify the administration of the State plans. No fundamental change in Federal-State relations is proposed.

Increase in grants for old-age assistance: Under the present law the Federal Government reimburses the States for 50 percent of their assistance payments to the needy aged up to a maximum of $30 a month for each person aided. This means that the Federal Government does not pay more than $15 toward the assistance provided any aged person in any month. The bill increases the $30 limit to $40 so that the maximum Federal grant per aged person is increased from $15 to $20 per month. This amendment will allow the States to liberalize their grants to needy aged persons if they so desire. It is estimated that the cost of this change to the Federal Government will be about $5,000,000 to $10,000,000 per year, depending upon the extent to which the States take advantage of the new proposal.

Liberalization of aid to dependent children: At the present time the Federal Government contributes only one-third of the payments made by the States to dependent children as against one-half in the case of the aged and the blind. As a result, there are still eight States in addition to Alaska which are not participating in this program, and in many of the States that are participating the level of assistance for dependent children is lower than that for the aged and the blind. The eight States are Connecticut, Illinois, Iowa, Kentucky, Mississippi, Nevada, South Dakota, and Texas. The average amount of aid per dependent child is about $13.50 per month compared with $19.50 for old-age assistance and $23.25 for blind persons.

The rapid expansion of the program for aid to dependent children in the country as a whole since 1935 stands in marked contrast to the relatively stable picture of mothers' aid in the preceding 4-year period from 1932 through 1935. The extension of the program during the last 3 years is due to Federal contributions which encouraged the matching of State and local funds.

Furthermore, many States have liberalized their laws by adopting a broader definition of the term "dependent child," by liberalizing the amounts that may be granted to needed cases, and by relaxing requirements relating to residence. At the close of 1935, aid was received by 117,000 families in behalf of 286,000 children. In May 1939 payment for aid to dependent children was being made to about 695,000 children in 287,000 families under plans approved by the Social Security Board. During the calendar year 1938 nearly $95,000,000 was spent by the Federal, State, and local governments for aid to dependent children under plans approved by the Board. The number of old people now being aided through Federal grants is nearly three times as large as the number of dependent children being aided. But the actual number of dependent children in need of assistance is probably fully as large as the number of needy aged now receiving assistance.

The bill makes two changes, effective January 1, 1940, designed to expand aid to dependent children. They are as follows:

1. The Federal matching is increased from one-third to one-half. This will enable the States to give aid to many additional needy children. There are at the present time about 165,000 children in 71,000 families who have filed applications in the States for aid and many more who will be eligible for aid when these additional funds become available.

2. The age limit for Federal grants is raised from 16 to 18 if the State agency finds that the child is regularly attending school. This will enable most children to finish high school. Six States already provide aid to children up to the age of 18, and 6 additional States have the necessary legislation to take advantage of this amendment immediately. It is estimated that about 100,000 additional children may obtain aid by virtue of this change, provided all States amend their laws accordingly.

It is estimated that the present State programs, when amended in accordance with the provisions of this bill will enable the States to provide monthly benefits for at least 1,000,000 dependent children or over 300,000 more children than are being aided at the present time.

The additional cost to the Federal Government of these two amendments is difficult to estimate due to the fact that the amendments are effective only at such time and to the extent that the States match the Federal funds. The additional costs of these amendments for assistance to children is estimated at about $30,000,000 to $50,000,000 per year. Some of this cost will be offset in future years because of the widows' and orphans' benefits provided under the insurance plan. In any case, our obligation to provide care for the children of today who will be the parents of the next generation is one which must be met. The amendments recommended to both the insurance and the assistance titles are part of a common program to promote the security of the family and the home.

Administrative amendments: The bill alters the method by which the Federal Government shall settle with the States whose laws provide for a recovery from recipients or the estates of recipients of old-age assistance. At present these States must actually draw a check to reimburse the Federal Government for its share of any amount so recovered. The new plan provides adjustment in the amount of the Federal grant on account of the Federal pro rata share of any amount so recovered by the State. Any amount which the State spends on funeral expenses (in the case of aged or blind recipients) is considered in making the adjustment. The new plan of Federal-State settlement is applicable in all three assistance programs, whereas existing law affects only old-age assistance.

The purpose of all three assistance programs is further clarified by inserting the word "needy" in the definitions of those who may receive old-age assistance, aid to the blind, or aid to dependent children. A closely related clarifying amendment is applied to all three assistance titles and provides that the States, in determining need, must consider any other income and resources of individuals claiming assistance.

The only other important amendment affecting the public-assistance titles is one which requires that the States, in order to receive Federal grants, must provide safeguards to restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan. All three assistance titles would be thus amended, the obvious purpose being to insure efficient administration and to protect recipients from humiliation and exploitation.

VOCATIONAL REHABILITATION

The basic act providing for the vocational rehabilitation of persons disabled in industry or otherwise was passed by the Congress in 1920. The purpose of this act is to assist physically disabled persons, through guidance, medical and surgical treatment, artificial appliances, retraining, placement, and other essential services in entering or returning to suitable employment in order that they may support themselves and their dependents.

For carrying out its purposes the basic Vocational Rehabilitation Act authorized the appropriation of $1,000,000 annually to be allotted to the States on the basis of their population with the stipulation that, to receive its allotment, a State must accept the provisions of the Federal act and match its expenditures from Federal funds dollar for dollar with State funds.

The basic act was not a permanent and continuing one but was extended from time to time by the Congress until 1935, when the vocational-rehabilitation program was incorporated as a part of the social-security program. Under the Social Security Act the Vocational Rehabilitation Act was made permanent, and the authorization for appropriations was increased to $1,938,000 annually, which, when matched by State funds, makes available for rehabilitation purposes approximately $4,000,000 annually.

Few people are aware of the size of the problem of the physically disabled and its social and economic significance. Recent surveys by the United States Public Health Service and by a number of State rehabilitation departments show that at any one time at least 30 persons in each 1,000 of the general population are physically disabled. On this basis there are in this country nearly 4,000,000 physically disabled persons.

Each year in the United States at least 800,000 persons become physically disabled through industrial, home, automobile, and other accidents, and diseases, such as arthritis, tuberculosis, and heart trouble. The experiences of the State rehabilitation departments show that not all of these persons are disabled to the extent that they are unable after convalescence to enter or return to employment. About 67 percent are able to make their own employent adjustment. The remaining 33 percent require rehabilitation service to aid them to engage in remunerative employment.

Disabled persons who require assistance in their employment adjustment fall into three major groups:

1. Those who through training and other rehabilitation services can be returned to regular lines of competitive employment. This group comprises 60,000 persons annually.

2. Those whose disabilities are so serious that they cannot be restored to competitive employment but can be trained in small business enterprises or in sheltered workshops. This group numbers about 150,000.

3. Those who are so disabled that, if they are to be employed at all, they must be provided with suitable work in their homes. This group includes approximately 50,000 persons annually.

The first group (60,000) described above constitute the most pressing problem. Practically all of this group could and should be rehabilitated to complete self-support.

Experience of the States shows that it costs an average of $300 per case to rehabilitate a disabled person. On this basis the present program, with maximum efficiency in the expenditure of funds, cannot be expected to rehabilitate more than 12,500 persons per year. Thus each year 47,500 of those who could and should be made self-supporting cannot be rehabilitated because of lack of sufficient funds.

The cost of maintaining a dependent person in idleness averages about $500 per year. The maintenance of 47,500 disabled persons (of the 60,000 who could and should be rehabilitated to complete self-support in competitive employment) is now costing someone—relatives, communities, or the State and Federal Governments—$23,750,000 per year. The expenditure by the Federal and State Governments of $300 each for their rehabilitation would not only obviate the enormous annual cost of maintaining these persons in idleness, but would on the basis of 20 years' experience in rehabilitating the disabled, increase the economic income to the Nation by some $47,500,000 per year.

Obviously it would not be wise to appropriate at once funds sufficient to meet the whole vocational rehabilitation problem. It would appear, however, that a substantial increase over the present amount could be efficiently absorbed and would be a wise investment of public funds. The machinery for rehabilitating the disabled is already in existence. Hence, any additional funds provided could be used entirely for services to those who at present cannot be served.

The committee has recommended, therefore, an increase of $1,000,000 in the authorization for vocational rehabilitation. The various States are now raising nearly $600,000 per year in excess of the amount matched by the Federal Government. Consequently, the additional authorization will permit the matching of these amounts and allow for additional funds to be matched by the States so that the total amounts available for rehabilitation purposes will be about $6,000,000 per year. Table 10 shows the allotment of Federal funds under the present act and under the committee's recommendation.

TABLE 10.—*Allotments to the States of rehabilitation funds on the basis of the present authorization of $1,938,000 and on the basis of an authorization of $2,938,000*

State	Under authorization of $1,938,000	Under authorization of $2,938,000
Alabama	$40,913	$63,075
Arizona	[1] 10,000	10,382
Arkansas	28,672	44,203
California	87,774	135,320
Colorado	16,014	24,689
Connecticut	24,844	38,301
Delaware	[1] 10,000	[1] 10,000
Florida	22,700	34,996
Georgia	44,967	69,326
Idaho	[1] 10,000	10,603
Illinois	117,975	181,880
Indiana	50,069	77,191
Iowa	38,202	58,896
Kansas	29,062	44,835
Kentucky	40,423	62,320
Louisiana	32,492	50,093
Maine	12,329	19,007
Maryland	25,224	38,888
Massachusetts	65,702	101,292

[1] Basic act provides that no State shall receive less than $10,000. The "minimum" States would share in increased appropriation in those instances where allotment on population basis would exceed $10,000.

TABLE 10.—*Allotments to the States of rehabilitation funds on the basis of the present authorization of $1,938,000 and on the basis of an authorization of $2,938,000*—Continued

State	Under authorization of $1,938,000	Under authorization of $2,938,000
Michigan	$74,866	$115,419
Minnesota	39,640	61,113
Mississippi	31,073	47,905
Missouri	56,112	86,508
Montana	[1]10,000	12,814
Nebraska	21,304	32,844
Nevada	[1]10,000	[1]10,000
New Hampshire	[1]10,000	11,090
New Jersey	62,482	96,327
New Mexico	[1]10,000	10,090
New York	194,620	300,043
North Carolina	49,015	75,565
North Dakota	10,526	16,228
Ohio	102,762	158,427
Oklahoma	37,044	57,111
Oregon	14,746	22,734
Pennsylvania	148,907	229,568
Rhode Island	10,629	16,387
South Carolina	26,882	41,444
South Dakota	10,712	16,514
Tennessee	40,454	62,367
Texas	90,054	138,835
Utah	[1]10,000	12,105
Vermont	[1]10,000	10,000
Virginia	37,443	57,726
Washington	24,171	37,264
West Virginia	26,735	41,216
Wisconsin	45,439	70,053
Wyoming	[1]10,000	[1]10,000
Hawaii	[2] 5,000	[2] 5,000
Total	1,938,000	2,938,000

[1] Hawaii, Puerto Rico, and the District of Columbia receive their allotments under special act, except that Hawaii received $5,000 additional under the Social Security Act.

AID TO PUERTO RICO

At the present time the act does not extend to Puerto Rico. The bill extends coverage to Puerto Rico for the purposes of titles V and VI of the Social Security Act (grants to States for maternal and child welfare, vocational rehabilitation, and public-health work).

GENERAL

Two amendments of a general character have been recommended by the committee. These are:

1. An amendment to prohibit the disclosure of information obtained by the Board or its employees except under certain restricted conditions related to proper administration.

2. Penalties are provided for certain frauds and for impersonation in securing information concerning an individual's date of birth, employment, wages, or benefits of any individual.

DETAILED EXPLANATION OF THE BILL

SHORT TITLE

Section 1 of the bill provides that the act may be cited as the "Social Security Act Amendments of 1939."

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

CHANGES IN REQUIREMENTS FOR THE STATE OLD-AGE ASSISTANCE PLANS

Section 101: This section amends section 2 (a) of the Social Security Act. Section 2 (a) sets out in clauses (1) through (7) certain basic requirements which a State old-age assistance plan must meet in order to be approved by the Social Security Board. Clauses (5) and (7) are amended and a new clause, numbered (8), is added.

The amendment to clause (5) merely makes it clear that the methods of administration of the State plan must be proper as well as efficient.

The present subject matter of clause (7) is stricken from section 2 (a) by the amendment and is treated in section 102 of the bill. The amended clause (7) is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming old-age assistance. This will make it clear that, regardless of its nature or source, any income or resources will have to be considered, including ordinary income from business or private sources, Federal benefit insurance payments under title II of the Social Security Act, and any other assets or means of support. The committee recommends this change to provide greater assurance that the limited amounts available for old-age assistance in the States will be distributed only among those actually in need and on as equitable a basis as possible.

The new clause, numbered (8), also effective July 1, 1941, requires that the State plan must 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.

PAYMENT TO STATES FOR OLD-AGE ASSISTANCE

Section 102: This section amends section 3 of the Social Security Act.

Subsection (a) of section 3 is amended so that its provisions will conform with section 1 of the Social Security Act which authorizes appropriations to enable States to furnish financial assistance to needy aged individuals and increases the amount up to which the Federal Government will contribute one-half from $30 to $40.

Subsection (b) is amended so as to provide that the Board in making grants to States shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled as determined by the Board 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.

The provision will include all recoveries made with respect to old-age assistance furnished under the State plan such as for example recoveries from the estates of recipients, payments under mistake, etc.

A proviso eliminates for the purpose of determining the amount of the offset, any amount recovered from the estate of a deceased recipient, not in excess of the amount expended by the State for the funeral expenses of such deceased recipient in accordance with the State public-assistance law upon which the State plan is based.

Section 103: This section amends section 6 so as to conform its provisions with section 1 of the act, which authorizes appropriations to enable States to furnish financial assistance to aged needy individuals.

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

FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

This title amends title II of the Social Security Act. It revises and extends the present provisions for old-age insurance benefits. It includes benefits for qualified wives and children of individuals entitled to old-age insurance benefits and for qualified widows, children, and parents of deceased individuals who, regardless of age at death, have fulfilled certain conditions. It also provides a lump-sum payment on death where no monthly benefits are then payable. The amendment also advances the date for initial monthly benefit payments from 1942 to 1940. A Federal old-age and survivor insurance trust fund is established under the amendment, and provision is made for a board of three trustees to manage the trust fund. A number of administrative changes are made, and there is provision for judicial review of decisions of the Social Security Board with respect to benefit rights. A detailed explanation of title II as amended follows.

FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

Section 201: This section creates a Federal old-age and survivor insurance trust fund in place of the present old-age reserve account, which is abolished by these amendments. The trust fund is to be held by a board of trustees composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. Amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act (formerly title VIII of the Social Security Act) are permanently appropriated to the trust fund, and old-age and survivor insurance benefits will be paid out of the fund. These amendments will clarify the relationship between contributions under the social-security program in the form of taxes and the source of benefit payments.

Section 201 (a) creates the trust fund and provides that the fund shall consist of (1) the securities held by the Secretary of the Treasury for the present old-age reserve account, (2) the amount standing to the credit of such account on January 1, 1940, and (3) amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act, which are permanently appropriated to the trust fund.

Section 201 (b) creates a board of trustees of the Federal old-age and survivor insurance trust fund to be composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. The Secretary of the Treasury is designated as the managing trustee. The board of trustees created by these amendments is similar to the set-up in the Postal Savings Act. The board of trustees, in addition to reporting annually to Congress on the status and operations of the trust fund, will be required to report immediately to Congress whenever the board is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period and whenever it is of the opinion that the amount of the trust fund is unduly small.

Section 201 (c) directs the managing trustee of the trust fund to invest the surplus of the trust fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Special obligations bearing interest at a rate equal to the average rate of interest on the public debt, computed as of the end of the calendar month next preceding the date when the special obligations are issued, may be issued to the trust fund. However, the bill contains a provision that such special obligations shall be issued only if the managing trustee determines that the purchase of obligations in which the trust fund is permitted to invest on original issue or at the market price is not in the public interest.

Section 201 (d) authorizes the managing trustee to sell regular obligations acquired by the trust fund at the market price and to redeem the special obligations at par plus accrued interest.

Section 201 (e) provides that the interest on and the proceeds from the sale or redemption of obligations held in the trust fund shall be credited to and form a part of the trust fund.

Section 201 (f) sets up a procedure whereby the trust fund will be required to pay the cost of administration by the Social Security Board and the Treasury of the old-age and survivor insurance system. Monthly, the managing trustee will pay from the trust fund into the general fund of the Treasury the amount which he and the Chairman of the Social Security Board estimate will be expended during the month for the administration of the system.

Section 201 (g) provides that the trust fund shall be available for making benefit payments required under title II of the Social Security Act.

OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

Primary insurance benefits

Section 202 (a): This subsection provides, for aged individuals, monthly "primary insurance benefits" (computed under sec. 209 (e)), which are based on an individual's "average monthly wage" (see sec. 209 (f)). These benefits are payable to an individual for each month until his death, upon condition that he (1) is at least 65 years of age, (2) is a fully insured individual (defined in sec. 209 (g)), and (3) has applied for them. Primary insurance benefits are payable beginning with the first month in which the individual becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months.

The first month for which a primary insurance benefit or any other benefit can be paid under section 202, is January 1940. All benefits under section 202 are payable as nearly as possible in equal monthly installments, but a benefit for a particular month is not necessarily payable within that month.

Wife's insurance benefits

Section 202 (b): This subsection provides for monthly "wife's insurance benefits" for an aged wife (defined in sec. 209 (i)) whose husband is living and is entitled to "primary insurance benefits" under subsection (a). The purpose of these wife's benefits, which are based on the wages of the husband, is to assure the wife of a monthly amount equal to one-half of the amount which her husband receives as a monthly primary insurance benefit. A benefit is payable to the wife for each month, upon condition that she (1) is at least 65 years of age, (2) has applied for the benefits, (3) was living with her husband at the time of filing such application, and (4) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than one-half of a monthly primary insurance benefit of her husband.

Benefit rate: A wife's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the husband, but if the wife is or becomes entitled to a monthly primary insurance benefit under subsection (a), which is less than one-half of the monthly primary insurance benefit of her husband, then her wife's insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter is equal to the difference between one-half of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period: Wife's insurance benefits are payable beginning with the first month in which the wife becomes eligible for them, having met conditions (1), (2), (3), and (4) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits end when the wife dies, her husband dies, they are divorced, or she becomes entitled to a monthly primary insurance benefit under subsection (a) equal to or exceeding one-half of her husband's monthly primary insurance benefit.

Child's insurance benefits

Section 202 (c): Paragraphs (1) and (2) of this subsection provide for monthly "child's insurance benefits" for a child (defined in sec. 209 (k)) whose parent is entitled to primary insurance benefits or whose deceased parent (regardless of his age at death) was a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of these child's benefits is to assure the child of a monthly amount based on the wages of the parent or deceased parent. A benefit is payable to a child for each month, upon condition that the child (1) has filed application for the benefits (or application has been filed for him), (2) was unmarried and had not attained age 18 at the time his application was filed, and (3) was "dependent upon" the parent at the time the application was filed, or, if the parent has died, was "dependent upon" him at the time of death.

Benefit rate: A child's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the parent or deceased parent with respect to whose wages the child is entitled to receive the benefit. In the case of the deceased parent, such primary insurance benefit is the amount which such parent would have been entitled to receive if he had, before his death, met the conditions for payment of a primary insurance benefit under subsection (a). If there is more than one such parent or deceased parent, the child is entitled to one-half of the primary insurance benefit which is largest.

Benefit period: Child's insurance benefits are payable beginning with the first month in which the child becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The child's benefits end when he dies, marries, is adopted, or attains age 18.

"Dependent upon" defined: Paragraphs (3) and (4) of section 202 (c) define the term "dependent upon," as used in paragraph (1). As a child is normally dependent upon his father or adopting father, paragraph (3) provides that he shall be deemed so dependent unless, at the time the child's application for benefits is filed, or if such father or adopting father is dead, at the time of death, such individual was not living with the child or contributing to his support and (A) the child is neither the legitimate nor adopted child of such individual, or (B) the child had been adopted by some other individual, or (C) the child, at the time of such individual's death, was living with and supported by the child's stepfather.

As a child is not usually financially dependent upon his mother, adopting mother, or stepparent, paragraph (4) provides that, for the purposes of paragraph (1), a child shall not be deemed dependent upon any such individual unless, at the time the child's application for benefits is filed, or, if such individual is dead, at the time of death, no parent other than such mother, adopting mother, or stepparent was contributing to the support of the child and the child was not living with his father or adopting father.

Widow's insurance benefits

Section 202 (d): This subsection provides for monthly "widow's insurance benefits" for an aged widow (defined in sec. 209 (j)) whose husband died a fully insured individual (defined in sec. 209 (g)). The purpose of these widow's benefits, which are based on the wages of the deceased husband, is to assure the widow of a monthly amount equal to three-fourths of the amount to which her husband was entitled, or would have been entitled if he had, before his death, met the conditions for a primary insurance benefit under subsection (a). A benefit is payable to the widow for each month, upon condition that she (1) is at least 65 years of age, (2) has not remarried, (3) has filed application for the benefits, (4) was living with her husband at the time of his death, and (5) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than three-fourths of the monthly primary insurance benefit of her husband.

Benefit rate: A widow's insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of the monthly primary insurance benefit of her husband, then her widow's insurance benefit for the month in which she becomes entitled to such primary insurance benefit, and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period: Widow's insurance benefits are payable beginning with the month in which the widow becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. Benefits end when the widow remarries, dies, or becomes entitled to a monthly primary insurance benefit equal to or exceeding three-fourths of the monthly primary insurance benefit of her husband.

Widow's current insurance benefits

Section 202 (e): This subsection provides for "widow's current insurance benefits," which are based on the wages of a husband who died a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of this subsection is to extend financial protection to the widow regardless af her age, while she has in her care a child of the deceased husband entitled to child's insurance benefits. It provides assurance for such a widow, before she becomes 65 years of age, of a monthly amount equal to three-fourths of the amount to which her husband would have been entitled if, before his death, he had met the conditions for a primary insurance benefit under subsection (a). When she becomes 65 such widow, if her husband was a fully insured individual, will become entitled to a widow's insurance benefit under subsection (d). If her husband was currently (but not fully) insured, she will continue to be entitled to her widow's current benefit under subsection (e) so long as there is a child of her husband who is entitled to receive child's insurance benefits. A benefit is payable to the widow for each month, upon condition that she (1) has not remarried, (2) is not entitled to receive a monthly widow's insurance benefit under subsection (d) or a monthly primary insurance benefit which is equal to or greater than three-fourths of a monthly primary insurance benefit of her husband, (3) was living with her husband at the time of his death, (4) has filed application for the benefits, and (5) at the time of filing such application has in her care a child of the deceased husband entitled to receive child's insurance benefits. By "in her care" is meant that she takes responsibility for the welfare and care of the child, whether or not she actually lives in the same home with the child at the time she files application.

Benefit rate: A widow's current insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of a monthly primary insurance benefit of her husband, then her widow's current insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period: Widow's current insurance benefits are payable beginning with the month in which the widow becomes entitled to them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits

end when no child of the deceased husband is further entitled to receive a child's insurance benefit, the widow becomes entitled to receive a primary insurance benefit under subsection (a) equal to or exceeding three-fourths of a primary insurance benefit of the deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, or dies.

Parent's insurance benefits

Section 202 (f): This subsection provides for "parent's insurance benefits" for an aged parent whose son or daughter died a fully insured individual (as defined in sec. 209 (g)), leaving no widow and no unmarried surviving child under age 18. The purpose of these benefits, which are based on the wages of the son or daughter, is to extend financial protection to the aged parent where the parent was wholly dependent upon and supported by the son or daughter at the time such son or daughter died, and where no such widow or child survives. It assures the parent, in such cases, of a monthly amount equal to one-half of the amount to which the son or daughter was or would have been entitled as a fully insured individual if such son or daughter before death, had met the conditions for a primary insurance benefit under subsection (a). A benefit may be payable to both a mother and a father of the same fully insured individual. A benefit is payable to the parent for each month, upon condition that such parent (1) has attained age 65, (2) was wholly dependent upon and supported by the son or daughter at the time of the son's or daughter's death and filed proof of such dependency and support within 2 years of the date of such death, (3) has not married since such death, (4) is not entitled to receive any other monthly insurance benefits of any kind or is entitled to receive one or more of such monthly benefits, the total of which is less than one-half of the monthly primary insurance benefit of the deceased son or daughter, and (5) has filed application for parent's insurance benefits.

Benefit rate: The parent's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the son or daughter with respect to whose wages the parent is entitled to a benefit. If there is more than one such son or daughter for a month in which the parent is entitled to parent's benefits, the parent is entitled to one-half the primary insurance benefit which is largest. If the parent is or becomes entitled to a monthly benefit or benefits (other than parent's insurance benefits) and such monthly benefit or the total of such monthly benefits is less than one-half of the monthly primary insurance benefit of the son or daughter, then the parent's benefit for the month in which the parent becomes entitled to such other benefit or benefits, and for each month thereafter, is equal to the difference between such other monthly benefit or the total of such other monthly benefits and one-half of the son's or daughter's monthly primary insurance benefit.

Benefit period: Parent's insurance benefits are payable beginning with the month in which the parent becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. Benefits end when the parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than parent's insurance benefits) in a total amount equal to or exceeding one-half of a primary insurance benefit of the deceased son or daughter.

"Parent" defined: Paragraph (3) of section 202 (f) defines the term "parent" to mean the mother or father of an individual, the stepparent of an individual by a marriage contracted before such individual attained age 16, and the adopting parent by whom such individual was adopted before he attained age 16.

Lump-sum death payments

Section 202 (g): This section provides for the payment of a lump sum to a person hereinafter described, upon the death, after December 31, 1939, of a fully or currently insured individual (as defined in sec. 209 (g) and (h)) who left no surviving widow, child, or parent who would, on filing application in the month in which such fully or currently insured individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section.

Description of persons who may be entitled: The lump-sum payments are made to the following persons under the conditions stated: (1) To the widow or widower of the deceased; (2) if no such widow or widower is living at the time of the fully or currently insured individual's death, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as provided by such law; (3) if no widow or widower and no such child and no such other person is living at the time of such death, to the parent or parents of the deceased, and to any other person or persons who are entitled under the law of the State where deceased was domiciled to share as distributees with the parents of the deceased, in such proportions as provided by such law. The Board is to determine the relationship under (1), (2), and (3) above, and if there is more than one person entitled hereunder, is to distribute the lump-sum payment among all who are entitled. If none of the persons described under (1), (2), and (3) is living at the time of the Board's determination, the amount due is to 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 the deceased (but no such payment for burial expenses may exceed the amount actually disbursed by the person or persons who paid such expenses).

Amount of payment: The lump-sum payment is an amount equal to six times a primary insurance benefit for a month (as defined in sec. 209 (e)) of the fully or currently insured deceased individual.

Application for lump-sum payment: The lump sum is payable only if application is filed by or on behalf of the person entitled (whether or not legally competent) prior to the expiration of 2 years after the date of death of the fully or currently insured individual.

Delayed applications

Section 202 (h): This subsection provides that an individual who would have been entitled to an insurance benefit under subsection (b), (c), (d), (e), or (f) of this section for any month, if he had filed his application for such benefit during such month, shall be entitled to such benefit for such month if he files application for it before the end of the third month immediately succeeding such month. The purpose of this section is to prevent the loss of benefits to individuals who might not know of their right to benefits or who, for some other reason, have delayed filing their applications. If, for example, in March a widow has fulfilled all eligibility conditions under section 202 (d) except the filing of her application, and files application in June, she will be entitled to a benefit for March, April, May, June, and thereafter, as if she had filed her application in March. Similarly, if she files application in July, she will be entitled to a benefit for April, May, June, July, and thereafter, just as if she had filed her application in April.

REDUCTION AND INCREASE OF INSURANCE BENEFITS

Section 203: This section provides a maximum and minimum for benefits payable under section 202, and for reduction or increase to such maximum or minimum, as the case may be, of the monthly amount of the benefit which would be payable except for this section. It provides also for deductions from benefits because of gainful employment for a stated amount of wages, and under certain other enumerated circumstances, and for deductions for lump-sum payments made prior to 1940 upon attainment of age 65.

Maximum benefits

Section 203 (a): This subsection provides that any benefits payable on the basis of an individual's wages shall be reduced, so that the maximum for any benefit (if only one benefit for a month is payable with respect to the wages of an individual) or for the total of all benefits (if more than one benefit is payable for a month with respect to the wages of an individual) shall not exceed $85, or two times the primary insurance benefit of such individual, or 80 percent of the average monthly wage of such individual, whichever is least. This takes the place of the provision now in the Social Security Act limiting the monthly rate of benefits to $85.

Minimum benefits

Section 203 (b): This subsection provides that benefits payable on the basis of an individual's wages shall be increased so that the minimum for any benefit or for the total of benefits (where more than one benefit is payable for a month) is $10. This provision also prevents a reduction under subsection (a) to below $10 in the case where the average monthly wage is very low.

Proportionate reduction or increase

Section 203 (c): This subsection provides that whenever a reduction or increase is required by subsection (a) or (b) and more than one benefit is payable for the month with respect to the wages of an individual, each of the benefits shall be proportionately increased or decreased, as the case may be.

Deductions because of employment, etc.

Section 203 (d): This subsection provides that deductions shall be made from any benefits to which an individual is entitled, until such deductions total the amount of the benefit or of the benefits (where the individual is entitled to receive more than one insurance benefit) which such individual was entitled to receive for any month in which he (1) rendered services for wages of not less than $15; or (2) if a child over 16 and under 18 years of age failed to attend school regularly and the Board finds that such attendance was feasible; or (3) if a widow entitled to a widow's current insurance benefit did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

Section 203 (e): This subsection provides that deductions shall be made from any wife's or child's insurance benefit until the total equals the wife's or child's benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15. For example, if a child receives a benefit of $10 per month because of a father who is receiving a $20 per month primary insurance benefit, $10 is deducted from benefits payable to the child if the father works in a month for wages of $15 or more.

Duplication of deductions prevented

Section 203 (f): This subsection prevents the duplication of deductions under subsections (d) and (e). If, for example, a deduction is imposed because of the occurrence in a month of an event enumerated in subsection (d), there is no deduction because of employment in that month as set forth in subsection (e).

Report to Board of employment

Section 203 (g): This subsection requires that the occurrence of any of the events enumerated in subsection (d) or (e) be reported to the Board by any individual whose benefits are subject to a

deduction under those subsections. If the individual had knowledge of the occurrence of the event, failure to so report is penalized by doubling the deduction.

Deductions because of lump-sum payments

Section 203 (h): An individual entitled to a benefit under these amendments may have been paid a lump sum upon attainment of age 65, under provisions of the Social Security Act in force prior to 1940. This subsection provides that deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to the wages of such individual, until such deductions total the amount of any such lump-sum payment to such individual. Deductions under subsections (d), (e), and (h) are made after any reductions or increases which may be required under subsections (a) and (b), and such deductions may be made in such month or months, and at such rate, as the Board may determine.

OVERPAYMENTS AND UNDERPAYMENTS

Adjustment of erroneous payments

Section 204 (a): This subsection provides that errors in payments to an individual shall be adjusted by increasing or decreasing subsequent benefits to which such individual is entitled. If such individual dies before adjustment has been begun or completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual. Thus, if error is made in the payment of a primary insurance benefit to an individual, adjustment shall be made upon his death in favor of or against his widow, children, and parents, if any, who are entitled to receive benefits. If error is made in the payment of any benefit other than a primary insurance benefit, then upon the death of the individual receiving such benefit, adjustment shall be made in favor of or against the primary beneficiary on the basis of whose wages such erroneous payments were made, and in favor of or against any other beneficiary whose benefits are payable on the basis of those wages.

Section 204 (b) waives any right of the United States to recover by legal action or otherwise in any case of incorrect payment to an individual who is without fault if adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.

Section 204 (c) protects from liability any certifying or disbursing officer in any case where adjustment or recovery 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

Section 205: This section of the bill provides a detailed procedure in connection with benefit determination and payment. Administrative and judicial review provisions not now provided in the Social Security Act are included, and administrative provisions are included which are similar to those under which the Veterans' Administration operates.

Section 205 (a) clarifies the Board's power to make rules and regulations to carry out the provisions of title II and directs the Board to adopt regulations concerning the nature and extent of proofs to establish rights to benefits.

Section 205 (b) outlines the general functions of the Board in determining rights to benefits. It requires the Board to offer opportunity for a hearing, upon request, to an individual whose rights are prejudiced by any decision of the Board. The Board is also authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper, and may administer oaths and affirmations and examine witnesses. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

Section 205 (c) provides a procedure for the establishment, maintenance, and correction of wage records. Clause (1) directs the Board to maintain the records, and upon request to inform any wage earner, or after the wage earner's death, his wife, child, or parent, of the amount of his wages and periods of payments, shown by such records at the time of such request. The records are declared to constitute evidence of the amount of wages and the periods of payment, and the absence of an entry for any period constitutes evidence that no wages were paid in such period.

Clause (2) provides that, after the expiration of the fourth calendar year following any year in which wages were paid or alleged to have been paid, the Board's records shall be conclusive of the amount of wages and periods of payment except as provided in clauses (3) and (4).

Clause (3) authorizes the Board to correct its records prior to the expiration of such fourth year. Written notice of any revision which is adverse to the interests of any individual shall be given to such individual in any case where he has been previously notified by the Board of the amount of wages and the periods of payment shown by the records. Upon request prior to the expiration of such fourth year or within 60 days thereafter, the Board shall afford any wage earner, or after his death, his wife, child, or parent, a hearing with respect to any alleged error in its records.

Clause (4) provides for a limited correction of the records after the expiration of the fourth year. The procedure is the same as that provided in clause (3), but no change can be made under this clause except to conform the records with tax returns and other data submitted under title VIII of the Social Security Act or subchapter A of chapter 9 of the Internal Revenue Code, and regulations thereunder.

Clause (5) provides for judicial review of decisions under this subsection in the same manner as is provided in subsection (g).

Section 205 (d) authorizes the Board to issue subpenas requiring the testimony of witnesses and the production of evidence.

Section 205 (e) authorizes Federal courts to order obedience to the subpena of the Board and to punish as contempt any disobedience of the court's order.

Section 205 (f) provides that the privilege against self-incrimination shall not excuse any person from testifying, but that he shall not be prosecuted or subjected to a penalty or forfeiture on account of any matter concerning which he is compelled to testify after claiming his privilege against self-incrimination.

Section 205 (g) provides that any individual may obtain a review of any final decision of the Board made after a hearing to which he was a party, by commencing a civil action in the appropriate district court of the United States within 60 days after notice of the decision is mailed to him. The present provisions of the Social Security Act do not specify what remedy, if any, is open to a claimant in the event his claim to benefits is denied by the Board. The provisions of this subsection are similar to those made for the review of decisions of many administrative bodies. The Board's decisions on questions of law will be reviewable, but its findings of fact, if supported by substantial evidence, will be conclusive. Where a decision of the Board is based on a failure to submit proof in conformity with a regulation, the court may review only the question of conformity of the proof with the regulation and the validity of the regulation. Provision is made for remanding of proceedings to the Board for further action, or for additional evidence.

Section 205 (h) provides that the findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing and that there shall be no review of the Board's decisions by any person, tribunal, or governmental agency except as provided in subsection (g). Actions may not be brought against the United States, the Board, or any of its officers or employees under section 24 of the Judicial Code to recover on any claim arising under title II.

Section 205 (i) incorporates substantially the provisions of the present section 207 of the act with respect to certification by the Board of the individuals entitled to payments, except that certification is made to, and payment is made by, the managing trustee. It is provided that the Board may withhold certification pending court review under subsection (g).

Section 205 (j) provides that the Board may, where it appears that the interest of the applicant would be served thereby, whether he is legally competent or incompetent, make certification for payments directly to him or to a relative or some other person, for the use and benefit of such applicant.

Section 205 (k) provides that any payments hereafter made under conditions set forth in subsection (j), any payments made before January 1, 1940, to, or on behalf of, legally incompetent individuals, and any payments made after December 31, 1939, to a legally incompetent individual without knowledge by the Board of such 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.

Section 205 (l) authorizes the Board to delegate the powers conferred upon it by this section. This includes the power to issue subpenas, conduct hearings, make determinations of the right to benefits, and make certification of payments. It also authorizes the Board to appear by its own attorneys in court proceedings under subsection (e) for the enforcement of Board subpenas.

Section 205 (m) provides that applications for benefits filed prior to 3 months before the applicant becomes entitled to receive benefits, shall be invalid.

Section 205 (n) authorizes the Board to certify to the managing trustee any two or more individuals in the same family for joint payment of the total benefits payable to such individuals.

REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

Section 206: This section authorizes the Board to prescribe regulations concerning the practice of attorneys, agents, and other persons in the preparation or presentation of claims for benefits before the Board, and the Board may require of such agents or other persons (other than attorneys) as a condition to recognition that they show that they are of good character and good repute and are competent to represent claimants. An attorney in good standing who is admitted to practice before the highest court of a State, Territory, or District, or before the Supreme Court of the United States, or an inferior Federal court, is entitled to represent claimants before the Board. Under certain conditions an individual may be suspended or prohibited from further practice before the Board. While it is not contemplated that the services of an agent or attorney will be necessary in presenting the vast majority of claims, the experience of other agencies would indicate that where such services are performed the fees charged therefor should be subject to regulation by the Board, and it is so provided. The provision is similar to the statute (5 U. S. C., sec. 261), giving the Treasury Department comparable authority. For the purpose of protecting claimants and beneficiaries a penalty is provided for violation of Board regulations prescribing fees and for deceiving, misleading, or threatening claimants or beneficiaries with intent to defraud.

ASSIGNMENT

Section 207: This section is identical with section 208 of the Social Security Act which provides that a right to payment under this title shall not be transferable or assignable nor shall any moneys paid or payable be subject to execution or other legal process.

PENALTIES

Section 208: This section is designed to protect the system against fraud. The present penal provisions are broadened and clarified so as to specifically apply to the making of false statements such as in tax returns, tax claims, etc., for the purpose of obtaining or increasing benefits, and to apply to the making of false statements, affidavits, or documents in connection with an application for benefits, regardless of whether made by the applicant or some other person.

DEFINITIONS

Definition of wages

Section 209 (a): This subsection continues the present definition of wages, but excludes certain payments heretofore included. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee, or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments would be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund would likewise be excluded from wages. Paragraph (3) expressly excludes from wages, payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

The exclusion of remuneration paid prior to January 1, 1937, is merely a technical change. Such remuneration has never been any basis for the benefits under this title, being excluded in the provisions providing the benefits. Such provisions are simplified by transferring the exclusion to the definition of wages.

Definition of employment

Section 209 (b): This term is defined to mean any service performed prior to January 1, 1940, which would be included under existing law for purposes of credit toward benefits; and to mean any service performed after December 31, 1939, 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 (defined in subsec. (d)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on, and in connection with, the vessel when outside the United States. No substantive change in existing law is made by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. This extension is designed to include, with the qualifications noted, all service which is attached to, or connected with, the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, would not be included, because their service has no connection with the vessel. Service performed on, or in connection with, an American vessel within the United States will be on the same basis as regards inclusion as other services performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (1) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law and is considered advisable because of the possibility offered by such employment for collusion in building up credits in certain cases which offer a high return for a small amount of contributions.

Paragraph (5), which takes the place of the existing exclusion of service on documented vessels, excludes service performed on or in connection with a vessel not an American vessel, if the employee is employed on and in connection with such vessel when outside the United States. This provision excludes all service, although performed within the United States, which is rendered by an employee who was rendering service on and in connection with such a vessel upon its entry into the United States or who is rendering such service upon departure of the vessel from the United States. Thus, officers and members of the crew and other employees whose service is rendered both on and in connection with the vessel (such as employees of concessionaires and others whose service is similarly connected with the vessel) when on its voyage are excluded even though the vessel is within the United States, if they come into or go out of the United States with the vessel.

Paragraph (6) continues the exemption of service performed in the employ of the United States but, with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within this title of the act certain Federal instrumentalities not falling within clause (A) or (B) above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) continues without change the present provisions of law exempting services of employees covered by the railroad-retirement system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to the railroad retirement system even though the individual receives remuneration in a form, e. g., tips, not recognized as compensation under the Railroad Retirement Act and subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers' Taxing Act of 1937), and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segregation of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social-security system and the railroad-retirement system.

Paragraph (10) provides several new exclusions from employment. Clause (A) exempts certain service in any calendar quarter performed in the employ of an organization exempt from income tax under section 101 of the Internal Revenue Code, if (i) the remuneration for such service does not exceed $45; or (ii) without regard to amount of remuneration, if the service is performed in connection with the collection of dues or premiums (away from the home office) for a fraternal beneficiary society, order, or association, or is ritualistic service (wherever performed) in connection with such an organization; or (iii), without regard to amount of remuneration, if the service is performed by a student enrolled and regularly attending classes at a school, college, or university. Organizations so exempt from income tax and thus within this provision include the following: Certain labor, agricultural, and horticultural organizations, mutual savings banks, fraternal beneficiary societies, building and loan associations, cooperative banks, credit unions, cemetery companies, business leagues, chambers of commerce, real-estate boards, boards of trade, civic leagues, local associations of employees, social clubs, local benevolent life insurance associations, mutual irrigation and telephone companies, farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations, farmers' cooperative marketing and purchasing associations, corporations organized to finance crop operations, voluntary employees' beneficiary associations, and religious or apostolic associations or corporations.

Paragraph (10), clause (B), excepts service in the employ of an agricultural or horticultural organization, regardless of the amount of remuneration. These organizations are identical with

agricultural and horticultural organizations exempt from income tax under section 101 (i) of the Internal Revenue Code.

Paragraph (10), clause (C), excepts service in the employ of a voluntary employees' beneficiary association, providing for 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. This exemption is identical with that of these organizations under section 101 (16) of the Internal Revenue Code and will have the same scope.

Paragraph (10), clause (D), excepts all 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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.

Paragraph (10), clause (E), excepts service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax, if such service is performed by a student enrolled and regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45. In determining the remuneration, for purposes of the $45 limitation, the value of room, board, and tuition, if furnished by the school, college, or university as part of the remuneration, would be excluded.

A calendar quarter is any period of 3 calendar months ending on March 31, June 30, September 30, or December 31.

Paragraph (11) excepts service performed in the employ of a foreign government, and paragraph (12) similarly excepts, on a basis of reciprocity, service performed in the employ of an instrumentality wholly owned by a foreign government. These paragraphs are, by section 902 (f) of the bill, made retroactively effective to the date of the enactment of the Social Security Act.

Paragraph (13) excepts service performed as a student nurse in the employ of a hospital or a nurse's training school by an individual who is enrolled and is regularly attending classes in such a school chartered or approved pursuant to State law; and service performed as an interne (as distinguished from a resident doctor) 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.

Section 209 (c): This section relates to an employee who has performed both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad retirement system.

Definition of American vessel

Section 209 (d): This term is defined to mean any vessel documented or numbered under the laws of the United States; and also to include any vessel neither so documented nor numbered nor documented under the laws of any foreign country while the crew is in the employ only of citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

Primary insurance benefit defined

Section 209 (e) defines the term "primary insurance benefit" and is the basis for the computation of benefits under section 202. "Primary insurance benefit" means an amount equal to the sum of the following: (1) (A) 40 percent of the amount of an individual's average monthly wage, if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 percent of $50, plus 10 percent of the amount by which such average monthly wage exceeds $50, and (2) an amount equal to 1 percent of the amount computed under (1) above multiplied by the number of years in which $200 or more of wages were paid to such individual. This section sets forth the method of computing the amount of a primary insurance benefit for a month. In the case of a living individual such amount is the amount payable as a benefit under section 202 (a). Such amount also serves as the basis for computing, in the case of a living or deceased individual, any other benefit (or a lump sum) which may be payable on the basis of such individual's wages.

Average monthly wage

Section 209 (f) defines the term "average monthly wage" as used in the formula set forth in subsection (e) to mean the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by 12 times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of 22 during which he was paid less than $200. In no case, however, shall such total wages be divided by a number less than 36.

Fully insured individual

Section 209 (g) defines the term "fully insured individual." Since this definition will determine the earnings requirements for eligibility for all primary insurance benefits, and therefore for a number of benefits for dependents of individuals with primary insurance benefits, it will substantially affect the extent to which benefit payments will be a charge against the Federal old-age and survivor insurance trust fund. The definition is designed, therefore, adequately to protect the trust fund and at the same time (a) to afford some benefit protection to individuals who have now attained or are approaching age 65 (and their dependents), and who since the old-age insurance provisions of the Social Security Act became effective have ordinarily had little opportunity to build up large wage credits (see par. (1) and (2) of definition); (b) to establish reasonable but somewhat stricter requirements for individuals who will have a longer time in which to accumulate qualifying wages (see par. (3) of definition); and (c) to take care of individuals who have been paid wages in covered employment over a long period of time (see par. (4) of definition). The following summary of the definition will indicate its general effect:

Paragraph (1) of the definition provides that individuals who attain age 65 prior to the year 1940, in order to become fully insured individuals, must have not less than 2 years of coverage (explained in definition) and have been paid not less than $600 in wages. This is a flat minimum requirement which applies without regard to the particular year in which an individual attained age 65.

Paragraph (2) of the definition applies to individuals who die or attain age 65 after 1939 and before 1946. It provides a formula for determining the requirements for becoming a fully insured individual, based on the number of years elapsing after 1936 and up to and including the year of death or attainment of age 65. If an individual dies in 1940, he must have at least 3 years of coverage and $800 in wages. Every second year after 1940 (beginning in 1942) the number of years of coverage required increases by 1 year, and every year after 1940 the amount of wages required increases by $200 over the amount required for the preceding year. Thus, an individual dying or attaining age 65 in 1945 must have 5 years of coverage and $1,800 in wages to be fully insured.

Paragraph (3) provides a formula for determining the requirements for individuals who die or attain age 65 in 1946 or thereafter. The determination is based on the number of years elapsing after 1936 or after the year in which an individual attained age 21 (if he attained that age after 1936) and up to and including the year of death or attainment of age 65, subject to a minimum of 5 years of coverage and minimum wages of $2,000. The provision continues the same rate of increase in coverage requirements from year to year as provided under paragraph (2), but in no event are wages in excess of $2,000 required. The minimum coverage provisions are applicable only in cases where the number of years of coverage determined in accordance with the formula is below the minimum. Thus, if an individual attains age 21 in 1950 and dies in 1956, the formula would require only 4 years of coverage, which, by operation of the minimum, would be increased to 5 years of coverage. The total wages required would, of course, be $2,000.

Under paragraph (4) any individual who has accumulated 15 years of coverage is fully insured, whether or not he earns any wages thereafter.

Currently insured individual

Section 209 (h) defines the term "currently insured individual" to mean any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than 6 of the 12 calendar quarters immediately preceding the quarter in which he died. The purpose of this provision is, while avoiding an unwarranted drain on the trust fund, to provide protection for the surviving dependents of individuals who are paid a certain minimum amount of wages in covered employment within the last 3 years before death, but who have not worked in such employment long enough and have not been paid sufficient wages to have qualified them as fully insured individuals.

Section 209 (i) defines the term "wife" to mean the wife of an individual who was married to him prior to January 1, 1939, or, if later, prior to the day upon which he attained the age of 60.

Section 209 (j) defines the term "widow" (except as used in sec. 202 (g)) as the surviving dependent wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

Section 209 (k) defines the term "child" (except as used in sec. 202 (g)) as the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died.

Definition of "agricultural labor"

Section 209 (l): The present law exempts "agricultural labor" without defining the term. It has been difficult to delimit the application of the term with the certainty required for administration and for general understanding by employers and employees affected.

Your committee believes that greater exactness should be given to the exception and that it should be broadened to include as "agricultural labor" certain services not at present exempt, as such services are an integral part of farming activities. In the case of

many of such services, it has been found that the incidence of the taxes falls exclusively upon the farmer, a factor which, in numerous instances, has resulted in the establishment of competitive advantages on the part of large farm operators to the detriment of the smaller ones.

Paragraph (1) of this subsection exempts service performed 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals. Such services are exempt under existing law only if performed in the employ of the owner or tenant of the farm on which they are rendered. Services performed on a farm in connection with the raising, feeding, and management of fur-bearing animals, such as foxes, not now exempted, will be exempt under paragraph (1). This paragraph also continues the existing exclusion of services performed on a farm in the raising or harvesting of horticultural commodities, including flowers and nursery products, such as young fruit trees, ornamental plants, and shrubs.

Paragraph (2) of the subsection excepts services in the employ of the owner (whether or not such owner is in possession) or tenant of a farm in connection with the operation, management, or maintenance of such farm, if the major part of those services is performed on a farm. Under this language certain services are to be regarded as agricultural even though they are not performed in conducting any of the operations referred to in paragraph (1). Services performed in connection with the "operation, management, or maintenance" of a farm may include, for example, services performed by carpenters, painters, farm supervisors, irrigation engineers, bookkeepers, and other skilled or semiskilled workers whose services contribute in any way to the proper conduct of the farm or farms operated by their employer. Some of these services at present constitute covered employment under some circumstances but not under other circumstances. It is stipulated that the services referred to in this paragraph must be performed in the employ of the owner or tenant of the farm so that the exemption will not extend to services performed by such persons as employees of a commercial painting concern, for example, which contracts with a farmer to renovate his farm properties.

Paragraph (3) extends the exception to services performed in connection with certain specified products and operations. Ordinarily these services are performed on a farm or are of such a character as to warrant no different treatment than is accorded services performed in connection with farming activities. In order that a uniform rule may be applied in the case of these services, they will be excepted whether or not performed on a farm or in the employ of the owner or tenant of a farm. In the case of maple sap, the exemption will extend to services in connection with the processing of the sap into maple sugar or maple sirup, but not in the subsequent blending or other processing of such sugar or sirup with other products. Under the present exception services performed in connection with the production of maple sirup or maple sugar do not constitute "agricultural labor." Similarly, the existing exception does not extend to services performed in connection with the growing, harvesting, processing, packing, and transporting to market of oleoresin, gum spirits of turpentine, and gum resin. Under this paragraph, however, the exception will apply to services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree and of the following products as processed only by the original producer of the crude gum (oleoresin): Gum spirits of turpentine and gum resin, as defined in the Agricultural Marketing Act, as amended. Services performed in connection with any hatching of poultry and in connection with the ginning of cotton will also be excepted. Services performed in connection with the raising or harvesting of mushrooms constitute "agricultural labor" under existing law, only when performed on a farm. The fact that mushrooms are not usually grown under ordinary field conditions but are grown in cellars, caves, barns, or in sheds specially constructed for the purpose has resulted in the employees of some growers being covered while employees of others are not. Under this paragraph all such services will be excepted.

Paragraph (4) of the subsection extends the exemption to service (though not performed in the employ of the owner or tenant of a farm) performed in the handling, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of the paragraph, however, do not extend to services performed in connection with commercial canning or commercial freezing, nor to services performed in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption. The expression "as an incident to ordinary farming operations" is, in general, intended to cover all services of the character described in the paragraph which are ordinarily performed by the employees of a farmer or by employees of a farmers' cooperative organization or group, as a prerequisite to the marketing, in its unmanufactured state, of any agricultural or horticultural commodity produced by such farmer or by the members of such organization or group. The expression also includes the delivery of such commodity to the place where, in the ordinary and natural course of the particular kind of farming operations involved, the commodity accumulates in storage for distribution into the usual channels of commerce and consumption. To the extent that such farmers, organizations, or groups engage in the handling, etc., of commodities other than those of their own production or that of their members, such handling, etc., is not regarded as being carried on "as an incident to ordinary farming operations." In such a case the rules set forth in subsection (c) of this section apply.

In the case of fruits and vegetables, however, whether or not of a perishable nature, services performed in the handling, drying, packing, etc., of those commodities constitute "agricultural labor" even though not performed as an incident to ordinary farming operations, provided they are rendered as an incident to the preparation of such fruits or vegetables for market. Under this portion of the paragraph, for example, services performed in the sorting or grading of citrus fruits or in the cleaning of beans, as an incident to their preparation for market, will be excepted irrespective of whether performed in the employ of a farmer, a farmers' cooperative, or a commercial handler of such commodities.

Since the services referred to in this paragraph must be rendered in the actual handling, drying, etc., of the commodity, the paragraph does not exempt services performed by stenographers, bookkeepers, clerks, and other office employees in the employ of farmers, farmers' cooperative organizations or groups, or commercial handlers. To the extent that services of this character are performed in the employ of the owner or tenant of a farm, however, and are rendered in major part on a farm, they may be exempt under the provisions of paragraph (2).

The last sentence of the subsection makes it clear that the term "farm" as used in this subsection has a broad and comprehensive meaning. The term, for example, includes fur-bearing animal farms. Under present law, services performed in connection with the operation of such farms constitute covered employment. The term also includes greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, regardless of their location. Under the existing exception, labor performed in some greenhouses is excepted while labor in others is not. The inclusion of greenhouses of the kind specified, within the meaning of the term "farm," will make for a more uniform treatment of greenhouse labor and lessen the administrative difficulties which this class of cases presents. Greenhouses used primarily for purposes such as storage or display purposes or for the fabrication of wreaths and corsages (usually in connection with the operation of a retail establishment) do not, of course, come within the exception.

Section 209 (m) provides that determination of whether an applicant is the wife, widow, parent, or child of an individual is to be made by applying such law as the courts of the State of domicile of the individual would apply in determining the devolution of intestate personal property or if such individual was not domiciled in a State, by the courts of the District of Columbia: also that applicants who according to such law have the same status as a wife, widow, parent, or child shall be deemed such.

Section 209 (n) provides that a wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and that a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household at the time of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

PAYMENTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

Section 301: This section substitutes the word "for" for the word "in" in the phrase "during the fiscal year in which such payment is to be made" in the first sentence of section 302 (a) of the Social Security Act. This amendment is recommended in order to authorize the Board to certify unemployment compensation administration grants for proper administrative expenses, regardless of whether incurred within the fiscal year in which the grant is made. This amendment is necessary because of the practical difficulty of determining and certifying with exactness grants to finance all expenses incurred during the fiscal year before the end of that year. The substitution of the phrase "proper and efficient administration" for the phrase "proper administration" in this subsection is made to conform the language of this subsection with similar language in the amended sections 2 (a), 402 (a), 503 (a), 513 (a), and 1002 (a) of the Social Security Act. This insertion does not effect any substantive changes in this subsection. The reference in this subsection to the Internal Revenue Code recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 302: This section makes certain amendments to the requirements made by section 303 (a) of the Social Security Act which a State unemployment compensation law must meet in order to qualify for grants for administrative expenses.

The reference to the Internal Revenue Code, contained in the introductory sentence, recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

The amendments made by this section to paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act are designed to make clear that the State may refund contributions paid into the State fund by mistake, and also that cooperative arrangements may

be made for payment of compensation (in the case of workers who have moved from the State in which their compensation rights were earned) by one State through employment offices in another State. In addition, the amendments would authorize the refund of contributions paid with respect to a taxable year by national banks and other instrumentalities of the United States under the proposed amendment to section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) if the State law under which such contributions were collected is not certified by the Board with respect to that year under section 1603.

Another change in paragraph (5) substitutes a reference to the State unemployment fund for the (Federal) unemployment trust fund. This is done because the (Federal) unemployment trust fund is in substance merely a place of deposit for State moneys rather than a fund out of which benefit payments are to be made.

The amendment makes no change in paragraphs (3) and (6).

New paragraphs (8) and (9) would make it necessary for the State law to include provision for the expenditure of funds paid to the State for the administration of its unemployment-compensation law only for the purposes of and in the amounts found necessary by the Board for the proper and efficient administration of the State law; and for the replacement within a reasonable time of any such funds which by any action or contingency have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper and efficient administration of the State law. The purpose of these requirements is to minimize the possibility of the Board having to refuse to certify an amount for State administrative expenses because of misapplication or loss of previously granted funds for administrative purposes.

In order to enable the States to make the necessary changes in their unemployment-compensation laws without incurring the expense of special legislative sessions, the effective date of these two paragraphs is postponed until July 1, 1941.

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

CHANGES IN REQUIREMENTS FOR STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 401: This section amends section 402 (a) of the Social Security Act. Section 402 (a) sets out in clauses (1) through (6) certain basic requirements which a State plan for aid to dependent children must meet in order to be approved by the Social Security Board.

Section 401 (a) amends clause (5) so as to make it clear the methods of administration of the State plan must be proper as well as efficient.

Section 401 (b) adds a new clause, numbered (7), which becomes effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of any child claiming aid under this title. It also adds a new clause, numbered (8) effective July 1, 1941, which requires that the State plan must provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO DEPENDENT CHILDREN

Section 402: Subsection (a) of this section amends section 403 of the Social Security Act and will become effective on January 1, 1940. Existing law provides for a Federal grant to States having an approved plan for aid to dependent children in an amount equal to one-third of the total of the sums expended under any such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 for any month with respect to one such dependent child and $12 for such month with respect to each of the other dependent children. The committee amendment increases the Federal share to one-half and conforms subsection (b) (1) to this change.

Subsection (b) of this section provides that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act, except that it does not include the proviso relating to funeral expenses of a deceased recipient.

DEFINITION OF DEPENDENT CHILD

Section 403: This section amends the definition of "dependent child," contained in section 406 (a) of the Social Security Act, so that its provisions will conform to section 401 of the act, which authorizes appropriations to enable States to furnish financial assistance to needy dependent children. Section 403 of the bill also amends section 406 (a) of the Social Security Act by including within the meaning of the term "dependent child," a child under the age of 18 if found by the State agency to be regularly attending school. The present definition includes only children under the age of 16. The change will assist the States to aid children who are over 16 and under 18 years of age but are still attending school.

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR MATERNAL AND CHILD-HEALTH SERVICES

Section 501: This section amends clause (3) of section 503 (a) of the Social Security Act so as to make it clear that the methods of administration of a State plan for maternal and child-health services must be proper as well as efficient. This change is similar to that made in the corresponding provisions of titles I, IV, and X.

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR SERVICES FOR CRIPPLED CHILDREN

Section 502: This section amends clause (3) of section 513 (a) of the Social Security Act so as to make it clear that the methods of administration of a State plan for services for crippled children must be proper as well as efficient. This change is similar to that made in the corresponding provisions of titles I, IV, and X.

VOCATIONAL REHABILITATION

Section 503: This section increases the authorization of appropriations for grants to the States and Hawaii for vocational rehabilitation of disabled persons by increasing the amount authorized for this purpose for each fiscal year by section 531 of the Social Security Act from $1,938,000 to $2,938,000.

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

FEDERAL INSURANCE CONTRIBUTIONS ACT

TAXES UNDER SECTIONS 1400 AND 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTIONS 801 AND 804 OF THE SOCIAL SECURITY ACT)

Sections 601 and 604: Under the existing provisions of sections 1400 and 1410 of the Internal Revenue Code (formerly secs. 801 and 804, respectively, of the Social Security Act) the rate of tax on employees and the rate of tax on employers are each scheduled to increase on January 1, 1940, from 1 percent of the wages to 1½ percent, with a further increase of ½ percent at the expiration of succeeding 3-year periods until the maximum rate of 3 percent on employees and 3 percent on employers is reached in 1949. Under the amendment the increase scheduled for January 1, 1940, would be eliminated, and the rate of each tax would be as follows:

	Percent
For the calendar years 1939, 1940, 1941, and 1942	1
For the calendar years 1943, 1944, and 1945	2
For the calendar years 1946, 1947, and 1948	2½
For the calendar year 1949 and subsequent calendar years	3

A further change is made by this amendment. Sections 1400 and 1410 of the Internal Revenue Code now provide that the rate of tax applicable to wages is the rate in effect at the time of the performance of the services for which the wages are paid. This will unnecessarily complicate the making of returns and the collection of the taxes in later years when the rate of tax has been increased. For example, in 1943 the rate of tax increases from 1 percent to 2 percent. Thus, wages which are paid in 1943 for services performed in 1942 will be subject to the 1-percent rate, while wages paid in 1943 for services performed in that year will be subject to the 2-percent rate. Provision must therefore be made in the return for 1943 for the reporting of wages subject to the different rates, and, in auditing the returns, it will be necessary to ascertain not merely the time when the wages were paid and received, but also the year of the rendition of the services for which the wages are paid. If employers have failed to make the proper distinction, many refunds and additional assessments will doubtless be necessary and confusion will result. Under the amendment the rate applicable would be the rate in effect at the time that the wages are paid and received without reference to the rate which was in effect at the time the services were performed.

ADJUSTMENTS OF OVERPAYMENT AND UNDERPAYMENT OF EMPLOYEES' TAX

Section 602: Present section 1401 (c) of the Internal Revenue Code (formerly sec. 802 (b) of the Social Security Act) is designed to permit the employer to adjust, without interest, overpayments and underpayments of employees' tax without the necessity in the former case of requiring the filing of a claim for refund and in the latter case of the making of a demand by the collector for the additional tax. The existing provisions of the section require that the adjustment be made in connection with subsequent wage payments. The different types of situations obtaining at the time the error is discovered and should be corrected are numerous. For example, the employee may be continuously employed and receiving remuneration at regular intervals, or he may be entitled to no remuneration for some time to come, or if he is entitled to remuneration, it may not be taxable because his service is rendered temporarily, or for an indefinite time, in a foreign country, or because he has already received $3,000 from the employer for services rendered during the calendar year, the maximum taxable remuneration under section 1426 (a) of the Internal Revenue Code (formerly sec. 811 (a) of the Social Security Act), or the employee's connection with the employer who made the error may have been severed. Moreover, undercollections require a procedure different from that in the case of overcollections. The use of the term "wage payments" causes difficulty since the term "wages" has a restricted meaning for the purpose of this tax. Furthermore, it may prove desirable in certain circumstances to provide for adjustments at times other than in connection with subsequent payments of remuneration to the individual. This amendment, by use of the word "remuneration"

instead of "wage" and by leaving the manner and time of the adjustment to be prescribed by regulations, will enable the administrative officers to meet the varied situations which arise.

RECEIPTS FOR EMPLOYEES

Section 603: This section amends subchapter A of chapter 9 of the Internal Revenue Code (formerly title VIII of the Social Security Act) by inserting a new section in such subchapter. Subsection (a) of the new section requires every employer to furnish each employee with a written statement or statements, in a form suitable for retention by the employee, showing the taxable wages paid to the employee after December 31, 1939, for services rendered in his employ, and the amount of tax imposed by section 1400 with respect to such wages. In addition, the names of the employer and employee, and the period covered by the statement, are to be shown. Each statement, or receipt, must cover one or more, but not more than four, calendar quarters. Under existing Treasury regulations the employer is required to file a return for each calendar quarter with the collector of internal revenue, showing the amount of wages paid to each employee. By requiring the receipts to cover one or more calendar quarters, the employer is enabled, in making out such receipts, to use the amounts of wages of each employee as shown on the copies of the quarterly returns which the employer retains. Returns, under existing Treasury regulations, must be filed with the collector within the calendar month following the close of the quarter. The section gives employers an additional month within which to furnish their employees with the receipts. However, when an employee leaves the employ of the employer, the final receipt, covering the period from the termination of the period covered by the last preceding receipt furnished the employee, is to be given the employee when the final payment of wages is made to him. If the employer chooses, he may under the section furnish a receipt to an employee at the time of each payment of wages during a calendar quarter, in lieu of covering in a single receipt the total wages paid to the employee during such quarter.

Subsection (b) provides that any employer who willfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5.

TAXES UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTION 804 OF THE SOCIAL SECURITY ACT)

Section 604: See section 601, supra.

ADJUSTMENT OF EMPLOYERS' TAX

Section 605: The amendment made by this section to section 1411 of the Internal Revenue Code (formerly sec. 805 of the Social Security Act), relating to adjustments of employers' tax, is intended to accomplish the same purpose as the corresponding amendment to section 1401 (c) of the code, relating to adjustments of employees' tax. See section 602, supra.

DEFINITIONS

Section 606: This section, effective January 1, 1940, amends section 1426 of the Internal Revenue Code, containing definitions applicable in the case of the old-age insurance taxes.

Definition of wages

Section 1426 (a): This subsection continues the present definition of wages, but excludes certain payments heretofore included. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Paragraph (3) expressly excludes from wages the payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment

Section 1426 (b): This term is defined to mean any service performed prior to January 1, 1940, which constituted employment as defined in this section prior to such date; and to mean any service performed after December 31, 1939, 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 (defined in subsection (h)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on and in connection with the vessel when outside the United States. No substantive change in existing law is effected by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. This extension is designed to include, with the qualifications noted, all service which is attached to or connected with the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, will not be included because such service has no connection with the vessel. Service performed on or in connection with an American vessel within the United States will be on the same basis as regards inclusion as other service performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (i) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club, or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law. The old paragraph (4), which excluded service performed by an individual who has attained the age of 65, is repealed.

Paragraphs (5) to (13), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis of such paragraphs see pp. 46–49 of this report.

Section 1426 (c): This subsection relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded.

The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers Taxing Act of 1937).

Definition of employee

Section 1426 (d): This definition is identical with the definition in section 1101 (a) (6) of the Social Security Act, which is applicable to title II (see sec. 801 of the bill). The amendment to the definition relates to salesmen. In some instances where remuneration is by way of commission and the services are performed away from the place of business of the person for whom they are performed, the individual performing the services is held to be an employee, while in others he is held not to be an employee. A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied. In certain cases even the most liberal view as to the existence of the employer-employee relationship will fall short of covering individuals who should be covered, for example, certain classes of salesmen. In the case of salesmen, it is thought desirable to extend coverage even where all of the usual elements of the employer-employee relationship are wholly lacking and where accordingly even under the liberal application of the law the court would not ordinarily find the existence of the master-and-servant relationship. It is the intention of this amendment to set up specific standards so that individuals performing services as salesmen may be uniformly covered without the necessity of applying any of the usual tests as to the relationship of employer and employee.

A salesman in business as a broker or factor is excluded if the services are performed as part of such business, and, in furtherance of such business, similar services are performed for other persons and one or more employees of such salesman perform a substantial part of such services; and an individual whose services as a salesman are casual services, not in the course of such individual's principal trade, business, or occupation, is not included in the definition.

This definition is not intended to affect the employer-employee status of a salesman and the employee of such salesman. Thus the business chauffeur who has been an employee of a salesman will remain solely the employee of such salesman.

Definition of employer

Section 1426 (e): This new definition is for the purpose of making clear that the extension of the broadened employee concept also broadens the employer concept. Thus where a salesman is held to be an employee, the person for whom the salesman performs the services is the employer. For example, an insurance solicitor who

executes a contract with an insurance company under which he performs services as a salesman would be the employee of the insurance company and not of the general agent of the company.

Section 1426 (f) and (g), defining the terms "State" and "person," respectively, makes no change in the existing definitions of those terms.

Definitions of American vessel and agricultural labor

Subsections (h) and (i) of section 1426 are identical with subsections (d) and (l) of section 209 of the Social Security Act. For detailed analysis of such subsections see pages 49 and 51 of this report.

SHORT TITLE

Section 607: This section inserts a new section in subchapter A of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Insurance Contributions Act."

FEDERAL UNEMPLOYMENT TAX ACT

TAXES UNDER SECTION 1600 OF THE INTERNAL REVENUE CODE (FORMERLY SEC. 901 OF THE SOCIAL SECURITY ACT)

Section 608: This amendment changes the basis for determining tax liability under subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) from "wages payable" to "wages paid." That subchapter is thus brought into conformity with subchapter A of chapter 9 (formerly title VIII of the Social Security Act), which also imposes a tax on "wages paid." Wages, for the purpose of these taxes, are considered paid when they are actually paid, or when they are constructively paid, i. e., credited to the account of, or set apart for, the wage earner so that they may be drawn upon by him at any time although not then actually reduced to possession.

Under the existing law wages are "payable" with respect to employment during a calendar year, even though the amount of wages is not fixed and no right exists to enforce payment at any time during that year. Thus a bonus paid in 1939 for services performed in 1938 constitutes "wages payable" for 1938, even though the amount of the bonus may not have been known in 1938 and no obligation to pay it existed in that year.

In cases in which remuneration for services of an employee in a particular year is based on a percentage of profits, or on future royalties, the amount of which cannot be determined until long after the close of the year, the employer has been required to estimate unascertained amounts and pay taxes and contributions on that basis. If he has overestimated, subsequent corrections on the return must be made with consequent refunds. If the employer has underestimated, additional taxes may become due and he may also be compelled to pay additional State contributions, which are usually not allowable as credit because not timely paid. The attendant difficulties and confusion cause a burden on employers and administrative authorities alike. The placing of this tax on the "wages paid" basis will relieve this situation.

With both the old-age-insurance tax and the unemployment-compensation tax on the "wages paid" basis, the keeping of records by employers will be simplified.

The new basis of taxation will apply to all wages for services rendered after the beginning of 1939. Insofar as the amendment would be retroactive with respect to the year 1939, it would not increase the tax liability of any taxpayer.

CREDIT AGAINST TAX

Section 609: This section relates only to the tax with respect to services rendered in 1939 and thereafter.

Contributions to State unemployment funds

Section 1601 (a): The present section 1601 (a) of the Internal Revenue Code (formerly sec. 902 of the Social Security Act) provides that a taxpayer may credit against the Federal tax only contributions paid by him under a State law "with respect to employment," as defined in section 1607 of the Code (formerly sec. 907 of the act). Since the definition of employment in section 1607 restricts the meaning of the term to certain types of service, the taxpayer is not given credit for contributions made under a State law with respect to services not covered by the Federal law. Subdivision (1) eliminates the references in existing law to "employment," thus allowing the taxpayer to credit against the tax the contributions which he is required to pay, and which he actually pays, under a State law. The amendment also includes a requirement that credit shall be allowed only for contributions to an unemployment fund which has been maintained during the taxable year as specified in the amendment to section 1607 (f) of the Internal Revenue Code. (See sec. 614, infra.)

Subdivision (2) provides that credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such year. This effects no substantive change in the present law.

Subdivision (3) liberalizes existing law by giving employers more time within which to pay their contributions to the State and secure credit therefor against the Federal tax. Under existing law credit is allowable only for contributions with respect to the taxable year paid to the State before the due date of the Federal return for such year. The amendment permits full credit for contributions paid on (as well as before) the due date. The amendment further permits a credit for contributions paid after the due date of the Federal return but on or before June 30 next following the due date, but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions if they had been paid on or before the due date. For example, if an employer's gross liability for Federal tax at the 3-percent rate is $100, and his liability for the same year for State contributions is also $100, and he paid such contributions on or before the due date of the Federal return, he would be entitled to the maximum credit (under the limitation provided in sec. 1601 (c)) of 90 percent of the Federal tax, or $90, and his net Federal tax would be $10. If, however, the employer paid the $100 in contributions after the due date but not later than June 30 next following, his credit would be 90 percent of $90, or $81, and his net Federal tax would be $19. No credit is allowable for contributions paid after June 30.

Thus substantial relief is given employers for 1939 and future years. Your committee is of the opinion that further liberalization of the conditions under which this credit would be allowable might endanger the orderly functioning of the system. It is desirable not to remove the aid provided in existing law to the State unemployment-compensation systems which has been secured through the inducement to employers to pay their State contributions promptly. Furthermore, any change should be avoided which would impede the audit of the Federal returns or delay final determination of the taxpayer's liability beyond a reasonable time after the returns are filed. In proposing this amendment consideration has been given these factors as well as to the need for liberalization in favor of the taxpayers.

Certain exceptions to the foregoing general rule are made in the amendment, however, to meet cases of genuine hardship.

Subdivision (3) removes the time limitation for payment of State contributions in those cases where the assets of the taxpayer are in the custody or control of a court at any time beginning with the due date and ending with the next following June 30, both dates inclusive.

Subdivision (4) grants relief in cases of payments made through mistake under the wrong unemployment-compensation law. In such a case payment under the proper State law with respect to the remuneration in question will be deemed, for the purposes of credit against the Federal tax, to have been made on the date of the erroneous payment. If the taxpayer's experience under the law of the wrong State had entitled him to cease paying any contributions for services subject to that law and by reason thereof the taxpayer had actually paid no contributions with respect to the remuneration in question, payment to the proper State will be treated, for such tax-credit purposes, as having been made on the date on which the Federal tax return was actually filed.

Subdivision (5) provides for refund of any tax (including any penalties and interest) which has been collected but with respect to which credit allowable under this section has not been taken. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Additional credit

Section 1601 (b) (formerly sec. 909 (a) of the Social Security Act): This amendment changes in some particulars the existing law relating to additional credit allowance.

It expressly conditions the allowance of an additional credit upon certification of the State law under section 1603 (c) of the Internal Revenue Code (formerly sec. 903 (b) of the Social Security Act) and under the proposed amendment to section 1602 (c). (See sec. 610, infra.)

It extends the additional credit to reduced rates of contributions required under a State law with respect to employment not covered by the Federal tax, thus bringing this subsection into conformity in that regard with the proposed amendment of subsection (a) (relating to contributions to State unemployment funds).

Under the amendment, additional credit allowance will be based on the difference between the amount of contributions the taxpayer was required to pay under the State law and the amount he would have paid had he been subject under such State law to a rate of 2.7 percent, rather than on the difference between the amount the taxpayer actually paid under the State law and the highest rate applicable "from time to time" throughout the taxable year. This change, in addition to measuring the credit by 2.7 percent of the pay roll with respect to which contributions are required under the State law, also eliminates the possible necessity for measuring additional credits in terms of periods of less than 1 year.

Limit on total credit

Section 1601 (c) restates the existing law limiting total credits against the Federal tax to not in excess of 90 percent of such tax. Since both the provision with respect to credits for contributions actually paid and the provisions with respect to additional credits are now included in one section of the law as subsections (a) and (b), respectively, it is unnecessary to include the limitation separately in respect to each subsection.

CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

Section 610 (a): This subsection amends the provisions of existing law (sec. 1602 of the Internal Revenue Code; formerly sec. 910 of the Social Security Act) relating to the requirements with respect to additional credit allowance.

The terms "employers," "employment," and "wages," which are defined in section 1607 and have special meanings not applicable here, are replaced by terms such as "persons having individuals in their employ," "services," and "remuneration," in order to make the requirements of this subsection more easily understandable in their application to State laws whose coverage differs from that of the Federal law. The phrase "person (or group of persons)" has been used in the standards with respect to all types of State

funds, to make clear that a State law may measure, for individual experience-rating purposes, either an individual employer's record, or may permit two or more employers to combine their records and be treated, for experience-rating purposes, as if they were a single legal entity. Several verbal changes are suggested in this subsection in the interest of clarity.

In order to facilitate the administration of provisions in State laws allowing variations in rates of contributions, the term "computation date," defined in subsection (d) (7) of the code, has been adopted, and the phrase "year preceding the computation date" substituted for terms such as "preceding year" and "year," to permit the States to compute reduced rates as of a date prior to the date on which such reduced rates will become effective.

State standards

Section 1602 (a) of the code is amended by adding a new standard with respect to the allowance of additional credit, which requires that irrespective of the type of fund maintained under the State law, the State law will contain provisions whereby variations in rates of contributions as between different employers will be so computed as to yield, with respect to each year, a total amount of contributions substantially equivalent to 2.7 percent of the total pay rolls of employers, subject to the contribution requirements of the State law. Fluctuations in pay rolls from year to year preclude the computation of rates in such a manner as to yield an exact amount. Your committee believes that this new standard with respect to individual employer-experience rating is essential to protect the fundamental purposes of the Federal tax credit system for providing unemployment compensation. Because it is an additional standard, State laws under which particular types of funds are maintained will be required to comply with this over-all standard as well as the applicable standards prescribed in paragraph (2), (3), or (4) of this subsection. The effective date of this new standard is postponed, under section 610 (b) of the bill with respect to the standards prescribed in paragraphs (2) and (4), to permit States to conform therewith without incurring the expense of special legislative sessions (sec. 610 (b) infra).

Paragraph (2) incorporates the standards of existing law applicable to a pooled fund or partially pooled account, except that the phrase "years of compensation experience" in the present law has been replaced by a broader phrase permitting the use of an employer's "experience with respect to unemployment" or an employer's experience with respect to "other factors bearing a direct relation to unemployment risk" as a basis for individual-experience rating under a pooled fund. This change is made in order to extend the possible bases by which State laws may measure eligibility for reductions in employers' rates of contributions to a pooled fund, thus adding flexibility to the present law. Because of this change, the definition of the phrase "year of compensation experience" in subsection (d) (old subsection (c)) of this section is no longer necessary.

Paragraphs (3), (4), and (5): The reserve requirements with respect to reserve accounts (under the amended new paragraph (4) to become effective January 1, 1942) and guaranteed employment accounts have been restated in terms of 2½ percent of the pay roll for 3 years, rather than 7½ percent of the pay roll for 1 year. The term "pay roll" includes only the pay roll subject to the contribution requirements of the State law. This basis of measuring an employer's reserve or guaranteed employment account is more equitable from both the point of view of the employer and the State, since it permits the averaging of pay-roll experience over 3 years and avoids the unreasonable fluctuations in rates which may occur if pay rolls are substantially increased or decreased for a particular year. Because the standard rate of contributions under most laws is 2.7 percent (a very few State laws require a standard rate of 3 percent), employers could not accumulate a reserve equal to 7½ percent of their annual pay roll in less than 3 years, except in very unusual situations. Hence, it is believed that the change in the reserve requirement to 2½ percent of pay rolls for 3 years in place of 7½ percent of pay roll for 1 year will not, in practical effect, alter the present reserve requirements. The additional requirement with respect to 3 years of contributions is deemed necessary to clarify the provision relating to reserves equal to 2½ percent of the pay roll for 3 years. Unless the employer has actually been subject to the contribution requirements of the State law for 3 years, the provision measuring the reserve in terms of 2½ percent of pay rolls for the 3 preceding years would operate to reduce the reserve requirements. Under these two paragraphs, an employer may not be permitted a reduced rate of contributions to his guaranteed employment account unless he has fulfilled his guaranty with respect to the preceding year, and an employer may not be permitted a reduced rate of contributions to his reserve account unless compensation has been payable from his account throughout the preceding year.

Paragraph (5) incorporates the new standards with respect to individual reserve accounts. In order to permit States maintaining such accounts to conform therewith without incurring the expense of special legislative sessions, these new standards will not become effective until January 1, 1942. Prior to that date, the standards in paragraph (4), which incorporate the present law, will be applicable.

Other State standards

Section 1602 (b): This is a new subsection providing greater flexibility to the States with respect to the allowance of reduced rates of contributions on the basis of which additional credits against the Federal tax will be allowed. Without regard to this subsection a State may allow reduced rates under individual employer experience rating systems in conformity with the standards in subsection (a) of this section. In addition, under the option provided by this subsection, a State may adopt either of two alternative courses of action if it meets the standards set forth in paragraphs (1) and (2) of this subsection: (1) It may reduce all employers' rates uniformly; or (2) it may vary individual employers' rates of contributions under experience-rating provisions which comply with the applicable standards in paragraph (2) or (3) or (4) of subsection (a) (par. (3) of this subsection) but without so calculating the respective rates as to secure an annual yield of an amount substantially equivalent to 2.7 percent of the State pay roll, the requirement of paragraph (1) of subsection (a) of this section.

The two standards contained in this subsection relate to the amount in the State unemployment compensation fund as of the computation date and the compensation payable under the State law as of the date the reduced rate is effective.

Under paragraph (1) the amount in the State fund, as of the date that amount is determined, must at least equal one and one-half times the highest amount paid into such fund up to some date prior to the effective date of the new rate with respect to any one of the 10 preceding calendar years, or one and one-half times the highest amount of compensation paid out of such fund within any one of the 10 preceding calendar years, whichever amount is greater. This paragraph does not require that either contributions or compensation shall have been payable under the State law for 10 calendar years.

Under paragraph (2) the State law must provide for the payment of compensation to otherwise eligible individuals in accordance with the following general standards or in accordance with general standards which are substantially equivalent thereto:

(A) Within a compensation period of not more than 52 consecutive weeks any such individual will be entitled to receive a total amount of compensation equal to not less than (i) 16 times his weekly rate of compensation for a week of total unemployment, or (ii) one-third of the individual's total earnings for insured work during a base period of not less than 52 weeks, whichever is less;

(B) The waiting period with respect to each compensation period described under clause (A) may not exceed 2 calendar weeks of total unemployment or two periods of total unemployment of 7 consecutive days each. Such weekly or 7-day waiting periods need not be consecutive. This section is not applicable to periods for which an individual may be disqualified for compensation;

(C) The weekly rates of compensation for total unemployment will be related to the individual's full-time weekly earnings for insured work during a period to be prescribed in the State law. Such a period may be a single week, representative of the individual's customary full-time weekly earnings, may be several such representative weeks occurring within a longer prescribed period, or the State law may secure such a relation to such full-time weekly earnings by formulae (such as a reasonable fraction of total wages for insured work during that calendar quarter in the individual's base period in which such wages were highest) which will produce a reasonable approximation of such full-time weekly earnings. Such weekly rates of compensation may not be less than: (i) $5 per week if such full-time weekly earnings were $10 or less; (ii) 50 percent of such earnings if they were more than $10 but not more than $30; and (iii) $15 per week if such earnings were more than $30; and

(D) Compensation will be paid to an otherwise eligible individual who, by reason of some involuntary unemployment during a week, earns less than his weekly rate of compensation. The amount of such compensation will at least equal the difference between the individual's weekly rate of compensation for total unemployment and his actual earnings for such week.

Certification by the Board with respect to additional credit allowance

Section 1602 (c): This is a new subsection, requiring the Social Security Board to certify to the Secretary of the Treasury, in the same manner as it certifies State laws under section 1603 (c), State laws which it finds comply with the requirements of subsection (a) or (b) of this section. Provision is made for partial certification where two kinds of funds are maintained under the same State law, one of which fails to comply with subsection (a) or (b) of this section, or where a contribution is divided between two kinds of funds under a State law, so that additional credits will be allowed only with respect to reduced rates allowed in compliance with the requirements of this section.

Under these provisions a State law which complies in all respects with the requirements of this section will receive an unqualified certification. In some States, provision is made for the maintenance of two parallel systems (such as a reserve account system and a guaranteed employment account system). In such States, some employers may be covered by the one system and other employers may be covered by the other. In such States there would be no difficulty in certifying one system, even though the other failed to comply with the requirements of this section, and the Board would accordingly be directed to do so by subsection (c) (2). In other States, contributions with respect to particular wage payments are required to be divided between two kinds of funds (such as the requirement that a part of each employer's contribution be credited to his own reserve account and a part to a

"partially pooled" fund which is operated as a reinsurance fund). If in this type of situation the provisions of the State law with respect to one or the other such fund do not comply with the requirements of this section, the Board is directed to make such certification as will permit the allowance of additional credits only with respect to those reduced rates which have been allowed in accordance with the requirements of this section.

In addition, this new subsection includes a paragraph requiring the Social Security Board to advise the States, in the same manner as it advises the States of its findings under section 1603, whether or not their laws comply with the requirements of this section; after finding such compliance, the Board may thereafter deny certification of a State law for additional credit purposes only after prior notice and opportunity for hearing to the State, and only if it finds the State law no longer contains the applicable provisions specified in subsection (a) or (b) or the State has failed to comply substantially with any such provision. The present subsection (b) of this section is eliminated because its purpose is achieved by the foregoing provisions.

Definitions

Section 1602 (d): Paragraphs (1) and (4) of this subsection are amended to make clear that from a particular employer's reserve account or guaranteed employment account all compensation payable on the basis of services performed for him and only compensation payable on the basis of services performed for him is to be paid. This incorporates in part the exception clause in the present definition of a pooled fund, i. e., that compensation may not be paid from a partial pool or reinsurance fund unless the reserve account or guaranteed employment account of the employer on the basis of whose services the benefit claimant had carned his benefit rights is exhausted or terminated.

The present paragraph (2) is revised and divided into paragraphs (2) and (3) in order to distinguish more clearly between a fully pooled fund and a partially pooled (or reinsurance) fund. The new paragraph (3) permits the maintenance of a partially pooled fund in connection with a guaranteed employment account, as well as in connection with a separate reserve account. The definition of the partially pooled account also makes clear that a State may, without endangering its compliance with the definitions of the term "reserve account" and "guaranteed employment account," provide for transfers from reserve accounts or guaranteed employment accounts to a partially pooled account. Several State laws now provide for such transfers.

Paragraph (4) (old paragraph (3)) amends the present law to permit guarantees of employment to be operative only with respect to individuals who continue to be available for suitable work in the guaranteed establishment. This provision is deemed necessary because under the present provision it is not clear whether employers are relieved from their guarantees with respect to individuals who quit voluntarily, or are unable to work because of some incapacity, or are out on strike, etc. This paragraph is also amended to make clear the general understanding with respect to its requirements concerning the probationary service period, i. e., that the probationary period must be served within a continuous period immediately following the employee's first week of service and may not be claimed repeatedly with respect to intermittent periods of employment which never exceed 12 consecutive weeks. The last clause of this definition is amended to clarify the point that guaranteed remuneration and unemployment compensation are not the same, and that the guaranteed remuneration is not to be payable out of the guaranteed employment account.

Paragraph (5) (old par. (4)) deletes the definition of the term "year of compensation experience," because that term is no longer used in paragraph (2) (old par. (1)) of section 1602 (a). The definition of the term "year" in this paragraph is designed to permit States to allow reduced rates on the basis of 12 consecutive months, as well as on the basis of a calendar year.

Paragraph (6), defining the term "balance," is a new definition added to make clear that the amount of the reserve required to be accumulated by employers with respect to whom a reserve account or a guaranteed employment account is maintained, is to be made up of payments by such employers and may not be made up of employee contributions or funds from other sources. If employee contributions are required under a State law which provides for the maintenance of reserve accounts or guaranteed employment funds, such contributions may be payable into the reinsurance fund. The exception contained in this definition, which permits the inclusion within a "balance" of payments other than payments by employers if made to a reserve account or guaranteed employment account prior to January 2, 1939, is designed to relieve the States of complicated computations where payments, other than payments by employers, have been paid to such accounts during early months of the State's experience.

Paragraph (7) defines the term "computation date" to include any date occurring within 27 weeks prior to the date that a reduced rate goes into effect. As above indicated, this provision is designed to give the States ample time within which to make their computations with respect to variations in rates of contributions. Such computations are to be made at least once in each calendar year.

Paragraph (8), defining the term "reduced rate," is designed to make clear that the requirements of subsections (a) and (b) are not applicable to a reduction from an increased rate to a standard rate, i. e., situations in which employers with bad employment experience have been required to pay increased rates and are subsequently permitted to pay the standard or normal rate.

Section 610 (b): This subsection of the bill, referred to in connection with section 1602 (a) (1) of the Internal Revenue Code, is necessary in order to permit employers who are allowed reduced rates of contributions under State laws which conform with the present standards, to secure additional credits on the basis thereof and to avoid requiring States to convene special sessions of their legislatures in order to conform their laws with the new standard in section 1602 (a) (1) of the code. This section of the bill postpones the application of that new standard with respect to pooled funds, partially pooled accounts, and individual reserve accounts, until January 1, 1942, thereby allowing ample time for all States to enact necessary amendatory legislation at the next regular sessions of their respective legislatures.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 611: The changes made in paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code (formerly sec. 903 (a) of the Social Security Act) by this section correspond to those made in paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act by section 302, supra.

EXTENSION OF TIME FOR FILING TAX RETURNS UNDER SUBCHAPTER C OF CHAPTER 9 OF THE INTERNAL REVENUE CODE

Section 612: This section amends section 1604 (b) of the Internal Revenue Code to authorize a longer extension of time for filing the return of the Federal unemployment tax. Existing law permits an extension of as much as 60 days. The amendment would provide an additional 30 days, or 90 days in all. The extensions under section 1604 (b) are granted under rules and regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury. An employer finding it impossible to make his return on January 31, the due date prescribed in section 1604 (a), or to pay his State contributions by that date, may make application in accordance with such rules and regulations for an extension of time for filing his Federal return. If granted, the employer has until the extended due date, as granted, to make his return and pay his State contributions. No delinquency penalty will be incurred for late filing and no loss of credits will be suffered if the return is filed, and the contributions paid to the State, on or before such extended due date.

INTERSTATE OR FOREIGN COMMERCE AND FEDERAL INSTRUMENTALITIES

Section 613: This section designates existing section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) as subsection (a). A clarifying amendment to the provision makes it clear beyond any possible doubt that an employer engaged in foreign commerce is on the same basis as respects authority of a State to require payments into an unemployment fund as employers engaged in interstate commerce.

This section also amends section 1606 by adding subsections (b) and (c), relating to Federal instrumentalities, and (d), relating to employment on lands held by the Government.

Subsection (b) confers on State legislatures authority to require instrumentalities of the United States (except those wholly owned by the United States or exempt from the taxes imposed by secs. 1410 and 1600 of the Internal Revenue Code (formerly secs. 804 and 901, respectively of the Social Security Act) by any other provision of law) to comply with State unemployment compensation laws. Under this amendment the States would be able to cover under their unemployment compensation systems national banks and certain other Federal instrumentalities. Protection against any possible discrimination against instrumentalities of the United States is afforded by the two provisos, which make the permission to require compliance with the State law conditional upon equality of treatment and upon the approval and certification of the State law under section 1603 of the Internal Revenue Code (formerly sec. 903 of the Social Security Act).

Subsection (c) makes provision for examination by the Comptroller of the Currency of returns and reports made to the States by national banks.

Subsection (d) authorizes the States to cover under their unemployment compensation laws services performed upon land held by the Federal Government, such as services for hotels located in national parks.

DEFINITIONS

Section 614: This section, effective January 1, 1940, amends section 1607 of the Internal Revenue Code, containing definitions applicable in the case of the Federal unemployment tax.

Definition of employer

Section 1607 (a): No change from existing law is made in this definition.

Definition of wages

Section 1607 (b): This subsection continues the present definition of wages, but excludes certain payments heretofore included. Paragraph (1) excludes that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year. Paragraph (2) excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions) or disability benefits (including medical and hospitalization expenses), but not life insurance. These payments will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since

it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Paragraph (3) expressly excludes from wages the payment by an employer (without deduction from the remuneration of or other reimbursement from the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment

Section 1607 (c): The amendments made here conform this definition to the definitions contained in amended section 209 (b) of the Social Security Act and amended section 1426 (b) of the Internal Revenue Code (formerly sec. 811 (b) of the Social Security Act) with the exception of maritime service.

The definition of the term "employment" under the amendment as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones. No substantive change in existing law is effected by the introductory paragraph of the definition.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (l) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the housemother, performed for these local clubs and chapters, are exempt.

Paragraph (3) adds an exception of casual labor not in the course of the employer's trade or business. This exception is already contained in amended section 209 (b) of the Social Security Act and amended section 1426 (b) of the Internal Revenue Code.

Paragraph (4) continues the existing exception of service performed as an officer or member of the crew of a vessel on the navigable waters of the United States.

Paragraph (5) continues the existing exception of 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.

Paragraph (6) continues the exemption of service performed in the employ of the United States, but with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within the unemployment tax provisions certain Federal instrumentalities not falling within clause (A) or (B) above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) excepts services of employees covered by the railroad unemployment insurance system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to such system even though the individual receives remuneration in a form (e. g., tips) not recognized as compensation under the Railroad Unemployment Insurance Act, and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segregation of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social security system and the railroad unemployment insurance system.

Paragraphs (10) to (13), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis of such paragraphs see pp. 47–49 of this report.

Section 1607 (d): This section relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad unemployment-insurance system.

Section 1607 (e), defining "State agency," makes no change in the existing definition of that term.

Definition of unemployment fund

Section 1607 (f): This definition is amended by adding two new sentences. The first of these added sentences is a clarifying amendment providing that all sums standing to the credit of the State in the (Federal) unemployment-trust fund and money withdrawn from that fund by the State but unexpended shall constitute a part of the State fund. This removes any possible doubt whether such moneys remain a part of the State fund. The second added sentence provides that an unemployment fund shall be deemed to be maintained during a taxable year only if no part of the moneys of such fund was expended for purposes other than payment of unemployment compensation and refunds of sums erroneously paid into the fund. This provision, in conjunction with an amendment to section 1601 (a) (see supra, sec. 609), makes it clear that an employer is entitled to credit against the Federal tax only so long as the State uses its fund for a proper purpose.

Definition of contributions

Section 1607 (g): This provision is changed so as to avoid use of defined terms and thus to include in the term "contributions" payments required by a State law with respect to services not covered by the Federal law.

Definition of compensation

Section 1607 (h): No change in existing law is made in this definition.

Definition of employee

Section 1607 (i): The term "employee" is defined as in existing law to include an officer of a corporation. Although the term is not broadened with respect to salesmen as was done in the definition for purposes of old-age insurance coverage, the tests for determining the employer-employee relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied.

By the amendment to subsection (c), contained in paragraph (10) (A) thereof, uncompensated officers of any organization exempt from income tax under section 101 of the Internal Revenue Code are excluded from the count in determining whether the organization is an employer of eight or more and liable for the tax. However, uncompensated officers of corporations not so exempt are not excluded for purposes of such determination merely because they are uncompensated.

Section 1607 (j) and (k), defining the terms "State" and "person," respectively, make no change in the existing definitions of those terms.

Definition of agricultural labor

Section 1607 (l) is identical with section 209 (l) of the Social Security Act. For detailed analysis of such section see page 51 of this report.

Section 615: This section inserts a new section in subchapter C of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Unemployment Tax Act."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR AID TO THE BLIND

Section 701: This section amends section 1002 (a) of the Social Security Act. Section 1002 (a) sets out certain basic requirements which a State plan for aid to the blind must meet in order to be approved by the Social Security Board.

Section 701 (a) amends clause (5) so as to make it clear that the methods of administration of the State plan must be proper as well as efficient.

Section 701 (b) adds a new clause, numbered (8), which is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming aid to the blind. It also adds a new clause, numbered (9), effective July 1, 1941, which requires that the State plan must 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. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO THE BLIND

Section 702: This section amends section 1003 of the Social Security Act.

Subsection (a) of section 1003 is amended so that its provisions will conform with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to needy individuals who are blind.

Subsection (b) (2) is amended so as to provide that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan.

A proviso eliminates from consideration for the purpose of determining the amount of the offset any amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State for the funeral expenses of such deceased recipient, in accordance with the State public-assistance

law upon which the plan is based. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act.

Section 703: This section amends section 1006 so as to conform its provisions with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to blind individuals who are needy.

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

DEFINITION OF EMPLOYEE AND OF EMPLOYER

Section 801: Subsection (a) amends the definition of "State" contained in section 1101 (a) of the Social Security Act so as to include Puerto Rico for the purposes of titles V and VI of such act.

Subsection (b) amends paragraph (6) of such section 1101 (a) by inserting two new definitions which are applicable to title II of the act.

Identical definitions appear in the amendments to section 1426 of the Federal Insurance Contributions Act.

The amendments to the definition of employee relate to salesmen. In some instances where remuneration is by way of commission and the services are performed away from the place of business of the person for whom they are performed, the individual performing the services is held to be an employee, while in others he is held not to be an employee.

A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied. In certain cases even the most liberal view as to the existence of the employer-employee relationship will fall short of covering individuals who should be covered, for example, certain classes of salesmen.

In the case of salesmen, it is thought desirable to extend coverage even where all of the usual elements of the employer-employee relationship are wholly lacking and where accordingly even under the liberal application of the law the court would not ordinarily find the existence of the master-and-servant relationship.

It is the intention of this amendment to set up specific standards so that individuals performing services as salesmen may be uniformly covered without the necessity of applying any of the usual tests as to the relationship of employer and employee.

A salesman in business as a broker or factor is excluded if the services are performed as part of such business, and, in furtherance of such business, similar services are performed for other persons and one or more employees of such salesman perform a substantial part of such services; and an individual whose services as a salesman are casual services, not in the course of such individual's principal trade, business, or occupation, is not included in the definition. This definition is not intended to affect the employer-employee status of a salesman and the employee of such salesman. Thus, the business chauffeur who has been an employee of a salesman will remain solely the employee of such salesman.

The definition of employer is to follow the definition of employee. It is for the purpose of making clear that the extension of the broadened employee concept also broadens the employer concept. Thus, where a salesman is held to be an employee, the person for whom the salesman performs the services is the employer. For example, an insurance solicitor who executes a contract with an insurance company under which he performs services as a salesman would be the employee of the insurance company and not the general agent of the company.

PENALTY SECTIONS

Section 802: This section amends title XI of the Social Security Act by adding the following two sections:

Disclosure of information in possession of Board.

Section 1106: This section prohibits the disclosure, except pursuant to Board regulations, of any returns or statements filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act, or regulations thereunder, which have been transmitted by the Commissioner to the Board. The prohibition against disclosure, except pursuant to Board regulations, also extends to any file, record, report, paper, or information obtained by the Board or any of its officers or employees in the course of official duties, and any such material obtained by any person from the Board or any of its officers or employees. Violation of the prohibition is punishable as a misdemeanor.

Penalty for fraud and misuse of Board's name

Section 1107 (a) provides that anyone who makes any false representation, with intent to defraud any person, knowing the representation to be false, concerning the requirements of this act, or the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, shall be guilty of a misdemeanor.

Section 1107 (b) provides that anyone who, with intent to obtain information as to the date of birth, employment, wages, or benefits of any individual, falsely represents to the Board that he is such individual or the wife, parent, or child of such individual, or such individual's agent, or the agent of such wife, parent, or child, or falsely represents to any person that he is an employee or agent of the United States, shall be guilty of a misdemeanor.

TITLE IX—MISCELLANEOUS PROVISIONS

Section 901: This section makes clear that the amendment of title III of the Social Security Act and section 1603 of the Internal Revenue Code shall not be construed to amend or alter those provisions of the Railroad Unemployment Insurance Act which provide limited exceptions to the provisions of section 303 (a) (4) and (5) of the Social Security Act and 1603 (a) (3) and (4) of the Internal Revenue Code.

Section 902: Subsections (a), (b), (c), and (d) substantially liberalize the conditions of allowance of credit against the Federal unemployment tax imposed by title IX of the Social Security Act for the years 1936, 1937, and 1938. Your committee recognizes that the periodical granting of relief after the close of the taxable year affected would destroy the effectiveness of the conditions of allowance of the credit provided in permanent law and would prove costly in that it would call for the reopening and reconsideration of cases previously closed, the adjustment of claims, the abatement of assessments, and the payment of refunds. However, the need should not arise in the future for granting relief of the type provided in the present section, since substantial liberalization for 1939 and subsequent years is provided in section 609 of the bill, amending section 1601 (a) of the Internal Revenue Code.

Subsection (a) provides for the allowance of credit against the tax for 1936, 1937, or 1938, for contributions paid to the State for such year before the sixtieth day after the date of enactment of this act. Under section 810 of the Revenue Act of 1938 taxpayers were allowed credit against the tax for 1936 for contributions paid before July 27, 1938. Since a few taxpayers did not take advantage of that relief provision, it is felt desirable to include credit against the tax for 1936 in the present provisions. Thus, the same final date for paying contributions to the State, in order to secure credit against the tax—namely, the fifty-ninth day after the date of enactment of this act—is provided for the tax for each of the 3 past years during which the tax has been in effect.

Under clause (2) of subsection (a) credit is allowable for contributions paid on or after the sixtieth day after the date of enactment of this act with respect to wages paid after the fortieth day after such date of enactment. This is designed to permit credit in cases in which, because the "wages payable" basis of the tax for the years 1936, 1937, and 1938 is still retained, credit would otherwise be lost since some wages are still being paid with respect to those years, and it may not be possible to estimate the amount thereof or the amount thereof may have been underestimated.

Clause (3) of subsection (a) permits credit for contributions paid to the State, without regard to the date of payment, if the assets of the taxpayer are in the custody or control of a fiduciary appointed by, or under the control of, a court of competent jurisdiction at any time during the 59-day period following the date of enactment.

Subsection (b) of this section makes the same provision with respect to the taxable years 1936, 1937, and 1938 as are made in section 1601 (a) (4) of the Internal Revenue Code, as amended, for the taxable year 1939 and thereafter for cases in which the taxpayer pays his contributions to the wrong State. (See sec. 609, supra.)

Subsection (c) preserves the definitions of section 907 of the Social Security Act, the 90-percent maximum credit against the Federal tax, and other provisions of title IX of the Social Security Act, essential to the operation of the relief provisions in subsections (a), (b), and (h) of this section for the taxable years 1936, 1937, and 1938.

Subsection (d) provides for refund of any tax (including penalties and interest) which has been collected but with respect to which credit is allowable under this section. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Subsection (e) of this section is designed to permit credit against the tax for the years 1940, 1941, and 1942 if in those years wages are paid for services rendered after December 31, 1938, but during a year prior to that in which payment occurs, and contributions with respect to such wages have not been credited against the tax for any prior taxable year. This provision relieves cases of hardship which might arise by reason of the change in the basis of the Federal tax from "wages payable" to "wages paid." (See sec. 608, supra.)

Subsection (f) is designed to make retroactive to the date of enactment of the Social Security Act the exemptions from Federal insurance and unemployment compensation coverage contained, respectively, in amended sections 209 (b) (11) and (12) of the Social Security Act and amended sections 1426 (b) (11) and (12) and 1607 (c) (11) and (12) of the Internal Revenue Code of service in the employ of foreign governments and certain of their instrumentalities. If any tax (including interest and penalties) has been collected with respect to service thus exempt, it is to be refunded, without allowance of interest, in accordance with the provisions of law (including statutes of limitations) applicable in the case of erroneous or illegal collection of the tax.

Subsection (g) provides that no lump-sum payments shall be made under the provisions of section 204 of the Social Security Act after the date of the enactment of this bill, except to the estate of an individual who dies prior to January 1, 1940.

Subsection (h) grants relief to taxpayers as well as States in cases in which the highest court of a State has held contributions paid under the State law with respect to the taxable years 1936 or 1937 not to have been required payments under the State law. For example, certain States enacted their unemployment-compensation laws during the latter portion of 1936, levying contributions thereunder retroactively with respect to services performed on and after January 1 of that year. State taxpayers in good faith paid such contributions and claimed and received credit therefor against their Federal tax. If sometime later the retroactive imposition of such contributions is held by the highest court of such State to have been invalid, such taxpayers may be entitled to refunds under the State law, but by virtue of that fact such taxpayers also become liable for the full Federal tax with respect to such year.

Under this subsection so much of any such payments as are not refunded to the taxpayer may be credited against the tax imposed by section 901 of the Social Security Act for the calendar year 1936 or 1937. Moreover, if, in the example cited, the State had paid benefits with respect to unemployment occurring during 1938, this section safeguards the status of the State law under section 903 of the Social Security Act by providing that so much of such payments as are not returned to the taxpayer shall be considered "contributions" for the purposes of that section. This section also postpones the periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code in the case of the tax for 1936 or 1937 of any such taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

Section 903: This section amends section 1430 of the Internal Revenue Code by striking out the reference therein to section 3762 of the code and inserting in lieu thereof a reference to section 3661. The change merely corrects a typographical error made in section 1430 when the code was enacted.

Mr. COLMER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute to make an announcement.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

MEETING JUNE 8 ON LIBERALIZATION OF SOCIAL SECURITY ACT

Mr. COLMER. Mr. Speaker, there will be a meeting in the House caucus room tomorrow morning at 10:30 of those Members of Congress who are interested in the liberalization of the present social-security bill with reference to pensions for the aged.

In this connection I call attention to my remarks of yesterday, which appear on pages 6683–6685 of the RECORD. This whole subject will be discussed at this meeting tomorrow, and we hope all who are interested in this most vital question will be present.

Mr. FISH. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. FISH. Are the Republicans invited; are the minority Members invited?

Mr. COLMER. Certainly.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. COLLINS. Mr. Speaker, I ask unanimous consent to extend my remarks upon one phase of the pending social-security bill and to insert in the RECORD a very comprehensive letter from an insurance man from my State.

The SPEAKER. Is there objection?

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD at this point and to include a brief amendment which I intend to offer to the social-security bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, the House will have under consideration again tomorrow the Social Security Act and bill H. R. 6635, which makes amendments to that act.

I shall offer two amendments to that bill. The first of these will be offered in line 20 of page 2, after the word "assistance." At that point is found a provision regarding the method to be employed by State agencies in determining need. My amendment will add the following language:

And (the State agency shall) consider reasonable proof that the annual income of any such person (claiming old-age assistance) is less than $360 as prima facie evidence of need.

The purpose of this amendment is obvious. It is to get away, to some degree at least, from the present system, in effect in every State so far as I know, whereby it is necessary for a person to practically prove himself a pauper in order to qualify for any assistance at all. Under this amendment, for example, a county could not require an aged person to sign away title to his little home in order to qualify for a few dollars a month assistance.

The second amendment which I shall offer will come on page 97, after line 5. This amendment will insert a new section—section 704—in the bill to read as follows:

Title X of the Social Security Act, as amended, is amended by inserting after the word "blind", wherever it occurs in such title, the following: "or persons physically disabled to such a degree as to be unable to engage in a gainful occupation."

The principle contained in this amendment is, I think, plain. Why should we provide social security for one type of disability only and not for others which, though perhaps less dramatic, may render an individual quite as helpless as though he were blind? This, however, is what we are doing now. My amendment seeks to correct that situation.

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein certain letters and telegrams received by me and referred to in my remarks today.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOLMES. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the national old-age pension plan.

The SPEAKER. Is there objection?

There was no objection.

ORDER OF BUSINESS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. MARTIN]?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, may I ask the majority leader concerning the program for the week and when we will get to a vote on the social-security bill?

Mr. RAYBURN. It is the intention and the determination to complete the social-security bill this week, including a final vote, whether that be Friday or Saturday.

Mr. MARTIN of Massachusetts. That means we will be in session on Saturday, if necessary, to get to a final vote?

Mr. RAYBURN. Yes.

Mr. MARTIN of Massachusetts. How long is it intended to run today?

Mr. RAYBURN. We hope to complete general debate. I do not think there are enough Members of the House who will be called away to affect a quorum. I believe a sufficient number of Members will be here to maintain a quorum in order to complete general debate.

Mr. MARTIN of Massachusetts. So far as the Republicans are concerned, so very few of them have been invited that we cannot keep a quorum from being present, so far as this side is concerned.

[Here the gavel fell.]

OLD-AGE BENEFIT PENSIONS

Mr. THILL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. THILL. Mr. Speaker, old-age benefit pensions of $60 a month should be paid to the needy aged of our country. The Townsend bill (H. R. 6466), according to the estimates of social-security experts, would have provided only $31 a month for the aged. Dr. Townsend himself felt that only $50 a month for the old people would be realized under his latest plan.

I propose that an increase in grants for old-age assistance be given by the Federal Government which will provide payments to the needy aged up to $60 per month. The Federal Government will, in accordance with the law, reimburse the States for 50 percent of their assistance payments to the needy aged. It is estimated by the Social Security Administration that the cost of increasing old-age benefit payments from $30 a month to $40 a month will be about $5,000,000 to $10,000,000 per year, depending upon the extent to which the States take advantage of the new proposal. In proportion the cost of increasing the payments from $30 a month to $60 a month will be about $15,000,000 to $30,000,000 a year.

In my estimation something must be done at once to keep our old people in some degree of comfort with needed food, clothing, and shelter. This Congress has appropriated billions of dollars, much of it having been squandered in unnecessary projects. I would much rather urge the appropriation of $30,000,000 to provide pensions of $60 a month to the aged needy than spend $100,000,000 for a battleship. [Applause.]

EXTENSION OF REMARKS

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to insert at this point in the RECORD a letter addressed by myself to a constituent in connection with the Townsend vote and my views on social-security liberalization.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

The letter is as follows:

JUNE 2, 1939.

Mr. P. V. WATSON,
Townsend Club No. 1, Keyser, W. Va.

MY DEAR MR. WATSON: Replying to your day letter of May 31, let me say that the Townsend bill was defeated in the House today by a vote of 97 to 302. I am sorry to say that I could not conscientiously support this legislation.

I feel that there should be a liberalized pension with increased amounts being paid by both Federal and State Governments. I feel that the age limit should be lowered from 65 to 60. When I voted for the Social Security Act I realized that it was only a beginning in our efforts to bring about aid to the aged, assistance to the unemployed, and benefits to the crippled and blind.

The Ways and Means Committee of the House has been holding extensive hearings on this subject and I understand that liberalized amendments to this act will be brought before the House for action next week.

You may be sure these amendments will receive my active cooperation and support.

Very sincerely yours,

JENNINGS RANDOLPH.

AMENDMENT OF THE SOCIAL SECURITY ACT

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6635) to amend the Social Security 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 further consideration of the bill H. R. 6635, with Mr. WARREN in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, this bill has a great deal of merit. If properly amended it will be the means of alleviating a good share of the distress in this country. I have always been, and still am, committed to the principles of the Townsend bill. I think I have always understood the objectives which Dr. Townsend has in mind in his efforts to enact that program into law.

The purpose of the Townsend program is so much more far-reaching than this act, that there is in fact but little similarity. The Townsend program was one of national recovery—it was not limited to aid to the old people of this country, but was designed to put enough purchasing power down at the grass roots of this Nation to revive business in every section of it, and automatically bring jobs to the millions now in idleness. A great number of Congressmen never considered the national recovery feature of the Townsend program. Without the building up of purchasing power in the hands of the millions who want and cannot satisfy those wants, I for one, fail to see where our recovery can possibly take place.

In this act we have before us a mere program of relief. Whether we amend the present law or whether we do not, the old people of this country have presented to them a mere program of relief. We can either take care of them through this so-called pension act, or we can take care of them under general relief—we must take care of them.

While this act is not a recovery act in any sense, we can at least make it a humanitarian relief measure and take it out of the class of a miserable starving dole as the law operates today.

Experience with the present social security law has established some facts which should guide us in our present deliberations.

First. That the amounts paid to the aged have been so inadequate that there has, in fact, been no pension at all, but merely a dole.

Second. The law has not been operated as a decent dole, for a dole is a gift and no gifts were made to the aged under this law if they possessed any tangible piece of property. If an old couple, an old man, or an old lady possessed what they called their home—some instances the actual value was not over $200, no benefits could be received under this law until the property was deeded over to the State administration.

Many cases have come under my personal observation where an old couple had, through the years, saved enough to possess a modest home, not exceeding in value $2,000, but while possessing the home, they were destitute of everything else. I found that a man can starve in his own home as easily as anywhere else if he has no food. I found a man can freeze to death in his own home in North Dakota if he cannot obtain fuel to burn. A man can get as ragged in his own home as he can anywhere if he has nothing with which to make clothes.

Still this was their home—home means a lot to most people. Eugene Field says, "It takes a heap of living in a house to make it home." Why should we pass a law that will permit any State in distributing Federal funds, to exact a deed to any home of people found to be in need of help? Leave these little homes alone. Leave what little property they have alone—let us put this program on a higher plane than that of a beggar's mite.

Third. We have failed to offer any direct Government assistance to any old person. We have offered aid if and when the State is willing to match funds. Some States could not match funds to any adequate extent and for that reason the aged have been without aid. We should not put our stamp of approval on a bill to be known as a bill passed by the Congress of the United States and make it contingent on what some State is willing to do. If this is national aid it should be distributed that way. I have no objection to having a State pass upon the qualification of an applicant, but when certified by the State as a proper applicant the Federal funds should go direct to that individual regardless of what a State is willing or wants to do. In my judgment the Federal payment should be equal to all persons in the United States and Territories and should carry a minimum payment of $20 per month.

Fourth. The States can then take up the work from that point and finish up the job. The people of North Dakota have been hard hit in the last few years—more devastating interference with normal crop production than any State in the Union, and this has been continuous for 9 years, but North Dakota can finish out the payments to the aged if we will authorize a minimum payment of $20, and a special election is being called now in North Dakota to pass upon $40 per month. This would mean that North Dakota, herself, will have to raise $20 per month if we pass this minimum Federal allowance of $20 per month.

Fifth. Geography is not material when distress is abroad. Old people have been shunted around among relatives here and there and because of that they have found that in most cases they could not receive any aid payments, because they were not domiciled when the applications were made. They would have to continuously reside in Pedunk, Posey County, Whippole Township, Ind., if they received any aid from Indiana and this Government. Federal payments, too, should be made to any citizen of the United States who is qualified to receive aid regardless of where he is domiciled. We cannot say what the States will do, because we cannot legislate for them, but we can say that it is immaterial to the Government where the citizen resides.

If any general recovery to the business of the country is to come from this act, it will come exactly in proportion to the amount of money spread out as buying power among the people who will buy. If Members feel that a minimum payment of $20 is too much, just remember two things: A. If matched by the States, the entire amount would be $40. and I ask you if you think there is any more in this combined allowance than to sustain life. There can be no purchases made of clothing, medical attention, proper housing, and other necessary things to sustain an American standard of living. Even if you believe there will be more than enough to sustain a slender thread of life, remember that anything spent in excess of this will go directly into the purchasing power of the Nation which now does not exist.

As I stated in the beginning, this is not a recovery program—it is a relief program and therefore let us make the provisions of it liberal enough to take care of the aged of the United States out of the category of an abject and starving dole.

I, for one, do not expect this bill to approach the benefits to all of the people, as would have been the case in the Townsend program, but we could not pass the Townsend recovery program—too many Congressmen could not see in it the recovery of the Nation—they hung onto the proposition that the aged could live on less than a maximum of $200 per month and deliberately ignored the recovery features of the bill; too many other Congressmen betrayed the voters of their districts. When candidates have pledged themselves to support the voters in what the voters want, and having received their votes and having been elected, I say it is outright deception to come into this body and take the opposite stand. Such conduct destroys the people's confidence in representative government. I can find no objection to a Representative who opposed the Townsend bill in the open, giving the people of his district the opportunity to know what he would do if elected. When such a Representative voted "no" on the bill, he carried out honestly the philosophy he believed in, and his action did not shake public confidence in Congress. But where candidates appeared before audiences and promised faithfully to aid in this program, and then, at the crucial time, deserted that cause, I say such action is reprehensible. Where candidates wrote letters and signed them pledging their support to the Townsend recovery program, and by so doing received the Townsend support, and were accordingly elected, their duty was plain. To then desert the people upon the first roll call can have no other effect than to weaken the confidence of millions in representative government.

On this bill, cannot we all agree that we owe a duty to the aged of this country to treat them better than paupers and beggars? If reelection is what most of you want, can you be defeated on the issue of taking a determined stand to help the aged of the United States? If that is the only issue, your position will be as strong as the concrete at Gibraltar—even the most conservative men who believe we should balance the Budget and let the people starve, cannot work up ccurage enough to attack you on that position. Let us think this bill through; forget our political affiliations and do a worthy thing to protect those who have made this Nation great and who have made it possible for us to sit here in judgment over the destinies of 130,000,000 people. Let us today restore confidence in representative government. Let us liberalize this bill and make it workable; let us say to our fathers and mothers for the short span of years they are to remain on earth, they shall not be haunted by the black vulture of want, hunger, and rags; that they shall not be driven "over the hill to the poor house," but they shall remain at home under the protecting care of the great Government which they built and which we mean to perpetuate. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 3 minutes to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Chairman, it is my desire to direct the attention of the House to the amendment of title 1 of the Social Security Act. On page 2, line 17, of the printed bill you will find a subsection (7) which reads as follows:

(7) Effective July 1, 1941, provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance, and

This language is substituted for the following, which is in the act at the present time:

And (7) provide that if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title.

Actually, under this provision of the present law, the Treasurer has collected only $921,172.85 from the effective date of the bill up to April 30, 1939. It seems to me that the present law is based on the sound principle that in those rather isolated instances where the State actually collects funds as a reimbursement for expenditures made by it, no matter how small, that the Federal Government should share on in the same ratio as it shares in the disbursements. Certainly, one cannot find fault with this principle, and I can see no need for its repeal. However, as a practical matter, the collections under this provision are so small as to be almost meaningless. I therefore feel that we need not be disturbed at the removal of this section from the present law.

The implications contained in the language of the new section (7) are, however, a matter of grave concern to those of us who have heretofore witnessed the disruption of State pension plans by the administrative regulations of the Social Security Board. This section is new to the Federal act, but it involves a problem that is far from new in my home State.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. POAGE. Certainly.

Mr. COOPER. I think I am correct in advising the gentleman that an entirely different matter was in mind with respect to this provision. The gentleman would not take the position, I am sure, that a person should receive old-age assistance or an old-age pension if he is also eligible for and is receiving an old-age annuity under title II.

Mr. POAGE. Certainly not.

Mr. COOPER. Under the present title II old-age annuities do not go into effect until 1942, but under this bill title II benefits or old-age annuities go into effect in 1940. Therefore if a person is receiving title II benefits, or old-age annuities, that certainly should be considered by the State agency before they should be granted an old-age pension or old-age assistance under title I.

Mr. POAGE. I quite agree with the gentleman as to the desirability of that procedure, and I did not know the reason for placing it in here, and I appreciate the gentleman's explanation, because I think it is perfectly sound; but I do think that a limitation intended to meet the situation described by the gentleman should have a limitation in it to provide that the "other income" referred to should not be from a Government annuity or from any other form of public aid. In other words, I agree that we should not pay two pensions to the same individual. But, as I understand this provision as it is now written, it would open up in every State in the Union a thing that in my State has been the greatest source of trouble since we have had an old-age assistance law, and that is the matter commonly referred to in Texas as "child support."

Mr. Chairman, in 1935 I was a member of the Texas Senate. Our legislature was called into extraordinary ses-

sion for the purpose of writing a State old-age assistance law in conformity with the Federal Social Security Act. At that time the entire subject of old-age assistance was new and we were working without the benefit of much experience to guide us. The bill brought out by a committee of that body and considered by the State senate at that time contained a provision expressly authorizing the authorities in determining the need of an applicant, to take into consideration the ability and willingness of the component members of the applicant's immediate family to contribute to his support. At that time I entertained the fear that this language would be used as a basis for denying aid to our old people on the ground that—not they, but someone else, albeit a child—possessed some property or income; and at that time I offered an amendment to that State legislation to strike this provision from the bill. The law under which the Texas old-age assistance program was developed contained no reference to the ability of children to support an applicant, but this item soon became the chief object of the case workers' investigations. The only basis for or justification of this procedure has arisen from the interpretation of the requirement that the applicant be in "necessitous circumstances." We thought that under this act the State would be the judge of the need of an applicant, but we were to soon find that our own ideas of need had little to do with the actual administration of the program. Ostensibly in the hands of local people our program has been controlled by the interpretations and investigations of the "approved" social service consultants which the Social Security Board has forced upon us. And these people have in almost every case taken the unreasonable attitude that no matter how destitute an old person or an old couple might be, that their evident need was no basis of certification to the pension rolls if perchance any child made even a small contribution to their support.

The situation became so bad and the abuse so flagrant that removal of the so-called child support requirements from our law became the outstanding and overshadowing political issue in my State. I say it became a political issue. Really it became the political theme song of every campaign. No one opposed it, at least not in the open—everyone favored the change. A frenzy of righteous resentment swept the State. Of course, demagogues took advantage of the feelings of the people and promised every conceivable benefit no matter how fantastic. Agitators went up and down the State telling the needy old people that by joining certain organizations or by voting for certain candidates that everyone would be given altogether unattainable retirement pensions—and often the promise was coupled with the even more impossible promise that the payments would be made without any increase in taxes. There was some rivalry as to who would promise the most for the least, but there has been, and is no substantial disagreement in my State that the old people should be given aid, within the limits of the ability of society to pay the bill, wherever they are without means or income of their own to support themselves. Our legislature has been in session since the first of January. It has been unable to agree on many things. It has never been able to muster a majority of both its houses for a proposal to adequately tax the great natural resources of our State, but it has agreed that it should proclaim in unambiguous terms the determination of the people of Texas to grant aid to all the needy aged regardless of the status of the applicant's children. Such a bill has passed the Texas Legislature and was just last week signed by our Governor.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. COOPER. Mr. Chairman, will the gentleman yield further?

Mr. POAGE. Surely.

Mr. COOPER. After all, the gentleman will bear in mind that this is a State-administered program so far as old-age assistance is concerned and whatever the State wants to provide along that line is entirely a matter for the State.

Mr. POAGE. It should be.

Mr. COOPER. The Federal Government simply says to the State, "You work out your program as you think the people of your State ought to have it and we will match dollar for dollar what you do for your people up to not exceeding $15 a month." That is the present law.

Mr. POAGE. And should be the law from now on out, but I do not understand that this provision leaves the law in that way, nor am I so sure that that is the practical working of this law at this time. That is the letter of the law and it should be administered in that spirit. I think the gentleman is exactly correct in saying the State should have the same power in the future that it has theoretically had in the past, and that is what I hope they will have, but as I understand this very provision it enables the Social Security Board to, and they undoubtedly would through their regulations, go into the States and compel the States to adopt their interpretation or else lose the Federal contribution, and therefore it does not leave it within the hands of the State. I am just as anxious about that as the gentleman from Tennessee, and my purpose on this floor is to see that the State has the opportunity to determine within its borders who shall be the recipients of old-age assistance, and where the State is putting up its proportion of the money, it certainly should have that right. Of course, if we were dealing with a pension paid entirely by the Federal Government there would be justification for the control of all details of the pension by the Federal Government. In fact, I have been working on a pension bill for months, and I have about come to the conclusion that we will be forced to finally abandon our present dual system and recognize that the Federal Government must assume the full burden. When this is done, control of the system should pass with its burden.

But even if we were considering a pension system fully supported by the Federal Government I should still fear this new section 7 as it is drawn. I fear that it will be used at a future date to work an injustice on the old people of the United States. Let us not repeat and multiply by 48 the mistakes of the Texas pension law. Let us rather profit by the experience of the past. Let us strike out of this bill anything that might at a later date be used as a basis of unfair discrimination.

I have prepared an amendment to strike out the words "and resources" with the idea that unless these words are deleted they will at some future time be interpreted as including more than the personal income and property of the applicant himself and will be tortured into a warrant to deny some needy old person the aid to which he is entitled and which I want him to get. I find, however, that there are a number of other Members who have prepared similar amendments, and doubtless in view of the statement of the able gentleman from Tennessee [Mr. COOPER] as to the purpose of the committee in insisting on this subsection, it may be desirable for several of those interested in the clarification of this item to get together and support one amendment combining the ideas of several individuals. This I shall be glad to do just as I was glad this morning to join with the gentleman from Mississippi [Mr. COLMER] and with many other members who had amendments of their own to broaden the base of Federal participation in pension funds, and to unite our efforts behind one amendment for this purpose. I believe that the Federal Government should contribute a larger share of the money spent for old-age assistance, at least up to a reasonable figure. Probably the percentage of Federal grant or contribution should be graduated with a smaller percent granted where the payments per individual are greater. I believe that any additional aid that the Federal Government can extend to the States in this matter should come at the bottom through a grant of a larger part of the total cost so that more people might go on the rolls, and so those now on the roll but who are getting the smallest payments could have their payments raised, rather than at the top by granting a State more money so that it could increase its higher bracket of payments from $30 to $40 per month. Such an increase will not reach

those drawing the average or less than average payments—the very people who need help most. I had therefore prepared an amendment to give this aid to the States for use in helping those at the bottom. I find, however, that Members who have had more experience in Congress than I have already prepared similar amendments. I therefore expect to go along with them rather than to insist on my own amendment. What I want is to get results. I know that we will be more likely to get the desired results if we all work together in support of one amendment than if each of us insists on his own special amendment. I shall therefore follow this policy both as to subsection (7) and as to the percentage of Federal grant. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Nebraska [Mr. STEFAN].

Mr. STEFAN. Mr. Chairman, I take this opportunity to propound one or two questions to the chairman of the committee. On page 17 of the report at the bottom of the page the following appears:

> In order to eliminate the nuisance of inconsequential tax payments, the bill excludes certain services performed for fraternal benefit societies and other nonprofit institutions exempt from income tax.

I have received many letters from small community clubs, chambers of commerce, whose officers are not paid a salary or any kind of a stipend whatsoever, in respect to this statement. I am wondering if the chairman could tell me if this statement I have just read where it refers to the other nonprofit institutions takes care of those chambers of commerce?

Mr. COOPER. Mr. Chairman, I think I can say to the gentleman that that situation is taken care of. I do not think the gentleman or anyone else could have been any more anxious or determined to take care of that very situation than those of us on the committee. We certainly devoted as much time and attention to that as any other one thing, and it is our assurance and our understanding that that situation is taken care of.

Mr. STEFAN. I am glad the gentleman assures me of that fact, because I had intended to offer two amendments to take care of some of those nonprofit institutions.

Mr. COOPER. I think if the gentleman will carefully examine the language on page 38 of the bill he will find that that situation is taken care of.

Mr. STEFAN. One other question. I have been asked by many people in my district, old people, as to an insurance policy and owning their own homes. Are they eliminated from the benefits of the old-age pensions provided in this particular bill, or is that a question that is entirely up to the States? Do the States have the entire responsibility, and is it for the States to make the rules and regulations?

Mr. COOPER. That is a matter that is entirely up to the States.

Mr. STEFAN. I am also assured, am I not, that we have increased the child care benefits?

Mr. COOPER. In aid to dependent children under existing law the Federal Government puts up one-third.

Mr. STEFAN. And we have increased that to 50 percent?

Mr. COOPER. The Federal Government, under existing law, makes a grant to the States of one-third. This bill increases that grant from one-third to one-half.

Mr. STEFAN. I am very glad to hear that. My own people in my State are very grateful that the committee has seen fit to increase that child welfare to 50 percent instead of one-third.

Mr. Chairman, I wish to thank members of the Ways and Means Committee for assuring me that these amendments take care of the matters over which so many people in my district have registered concern. The officers of the Fremont and Columbus Chambers of Commerce, who have suggested the amendments which I proposed to offer, can now be assured that these amendments are not necessary and that the officers who receive no salary in these nonprofit organizations do not come under the provisions of this act.

I am also assured here that the one-third Federal aid for child welfare has been increased to one-half. This will mean an increase of from $21,304 to $32,844 for my State of Nebraska, and I am sure, Mr. Chairman, that the officers of the Nebraska Legion Auxiliary groups who have written and telegraphed me will be cheered by that news. I hope that we can retain this amendment in the bill notwithstanding some of the opposition which now prevails. The child welfare work which has been done in my State is as important as the vocational rehabilitation work which I note is given an increased amount in this bill. I urge Members to retain the increases in both of these items.

Regarding the increased Federal aid for the aged I will state, Mr. Chairman, that I hope this will result in giving many of the old people in my district some increases in their pensions and also allow many others to secure some assistance. There are many old people in my district who today are not receiving old-age benefits, and I am hopeful that this increase will make it possible for those in charge of this work in my State to bring these needy old people into the old-age benefit column. I know there are States who do not match the Federal old-age funds. This bill provides that the Federal Government will match dollar for dollar up to $20 old-age benefit payments. This would mean that if the State of Nebraska matched the $20 offered by the Federal Government, it would be possible for our needy old people to receive at least $40 per month. That is, of course, if all of the needy old people in my State could be taken into the program and if sufficient funds could be raised in my State. At the present time my State does not match dollar for dollar our Federal contribution with the result that our needy old people do not receive a very large monthly pension. If this bill will in any way improve the amount paid to our old people and take in others who are in immediate need, I will gladly support it. The reason I propounded several questions regarding the various rules and regulations regarding payment of old-age pensions under the provisions of this act, Mr. Chairman, is because my personal knowledge is that many people in my State cannot qualify under existing regulations. I am told that the committee is not opposed to paying old-age pensions under this act to old people who own a little home or who have some life insurance or just a little of these wordly goods. But those in charge of this bill indicate that they have no control over these State rules and regulations and that these rules and regulations must be the responsibility of the various States. In some States, we are told here, the Federal old-age funds are matched dollar for dollar and in some States the rules and regulations are not so strict as they are in my State of Nebraska. So we can do nothing here, Mr. Chairman, regarding less strict rules and regulations no matter how we personally feel about it. We can, however, indicate that Congress feels that more leniency could be carried out in the States.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentleman from Connecticut [Mr. MILLER].

Mr. MILLER. Mr. Chairman, this session seems to be one in which we are passing what I feel are deserved bouquets to the Members of the Committee on Ways and Means. I have taken home the three volumes of the hearings held on this bill, and on the other social-security proposals, and I hope to have the opportunity between the adjournment of this session and the convening of the next to thoroughly digest those three volumes. The committee has certainly put in long hours, and they have brought out a bill which I am sure most people will agree will improve the Social Security Act. I was particularly concerned about title 4, the provision relating to dependent children, and I think the committee has inserted a wise provision that will allow dollar-for-dollar matching with the States. After all is said and done, the youngsters today who are from 10 to 15 years of age have suffered a good deal during this period of depression. Many of them have not had an opportunity to live in what we call

normal times, and many of their families have been receiving aid from cities and other agencies throughout their lifetime. It is poor economy to neglect the growing generations.

I think we are all in agreement with the change in the abolishment of the huge reserve fund, adopting a pay-as-you-go policy in connection with social security. That is not only wise, from an actuarial point of view, but it is sound. I used that in the campaign last fall, and I amused myself last evening by reading some clippings from the Connecticut newspapers at that time in which I was told that social security could not be set up on a pay-as-you-go basis. I am glad that we will have the opportunity to disprove that idea.

I have only one serious objection to the bill as reported out by the committee, and possibly the chairman can set my mind at ease on that point.

As I read the report of the committee, the testimony before the committee, and the bill itself, as I interpret it, I fear we are changing the terms of the social-security contract as it relates to single men. These people have been paying a pay-roll tax. They have been assured that in case they die before reaching the age of 65, their beneficiaries would receive a lump-sum payment—a predetermined amount. As I read the bill and the testimony and the report, that amount is being greatly reduced, to a comparatively small sum—six times the monthly payments, as I understand it. Possibly that is absolutely necessary, but if it is not I think it is something we should give serious consideration because such things have a tendency to break down the confidence of our people not only in social-security legislation but in our Government. Are they not liable to say, "Well, why should I be enthusiastic about this? Two years from now, 6 years from now, some other Congress will change their mind, and we will not get a cent out of it." In fact, I heard that in conversation just this morning.

As I say, if it is necessary, if it is a change that must be made, I suppose we must go along, but I hope that the committee can give us some additional information other than that in the report.

Mr. COOPER. Mr. Chairman, would the gentleman care to yield at that point?

Mr. MILLER. Certainly.

Mr. COOPER. The gentleman has raised one of the principal questions involved in the bill. Of course, as indicated by the gentleman's statement, we proceeded along this line under the present act. Now, in order to be able to provide for these additional benefits for the family group—that is, for the widows and children, those who are not provided for under existing law—it is necessary, of course, to have additional funds available for that. In the case of the single person, they still get all of their own benefits that they pay for. All that is done here is that we do appropriate a part of the employer's contribution to make it possible to provide these benefits for dependents, that is, widows and children. We should bear in mind that under the Social Security Act people are buying and paying for old-age insurance. It is not a banking arrangement, whereby they build up benefits for their present needs, but they are buying and paying for old-age insurance, benefits to which they would be entitled when they reach the age of 65, the retirement time.

Mr. MILLER. Let me ask this question right there: Suppose a single man remains single for a period of 15 years and then marries, will his old-age annuity be based on his full period of employment?

Mr. COOPER. Oh, yes; that is true. Then there is one other point, if I may.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. COOPER. Even in this bill that we have before us now the single person still gets vastly more in the way of old-age retirement insurance benefit than he could possibly buy from any insurance company with the same amount of money.

Mr. MILLER. I certainly appreciate that answer, because I think both sides of the aisle want to see social-security legislation perfected, but we do want to know what is in the bill and what the answer to these changes is and what information we can take back to those in our districts who are interested. [Applause.]

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. MILLER. I yield.

Mr. TREADWAY. The last remark the gentleman has made is very illuminating. That is exactly the job, as I see it, of the members of the Ways and Means Committee at the present time, particularly in reading the bill under the 5-minute rule; that is, to endeavor to explain to Members who want to know exactly what the bill contains, although we have elaborated upon it as much as possible in both the majority and minority reports.

Mr. MILLER. I appreciate the information received.

The CHAIRMAN. The time of the gentleman from Connecticut has again expired.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, I shall vote for the bill which is now before us for consideration, because I am convinced it will greatly improve the social-security system of our country.

Because there are so many here who have already spoken upon the advantages that will accrue from the adoption of this bill, I feel that I can well refrain from discussing any of the salutory phases of the measure. It is in respect to the imperfections in the bill I desire to address my remarks. There are plenty to sing its praises.

The bill is far from perfection and it is because of those imperfections that I think there should be some plain speaking upon the floor of the Congress at this time. In my discussion I sincerely hope I do not fall into the practice of using the kind of words that were bandied about so liberally last week when another bill dealing with social security was under consideration, or using words, short and ugly ones; but, indeed, I might do that if I chose, because title II of the Social Security Act is an abomination, a monstrosity, one that should be eliminated from the whole scheme of social security.

In the first place, although it is named "insurance," it is not insurance. In the second place, it draws a line of demarcation between American people—those who shall have benefits and those who shall be denied benefits. It is therefore inequitable, unjust, unfair, and un-American. It provides that only those who are fortunate enough as to have jobs shall have security. Those who are not so fortunate as to have jobs are denied security. Now, I ask you, my colleagues, who is the more in need of security, those who go through life having jobs or those, the more unfortunate, who, though desiring work, can find nothing to do.

So I say it is fundamentally wrong when it endeavors to deal out security only to the more fortunate ones—the ones who are able to obtain employment.

That brings me to a consideration of those that are to have security under the terms of this legislation. Only those who have jobs are to be favored, because only those that have jobs are able to pay pay-roll taxes. Mind you, this is a tax levied upon the poorest, the humblest, and the least able to pay of all of the groups that compose our social structure; and still, by compulsion of law, even though those wages may be pitifully low, the strong arm of government descends upon them, and from them is taken by force a percentage of that which they earn, taken from them by force under the pretense that this money taken from them is going to be thereafter applied as something in the nature of a premium on an insurance policy, an insurance protection they will never get.

Yes, in pious tones they tell them as they forcibly extract these so-called pay-roll taxes from their slim wage envelopes that the money thus accumulated is going to be applied as something in the nature of an insurance-policy premium and that the fund thus developed will be invested for the benefit of the working people, to the end that they in their old age

will be able to draw upon the earnings of that fund for the security which they must have when the time comes when they can no longer, because of advancing age, provide for themselves. I tell you that this pretense is very little less than a fraud, a fraudulent representation made to the American people, because not a nickel of the pay-roll tax money ever goes to any fund actually; on the contrary, it goes right into the General Treasury, from which it is paid out immediately in satisfaction of the ordinary demands upon the Government, the from day-to-day running expenses of the Government.

Yes, the act talks about a security fund; yes, the act talks about investing those funds in special-issue securities of the United States carrying an interest rate that used to be 3 percent; but all that, as the gentleman from New York so aptly described it during the course of the hearings before the Ways and Means Committee, is just a little bit of slippery bookkeeping. Actually every nickel of that pay-roll tax money is taken and immediately spent, not on social security, but in meeting the general operating expenses of the Government; and they tell the workingman, who is forced by compulsion of law to yield up that money, that he is buying security in the nature of insurance. That is a fraud on him, and if it were done by the executives of a private insurance company they would be immediately arrested and charged with embezzlement. It is a misappropriation of funds, nothing less.

But I do not want to leave the impression of criminality. There is nothing criminal about it, because the Social Security Act says that they can do just that very thing. It is therefore a legalized embezzlement, a legalized misappropriation, a legalized misrepresentation of the facts to the workingmen of this country.

How about pay-roll taxes as a system of taxation? Numerous famous economists appeared before the Committee on Ways and Means and testified about pay-roll taxes per se. Dr. Albert G. Hart, of the University of Chicago, had this to say—and I quote:

> I would not have any use for a pay-roll tax as a part of a general revenue system except insofar as it is hitched to social security.

Here is something else he said about pay-roll taxes:

> If you have to raise the volume of your general revenues by a tax, I would say that the worst tax was the pay-roll tax.

The truthfulness of that cannot be questioned.

The pay-roll tax is positively the worst form of taxation that any legislative body has ever been able to devise. This, for the simple reason that it levies upon the poorest, the least able to pay, the humblest, a tax which they, least of all, can ill afford to pay.

Pay-roll taxes cannot be defended on the slim ground mentioned by Dr. Hart, because actually they are not "hitched" to social security at all.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. BOEHNE. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield.

Mr. BOEHNE. The gentleman from California has been denouncing title II of the Social Security Act. I wonder if he would tell us what he would substitute in its place.

Mr. GEARHART. I would repeal title II right now and begin building up title I into a fair and just system—as generous a system as our country can afford.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, my purpose is to speak briefly in reply to the remarks made by the preceding gentleman, not to discuss the other features of the bill which I will probably discuss later in the debate.

The gentleman from California has made some rather extreme statements. The gentleman from California certainly leaves the impression of being one who believes in being sensational. It is remarks like that, of course, that hit the headlines, it is the extravagant statement that hits the headlines. The good men and women who go along through life in the usual and orderly routine of life receive little attention, because that is not news. It is the criminal who is featured in the headlines, and it is the man in public life who makes wild and sensational statements not supported by the facts who hits the headlines.

The gentleman from California, of course, was paired for the Townsend plan.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. GEARHART. I just wondered how I was going to make the headlines today with the King and Queen of England in the city.

Mr. McCORMACK. That is the gentleman's funeral. He certainly tried to hit the headlines. Whether he does or not makes no difference; it is the effort that counts.

The gentleman from California has only reiterated to the membership of the House some similar extreme statements he made during the committee hearings. On that occasion he said it was embezzlement, and ever since that time he has been apologizing, trying to get out from under because he said it was embezzlement. Now he says it is legalized embezzlement. The gentleman from California was paired for the Townsend plan. I assume had he been here he wou'd have voted for it.

Of course, I can understand the gentleman's predicament. He is trying to justify that vote.

Let us analyze briefly what he wants to do. He advocates striking out title II. Well, if we strike that out we strike out all payments from 1940 to 1942. If we strike that out, it means nobody under the contributory annuity provisions will get an annuity until 1942; then the average annuity payment will be about $17.50 per person per month throughout the country, while noncontributory pensions throughout the country are now averaging over $19 per month.

The gentleman from California talks about distinguishing between groups of American citizens. Why, what greater distinction or what greater disparagement could he get than to put into operation a plan where men and women would pay their pay-roll taxes and when they arrived at the age when they would be entitled to annuity receive on an average only $17.50 a month and then have persons receive out of public funds—some group of aged persons, noncontributory annuitants—over $19 per month on an average throughout the United States?

Mr. Chairman, this bill aims to meet just that situation. The New York Times, which is a very fair newspaper, although somewhat critical of the present administration, and generally constructively so, this morning came out wholeheartedly for this particular title of the bill. The editorial of the New York Times is critical in respect to some other features of the bill but it absolutely comes out in favor of this particular provision, section, or title of the bill. I may say, incidentally, the Ways and Means Committee was practically unanimous in reporting out the title of the bill that my friend attacks.

The gentleman talks about the special fund. Of course, I can appreciate his position. It is politics. All right, but there is some limit to politics so far as some statements are concerned. What are the facts? May I state them just as simply as I can, without regard to how one might vote, but simply in an appeal to reason? Here is the situation: The pay-roll tax at the present time imposed on the contributory annuity provisions of the law is 1 percent on the employer and 1 percent on the employee. When collected, it goes into the Treasury.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. McCORMACK. Mr. Chairman, this money is put into the Treasury. It cannot be paid into a special fund directly because of a constitutional question. You all know the story about that. We had to separate the taxing provisions from

the provisions relating to the payment of annuities, eligibility, and so forth. This money, as I stated, is paid into the Treasury. We appropriate that money each year into a special fund. What are you going to do—let that money lie idle? Yet, if you follow the reasoning of the gentleman from California, we would collect the pay-roll tax, bring it into the General Treasury, and the Congress would appropriate it to the Social Security Board or the trustees as set forth in the pending bill. The money would lie idle. Is that common sense?

What do we do? We want to put that money into some kind of safe investment. Certainly you and I would not want the pay-roll tax to be invested in the stocks and bonds of private companies. Therefore we say it should be invested in the securities of the Federal Government. Up to the time this bill was reported out of committee, Congress provided that such funds must earn 3-percent interest.

Of course, you cannot very well get Government bonds paying 3 percent now, particularly in large amounts. You might get a few, but not many. We therefore provided, in order to assure 3-percent interest, that if the Treasury, or, later, the trustees, if the pending bill passes, could not buy bonds on the market at 3 percent, they must issue special obligations bearing 3 percent. Congress said there had to be 3-percent interest. If we cannot get bonds, then we had to provide for the issuance of special obligations. We did the same thing in this case as was done in the case of the retirement fund for Federal employees, except in that case 4 percent was provided. That was recommended by the late Secretary of the Treasury, Andrew W. Mellon, and it was a sound recommendation.

What do we do by this bill? We say that instead of paying 3-percent interest, this special fund or those entrusted with its care shall obtain the average rate of interest, and we provide that they may buy bonds in the market if it is for the best interests of the Government.

Let us analyze that for a moment. Would any man in this House want the trustees of this fund to go out in the market and buy bonds if it would have an adverse effect on the market? Let us say the average rate of interest was 2.6 percent. That is about the average for long-term bonds today. It runs about 2.6 percent as an average. Suppose there were $50,000,000 in this fund and the trustees went out on the market to buy bonds paying the average rate of interest, but as a result of that transaction the market would go up sharply in price. Would it be for the best interests of the Government and other persons who are bondholders to have the Government use these funds in the open market, as a result of which the price of the bonds would be sharply increased? When that is done, and when payments become due, these bonds are sold. In the same way, when money is needed, the special obligations are discharged. The Government pays these special obligations.

The special obligations occupy the same position as a bond purchased in the market. When they need the money they simply call on the Government to pay these special obligations with interest. Suppose they had $30,000,000 worth of bonds and suppose they had to sell them to pay annuity benefits; suppose they dumped them on the market at one time and the price of the bonds would go down sharply as a result of that operation on the part of the Government? Do you think that should be done? I do not, and I do not believe the gentleman from California does either. There is the practical situation.

Mr. KEEFE. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Wisconsin.

Mr. KEEFE. I would like a little information on that point. The gentleman stated that when the trustees needed money with which to meet their obligations or pay annuities, they called upon the Government to pay and the Government pays. When they make the demand on the Government to pay those obligations, I would like to know where the Government ultimately is going to get the money to pay those obligations except by the levy of taxes? If they do have to resort to the levying of taxes, then are not these same contributors, who have contributed to the creation of this fund, going to be taxed again in order to ultimately receive their annuities? That is the question that agitates the people all over the country and I would like to have it earnestly answered.

Mr. McCORMACK. The special obligations are provided for in order to obtain the interest guaranteed, to prevent the Government bond market from fluctuating unreasonably against the interest, the Government, and the people.

When Congress provided that this fund shall earn 3-percent interest, guaranteed by the Government, and if bonds bearing that rate are not obtainable, it necessarily follows, unless the money is to be wholly idle, that some such provision had to be considered and enacted. In addition, it is a curb on governmental activities in its own bond market that would prevent Government bonds from fluctuating in the market in an adverse manner. Of course, when resorted to, indirectly, giving an answer to the gentleman of my own personal views, this constitutes an increase in the bonded indebtedness, but it is a situation provided by law, a situation that cannot be controlled if we are going to guarantee to this fund a stated rate of interest.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 7 additional minutes to the gentleman from Massachusetts.

Mr. McCORMACK. It does constitute an increase to the extent that we resort to special obligations of the bonded indebtedness of the Government. Does that answer the gentleman's inquiry?

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. COOPER. Just to analyze the point of view of the gentleman, which I realize is a point of view that is entertained by many, what is the practical difference between levying the taxes now to provide funds for the Government, with these people having to pay their proportional part, and later levying taxes to provide funds when these people would then just pay their proportional part? Certainly there cannot be any pactical difference.

Mr. KEEFE. If these trustees were empowered as any other similar trustees would be empowered to invest, for instance, in the obligations of the H. O. L. C., obligations which are fully guaranteed by the Government but will be paid out of funds paid to the H. O. L. C. by the citizens of America, then the taxes would not have again to be levied upon those people who contributed to create this fund. That is the point I am trying to bring out.

Mr. McCORMACK. In answer to the gentleman, I have frankly stated my opinion. Congress provides a certain rate of interest. In order to meet that rate of interest under certain circumstances special obligations would be issued. Precedent has been established for this. These obligations occupy the same status as a bond. They are in the same category as a bond.

Mr. KEEFE. I understand that.

Mr. McCORMACK. The characterization of these obligations as I O U's, of course, has no greater strength than if the same characterization were directed against a bond issued by the Government. Insofar as this committee is humanly able, we have provided in the pending bill a separate fund and provided for its administration by trustees, and insofar as we are humanly able we have directed those trustees to go into the open market when it is not inconsistent with the best interest of our Government and purchase bonds. In doing this, I submit to the gentleman from Wisconsin and my colleagues on both sides of the aisles, we are doing everything we can possibly do. My purpose in rising was to briefly answer what I believe to be the unwarranted statements, inconsistent with the facts of the gentleman from California.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, even at the risk of being accused again of cheap politics, I rise to make a little more plain, I hope, just what a legalistic fiction all this is. The gentleman from Massachusetts has carefully explained to you the elaborate method they have of handling these so-called pay-roll taxes. They levy a pay-roll tax and they get the money, and then the slippery bookkeeping begins. They make out I O U's, they appropriate the money from one fund to another, and they say it is invested when it is gone. And where is it? As soon as the Government got this pay-roll tax from the poorest people in this country—those least able to pay it—they immediately spent the money building battleships, paying benefits to people, and spending it on P. W. A. and W. P. A. and upon every other routine activity of the Government. But not a bit of it on social security. When spent, the money is gone, and it is gone forever as soon as it is spent, because there is no necessity for the Government ever to pay it back for the simple reason that the interest on those I O U's furnishes the money which must be raised to care for the maturing demands against the social-security system set up in title II. Since none of the moneys collected as pay-roll taxes will be needed to pay the workers under title II, where will the Government get the money to pay the old-age pensions?

It will get it just the way it gets all the other money it must have, it will borrow it or levy an additional tax. It will levy a tax on the people, all the people, not a part of the people. It will levy a tax on all the people to get the money, the money that is needed to pay the claim against the social-security fund. And when they levy that tax on all the people they catch again the man who has already paid the pay-roll tax. In other words, this ridiculous, unfair, and unjust system is a double system of taxation upon the poorest, and the humblest, the man least able to pay. They divert this money into wrong channels, they misappropriate it, they indulge in legalized embezzlements, and then after they have spent the money on something entirely disassociated with social security they double back and make him pay it again.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Of course, the situation would be dissimilar if the Government were running on a balanced Budget basis.

Mr. GEARHART. That is correct. If we were not indulging in deficit finance, this whole system of monkey business would crash to the ground. When, oh, when, will the people but understand? [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the gentleman from Michigan [Mr. DINGELL.]

Mr. DINGELL. Mr. Chairman, before I proceed with my own discourse I am constrained to make some sort of response to my genial friend from California who found it necessary to make the second explanation of what he intended in the first place to convey to this House. The fact of the matter is—and I hope I may have the attention of my friend from California—the arguments which he put forth on this floor have been exploded so completely and on so many occasions that no one pays any particular attention to such statements. He seems to be the only one left who still persists in baseless quctations.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. In just a moment I will yield.

Mr. GEARHART. I seem to have the attention of the gentleman from Michigan and the gentleman from Massachusetts.

Mr. DINGELL. It seems to me like a sort of reecho of what some short-eared jackass said somewhere, sometime, for political reasons, and my friend drags this back on the floor as though it were something new and important.

It has been exploded, shattered by experts, and it is as dead as the dodo. When Californians talk about battleships, and their elimination as a possible argument against the bill or any of its provisions, I do not think that is very good politics, and I dare say he will probably strike that reference out of his own remarks in the RECORD, because California is constantly shouting for battleships and more battleships, and I am wondering if the gentleman disagrees with the great bulk of his fellow Californians?

Mr. McLEAN. A point of order, Mr. Chairman.

The CHAIRMAN (Mr. PETERSON of Georgia). The gentleman will state it.

Mr. McLEAN. I understand the rule requires that the gentleman shall address himself to the bill.

Mr. DINGELL. I am addressing myself to remarks made in connection with the point raised by the gentleman, and I am not taking any orders from you.

The CHAIRMAN. The gentleman from Michigan will proceed in order.

Mr. McLEAN. Mr. Chairman, I make the point of order the gentleman is out of order and I insist that the gentleman shall proceed in order.

Mr. DINGELL. Well, we will make it in order.

The CHAIRMAN. The gentleman will proceed in order.

Mr. DINGELL. Mr. Chairman, I want to make just one additional reference to the remarks of my friend and that is that all of the evidence before the committee bearing upon the subject of soundness of investing social-security funds, and particularly on that point by all the experts and by all of the witnesses representing industrialists, labor groups, bankers, and even some representatives of the Hearst papers, were all agreed that this method of financing is sound, and I do not think there can be any question at all about it.

Mr. COOPER. Mr. Chairman, will the gentleman yield at this point?

Mr. DINGELL. I shall be glad to yield.

Mr. COOPER. I am sure the gentleman will recall that the Advisory Council, which embraced some of the outstanding men of the Nation—Swope, of General Electric, and men of that type, as well as outstanding representatives of the labor organizations of the country—unanimously agreed that the handling of this fund was absolutely proper, and they were a unit in their recommendation on that point.

Mr. DINGELL. I thank the gentleman for his contribution.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I will be glad to yield.

Mr. BUCK. The gentleman from Tennessee has just referred to a statement that Mr. Swope made. May I call the attention of the Committee to the fact that he testified before our Ways and Means Committee as follows:

> Much discussion has been occasioned by the estimate of the enormous reserve which will be accumulated in 1980. I have never taken this seriously * * *. Nor have I any fears that these funds in the hands of the Government are in any sense insecure.

Then the question was asked him:

> "You do not consider that the investment of the money in special obligations is embezzlement, legalistic or otherwise?" And Mr. Swope answered, "Certainly not; it is a shame to so designate it."

Mr. DINGELL. I thank the gentleman for his contribution.

Mr. Chairman, after several months of arduous work, the Committee on Ways and Means presents to the Congress a bill containing many and important amendments to the social-security law. These changes were decided upon only after listening to suggestions made by representatives of business, labor, and farmers. In fact, all elements concerned were given an opportunity to give testimony in open hearings which continued for a period of at least 2 months. The exhaustive hearings covered every phase of existing law. Advocates of every conceivable kind of plan argued the merits of their respective proposals. Experts were presented before the committee by proponents of various plans in order to sustain their contentions of soundness and workability. When the calendar of available witnesses was exhausted the committee went into executive sessions, which terminated

with the reporting of H. R. 6635, the bill now before you. The committee labored continuously and diligently for over 4 long months.

Every paragraph, I dare say, of existing law and every suggestion made by witnesses was carefully analyzed as to the possible maximum benefit to the people.

Workability and the costs had to be studied with utmost care. Expert advice was available and consulted at every step in the advancement toward the completed measure. This bill, Mr. Chairman, should meet every demand of the liberals and progressives in Congress. The conservatives need not fear lack of soundness or workability.

I presume there are Members here today who will not be satisfied with the extensions and generous amendments, but I do not find fault with them because I myself was obliged to compromise some of my own views in order to reach an agreement. I am satisfied, however, that the bill gives very substantial satisfaction to those who rightfully demanded broadening and liberalization. It is gratifying to note that in spite of the increased benefits it was possible to allow substantial reductions in taxes covering old-age and unemployment-compensation insurance.

It seems almost paradoxical that in spite of substantial tax cuts that the law could be extended, expanded, and liberalized, yet that is an absolute fact. The biggest problem as I view it, which confronted the committee at all times, was the problem of working out a broad general plan covering more beneficiaries in every walk of life and under varied circumstances and issuing, so to speak, only one kind of policy under one identical premium for upward of 40,000,000 people. Imagine the elasticity necessary to apply to such a task and the cramped situation which checked the committee's progress on all sides. The one-policy, one-premium-for-all problem, was ever present. Contrast this with the latitude of an insurance company which can and does write any kind of policy to fit the purse, desire, and amount of benefit demanded by the insured.

After all, the committee membership is not composed of insurance experts or actuaries. Yet in spite of our handicaps and limitations, I am prone to believe in the fundamental soundness of our proposal. In considering the bill, keep before you at all times the fact that the benefits are intended for the living, for the insured, upon attainment of the statutory age of 65. It is not intended to create an estate. The old-age annuity provisions were not only increased for the benefit of the insured but were extended to include aged wives, widows, children, and aged dependent parents. The freezing of the employer and employee tax for the years of 1940, 1941, and 1942 at 1 percent instead of 1½ percent as provided by present law will save the taxpayers about $275,000,000 per annum for the 3 years, or a total of $825,000,000 for the 3 years.

Benefit disbursements of $1,775,000,000 will be made during 1940–44. While under existing law the beneficiaries would receive about one-third of this amount or $555,000,000. The benefit increment for the 5 years amounts to approximately $1,200,000,000. Experts advised the committee that the total costs over the next 45 years will be about the same as under present law. The cost in the early years will be greater due to greater benefits being paid to annuitants not necessarily entitled to higher benefits if their proportionate premiums are calculated. This policy is quite generally in effect in all benefit plans and is firmly established as sound and fair. At all times, however, the insured receive in benefits far more than they would from an insurance company. I call to your attention and commend for your study table No. 1 on page 8 of the report giving comparisons of total benefit payments under the existing and the proposed law.

Bear in mind at all times that the date of benefit payments is to be advanced from 1942 to 1940. For the purpose of the record I will include the table, though I will forego reading the figures.

TABLE 1.—*Comparison of benefit payments under present Federal old-age insurance plan and under revised plan on the basis of the intermediate retirement rate estimates*

Calendar year	Present title II	Revised plan	Additional expenditure
1940	$46,000,000	$88,000,000	$42,000,000
1941	42,000,000	211,000,000	169,000,000
1942	92,000,000	350,000,000	258,000,000
1943	150,000,000	508,000,000	358,000,000
1944	221,000,000	598,000,000	377,000,000
1945	290,000,000	713,000,000	423,000,000
1946	403,000,000	855,000,000	452,000,000
1947	501,000,000	997,000,000	496,000,000
1948	615,000,000	1,134,000,000	519,000,000
1949	725,000,000	1,265,000,000	540,000,000
1950	834,000,000	1,389,000,000	555,000,000
1951	971,000,000	1,523,000,000	552,000,000
1952	1,078,000,000	1,621,000,000	543,000,000
1953	1,193,000,000	1,719,000,000	526,000,000
1954	1,358,000,000	1,843,000,000	505,000,000
Total, 1940 to 1954, inclusive	8,499,000,000	14,814,000,000	6,315,000,000

A more detailed table of increased benefits covering the individual annuitant equally graphic and forceful will be found on page 10. I will not read the figures in detail but will cite only a few.

Take an insured man earning an average monthly wage of $100. Under existing law, which requires 5 years of premium payments, the insured would not be eligible for benefits for another 2 years. Under the revised plan he will receive, beginning with 1940, $25.75 per month for life, if single; if married, he will receive $38.63 per month. Follow that a step further, and you will observe in the next line that the insured at the end of 5 years under the present plan would be paid at the rate of $17.50 per month, while under the revised plan if single he would receive $26.25 or $39.38 per month if married. These payments, of course, are for life.

TABLE 2.—*Illustrative monthly old-age-insurance benefits under present plan and under revised plan*[1]

	Present plan	Revised plan		Present plan	Revised plan	
		Single	Married[2]		Single	Married[2]
	Average monthly wage of $50			Average monthly wage of $100		
Years of coverage:						
3	(3)	$20.60	$30.90	(3)	$25.75	$38.63
5	$15.00	21.00	31.50	$17.50	26.25	39.38
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of $150			Average monthly wage of $250		
3	(3)	$30.90	$46.35	(3)	$41.20	$61.80
5	$20.00	31.50	47.25	$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

[1] It is assumed, with respect to the revised plan, that an individual earns at least $200 in each year of coverage in order to be eligible to receive the 1-percent increment. If this were not the case, the benefit would be somewhat lower.

[2] Benefits for a married couple without children where wife is eligible for a supplement.

[3] Benefits not paid until after 5 years of coverage.

What to me is an attractive illustration of benefits purchased under the liberalized plan will be found on page 14. This table No. 5 shows exactly what an employee could purchase for himself in the form of an annuity policy with only his own tax contribution as a premium, as compared to what he will receive under the social-security plan, as revised.

Mr. MILLER. Mr. Chairman, will the gentleman yield there?

Mr. DINGELL. Yes; I yield to the gentleman from Connecticut.

Mr. MILLER. The gentleman stated the amount that he can buy with his 3 percent or 1 percent—eventually 3 percent. Would it not be fair to also figure in the employers?

Mr. DINGELL. I am coming to that, and I want to assure my friend that I am trying to be fair to the insurance companies and to the plan proposed.

Take, for your example, a level monthly wage of $100 and an employee paying to a private insurance company the amount of his own contribution without the contribution of his employer; at the end of 3 years he would receive under the suggested plan before you $25.75 per month for life, while under a purchasable annuity he would receive nothing; at the end of 5 years he will receive under the suggested plan $26.25 per month for life, while under a purchasable annuity he would still receive nothing.

After paying for 10 years he would receive $27.50 per month for life under the suggested plan, while under a purchasable annuity he would receive only 41 cents per month. In only one instance does the table show in favor of purchasable annuities, and that is on the basis of a level monthly wage of $250, where payments have been made for 45 years, and then the advantage amounts to only 30 cents per month.

In all fairness, however, I am constrained to point out that if an annuitant purchased a policy from an insurance company with the same aid in contribution from his employer as is being paid under the social-security plan the figures paid in benefits would be greater. At all times under the new plan the annuitant receives far more in benefits than he pays for.

TABLE 5.—*Theoretical monthly annuities purchasable with only employee tax and benefits under proposed plan for single men entering the system Jan. 1, 1937*[1]

	Suggested plan	Purchasable annuity	Suggested plan	Purchasable annuity
	Level monthly wage of $50		Level monthly wage of $100	
Years of coverage:				
3	$20.60	(2)	$25.75	(2)
5	21.00	(2)	26.25	(2)
10	22.00	(2)	27.50	$0.41
20	24.00	$1.55	30.00	3.95
30	26.00	4.25	32.50	9.51
40	28.00	8.16	35.00	17.49
45	29.00	10.68	36.25	22.58
	Level monthly wage of $150		Level monthly wage of $250	
3	$30.90	(2)	$41.20	(2)
5	31.50	(2)	42.00	(2)
10	33.00	$0.94	44.00	$1.99
20	36.00	6.35	48.00	11.14
30	39.00	14.77	52.00	25.30
40	42.00	26.81	56.00	45.46
45	43.50	34.49	58.00	58.30

[1] These calculations are based upon the standard annuity table, at 3 percent interest. Taxes less 10-percent allowance for expenses are used for theoretic premiums. Part of the taxes are applied to the purchase of a death benfit which is identical with that of the suggested plan, and the remainder of the taxes are applied to the purchase of a deferred annuity with no death benefit.

The following assumptions have been made:

As regards taxes: A 1-percent tax rate on employer and also on employee through 1942; a 2-percent tax rate on each in 1943–45; a 2½-percent tax rate on each in 1946–48; and a 3-percent tax rate on each in 1949 and thereafter.

As regards benefits: Continuous years of coverage from age at entry to age 65, retirement at age 65, individual remains single for his entire lifetime and does not leave a widow, a child under 18, or a dependent parent.

[2] Taxes are used up entirely in purchasing the lump-sum death benefit so that no annuity is purchasable.

As regards unemployment insurance taxes and benefits, I must of necessity be as brief as possible. I do want to say, however, that the benefits here, too, have been increased, while the tax has been very materially reduced, or, at least, made possible where the reserves meet the Federal requirements. These are to the effect that the State cash reserve must equal either the maximum total of benefit payments to the unemployed or the total taxes collectible in any one year within a specified period in 10 years, whichever is greater.

It is estimated that the savings in taxes for 1940 to employers where States avail themselves of the change in the basic law will amount to $200,000,000 to $250,000,000, depending, of course, on the number of States that will take advantage of the change.

I believe there are now 35 States which can take advantage of the reduction because of ample reserves on hand. Before the expiration of 1939 all but seven States will be able to take advantage of the new law. At least, so it appears at the present time.

Should the States wherein the reserves meet the new requirements act early enough to bring relief to their employers the savings to this class of taxpayers may reach an additional figure of $100,000,000 for 1939.

Some States and some Governors might not be very anxious to take advantage of these reductions, as is evidenced in Michigan. I have written Governor Dickinson and the Acting Lieutenant Governor, and also to the speaker of the house, urging immediate legislative action to enable my State taking advantage of the proposed prospective tax reductions. I even submitted a brief as a guide. But unfortunately the legislature could not or would not delay adjournment and the Governor did not exercise any persuasion to effect the consideration of the brief. A special session will very likely be forced by the taxpayers in order to comply with the Federal statute. I am hopeful this delay will do no harm.

Penalties imposed upon employers for delayed payments of the tax due in 1936–37 and 1938 which will be remitted amount to $15,000,000.

The law has been liberalized to permit the Commissioner of Internal Revenue to grant 90 days' extension of time for payment of taxes without penalty instead of 60 days, as provided under present law.

Payment for a taxable year paid after January 31 and not later than July 1 next following close of taxable year will be penalized 10 percent of the allowable credit instead of 90 percent, as at present.

Upon the passage of the bill before you an additional savings of $65,000,000 will be made possible because taxes will be applicable to the first $3,000 of taxable salary. This same limitation already exists in the present annuity tax. The changes in existing law as proposed by the bill are too extensive for me to even attempt to cover in detail. Therefore let me say to you that I recommend a careful study by each and every Member of the first 32 pages of the report.

This bill needs no defense at my hands and you will not find it difficult to uphold. I am proud of my contribution toward its liberalization for I was privileged to build the structure of the draft before you.

And now as to the old-age pensions, these have always been my first and greatest concern. I have tried for ever so many years to bring about the adoption of a workable national plan of substantial pension payments to the deserving old people. I have been amply rewarded for my patience by the fact that I was privileged to help draft the law, and then later to witness the signing by President Roosevelt at the White House of this instrumentality, which established on a permanent basis the payment of old-age pensions. While I have advocated the increase of the Federal contribution as far back as 1935, and insisted upon $20 instead of $15, it was only a few days ago that the committee, realizing the fairness and substance of the amendment, adopted the higher rate, which when matched by the States will make possible a maximum pension of $40 a month per eligible pensioner. I hold that a Federal-State pension system is generous and ample when it permits the payment of a maximum of $80 per month to an aged couple. Your Uncle Samuel will pay his half if the States will do likewise.

I am confident that the people of this country will assume that such an amount in extreme cases will be sufficient to provide comfort and contentment to the old folks.

Dependent children and widows, as originally provided for in my bill, will be taken care of by the McCormack amendment, which I supported and which was forced through after three defeats. This amendment provides for Federal matching on a 50-50 basis instead of as heretofore, the one-third to two-thirds paid by the States. In various detailed ways the provisions of existing law were liberalized. The cost increase of the ratio in matching will cost the Federal Government thirty to fifty million dollars per annum. It is my hope, and of the committee, that the States will supplement this amount to reach more of the deserving dependent children. Widows and orphaned dependent children should be our first concern.

To hurry on toward the termination of my discourse, let me say that vocational rehabilitation, too, has been worked over and generous amendments added to existing law. A million dollars has been added to the authorization.

Before adopting any of the amendments contained in the bill the committee had to at all times calculate the element of costs and the ability of the taxpayer to meet them with prompt regularity.

It is, as you know, the function and the responsibility of this committee to provide the revenues covering all authorized appropriations. Mindful of the obligations which the committee owes to the aged, the crippled, blind handicapped, and to the dependent children, we were constrained nevertheless to take into account the obligation which we owe, first, to the taxpayer. Every monthly increase in benefits, matters not how small, grows to tremendous proportions, because it must be multiplied 12 times for each year and then again hundreds of thousands, or even millions, of times, depending on the number of beneficiaries to be covered. Because of the permanency of these benefits, if the gross total cost of any proposal is desired, we must multiply the gross annual costs by the normal life expectancy or statutory eligibility of the intended recipients. Altogether these added benefits mount to staggering figures.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. Yes.

Mr. MARTIN of Colorado. Mr. Chairman, knowing the gentleman's interest in old-age pensions, and understanding the part he has taken in sponsoring the increase in this bill, I ask him if he thinks the committee has gone as far as practicable in the various provisions of the pending bill, and whether the bill should be supported in the House as is?

Mr. DINGELL. I am absolutely positive on that point, that there should be no changes at the present time—that the membership should be patient in order that we may observe the workings of these new amendments and test the sincerity and willingness of the States to go along and meet the requirements and concessions thus far made in this bill.

Mr. Chairman, I shall vote for the bill as presented, or as amended if the amendments are constructive and practical, not demagogic, and I will urge you, my colleagues, to do likewise. Then as time goes on and through experience we learn that further liberalization is needed and possible, that the Treasury can stand the strain of minor additional benefits, I will be the first among you to fight to bring this about.

Mr. BATES of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. Yes.

Mr. BATES of Massachusetts. I made this interruption for the purpose of inquiring, because I have received so many letters in respect to it from smaller chambers of commerce, whether they are exempted under the provisions of this act.

Mr. COOPER. We have taken care of the small chambers of commerce.

Mr. DINGELL. Yes. That was very definitely analyzed and provided for.

Mr. JENKINS of Ohio. Mr. Chairman, I yield 25 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. Chairman, before I enter into a discussion of the pending bill, I want to express my personal thanks to the chairman, the gentleman from North Carolina [Mr. DOUGHTON] and to the other members of the Ways and Means Committee. During the several months of hearings and executive sessions on the pending legislation, the membership of the committee were very generous and kind. As a new member of that committee, it was necessary for me to ask many questions, to get information that the older members no doubt felt was a waste of time. Your understanding and kindness were appreciated.

The committee has presented for your consideration H. R. 6635. As has been previously stated, these amendments to the present social-security law are the results of months of work. There were many and varied views in regard to the amendments proposed, and to the social-security program as a whole. It is my intention to discuss frankly and honestly what I believe to be some of the errors in the principles of the present act as well as its inadequacy in caring for the present and future social problems.

My remarks will be confined to those sections of the bill dealing with old-age retirement and unemployment insurance.

On several occasions the statement has been made that our Nation has embarked on a more ambitious and far-reaching social-security program than any nation on the face of the earth. This ambitious program has been in existence less than 4 years and already has 42,000,000 registrants under title II or old-age insurance. Its contacts, present and future, may have a vital effect on our national economy and even go so far as to have a direct or indirect effect on government itself.

In other words, we have developed a social-security program with a mushroomlike growth, when, for permanency's sake, it might have been better to develop it as a sturdy oak. Proposed changes are already knocking at the door. This bill makes a very radical change in titles II and VIII, relating to old-age insurance. Any social-security or old-age pension plan that we may adopt is an additional tax burden and in this respect the present bill requires the collecting of new and additional taxes.

The existing law was enacted in 1935. The public paid little attention to titles II and VIII because they did not take effect for nearly 2 years, or until January 1, 1937. The act was passed by Congress with very little attention being paid to its ultimate cost, at a time when any bill sent it by the administration was considered "must" legislation. Two years of tax collections under its provisions, amounting to more than five hundred millions annually, are bringing to the attention of the country the additional burden of taxation on labor, agriculture, and industry. In my opinion, there will be an increasing general reaction to this tax burden.

There is no doubt that the act's generosity is confined largely to the older workers, with its greater tax hardships generally allocated to the younger and future registrants and their employers. There is a growing fear that the portion of the present pay-roll tax paid by the employers is and will continue to be shifted to the consuming public through higher prices. The 42,000,000 registrants make up a large part of the adult public. This point has been raised by friends of the act.

Mr. Thomas Eliot, formerly general counsel of the Social Security Board, writing in the Atlantic Monthly, August 1938, said:

> Society will bear a large part of the burden on employers. The matter of whether the act will be a boon to the young workers will turn on that question and on several other similar questions which deal with the risks of the young. If we assume that the employers' half is shiftable to the public, including the registrants, then old-age provisions may become very much less of a boon to the younger workers.

We must bear in mind at all times that a pay-roll tax taxes employment. It seems doubtful to me that any tax can be persuaded to encourage the very thing it taxes. The risk of young workers is that this tax, by discouraging employment, may create more old-age dependency than the benefits can cure. The tax may be expected to bear hardest on man-power industries and to encourage mechanization.

The present combined pay-roll tax is only 2 percent. But some actuaries have estimated that in future years the program may require support equal to taxes of 10 percent to 12 percent of the pay rolls, or more. This means that the present plan involves another form of "leaning on the future" quite as we do when the Government operates on a deficit and borrows money to pay its bills. The world's history of the past 25 years contains a number of illustrations of "leaning on the future." There is among them not a single record of success.

So far, there have been no signs of serious rebellion against pay-roll taxes, but it is interesting to note that the American Federation of Labor in its Denver convention, 1937, proposed assistance to the plan by Federal contributions.

A 1938 bulletin from the social security committee of C. I. O. proposed that the full cost of old-age benefits be put directly on the Treasury. The Social Security Board and the Advisory Council on Social Security have both recommended that a portion of the cost of the program be taken from general taxation. The Advisory Council was very specific and stated that one-third of the cost should be borne by general taxation.

Should this be done, it destroys the principle of a self-supporting, pay-as-you-go pension plan. It is most unfair to the citizens of our country who were too old to qualify for benefits under the plan, and to agriculture, certain professional classes, and the self-employed. They will be paying for a pension plan without receiving benefits.

The Social Security Act was passed in the House of Representatives by a vote of 371 to 33. This indicates that the bill had the support of agriculture. But the bill was for a self-supporting system of, by, and for the industrial workers—so that agriculture was not much concerned at the moment. If, however, it is found that the act is not self-supporting because of miscalculations, or if the proposal to abandon self-support is pressed, it seems only reasonable to expect that agriculture will complain, in the first place, and oppose in the second.

Taxation as general taxpayers, without benefits, presumably would not appeal to the farming area. It would appear that organized labor's complaints about the pay-roll taxes and the clamor for a reduction of taxes paid by the employers may have put agriculture on notice that the system is not exclusively one of benefits, but involves paying for them also.

Some will simply state that agriculture should come under the program, and thus there could be no general complaint. It seems to me that agriculture would be very unwise to enter the plan in its present state. The fundamental principles of the plan, namely, the principle of self-support and the reserve basis, have been thrown back into the arena of debate.

Agriculture seems entitled to know exactly what it is invited to join and to have proof of the system's solvency. It seems entitled also to know exactly what its general tax-paying responsibility will become in connection with the present plan if it should remain outside.

It is my contention that the farmers of this Nation are now paying a large part of the cost of the national social security program. This is of vital concern to approximately six and one-half million farm families representing 30,000,000 of our population.

On this subject I want to call your attention to the testimony of Dr. John Lee Coulter, as it appears in the hearings, beginning on page 980. Dr. Coulter has spent more than 30 years in the field of agricultural economics, and during these years has owned and managed his own farms. He stated:

Unless agriculture is able to secure for the products of the soil prices which are reasonably in harmony with other prices, farmers in turn are unable to purchase from the market and their position is disadvantageous.

The reason for that, fundamentally, is that farmers sell their labor in the form of prices received for goods rather than in the form of wages or salaries. The great majority of other groups receive their compensation in the form of wages or salaries.

The farmers of the country produce, let us say, $10,000,000,000 worth on the farm. These commodities, when they move to the city and through the processing establishments and when they reach the consumer, represent a so-called value of farm products that has doubled or trebled or quadrupled.

Mr. KNUTSON. Dr. Coulter, the arguments which you have raised against the transactions tax apply with equal force to the pay-roll tax insofar as its effect on the farmer?

Dr. COULTER. Yes. If they become pyramided, a series of one after another added to a commodity, and if imposed suddenly, they become equally burdensome, and I think at the present time the various pay-roll taxes imposed under the social-security program, if added to the cost of products, and the final price of them, is one of the factors, maybe the largest factor in bringing about and continuing the disparity between farm prices and the prices which farmers have to pay. That disparity is present. I don't think anyone can blink at that. And no method has yet been found to bring the farm prices up. Temporarily, by loans without recourse, we bring them up, but destroy our market in so doing, destroy our foreign market, pile up surpluses, and the farmer has less to sell. Undoubtedly the new costs added to the finished products have become a big factor in putting stuff out of the reach of the farm population.

Mr. CARLSON. I want to assure you, doctor, that I very greatly appreciate your statement, because I am personally acquainted with your familiarity with the agricultural sections of the Middle West. You have stated the effect this legislation (H. R. 2 and H. R. 11) would have on agriculture if enacted into law. You have also stated the effect the proposed amendment to the Social Security Act would have on agriculture if enacted. Now, I wonder if you can give the committee any information as to what the present social-security law is costing agriculture.

Dr. COULTER. I haven't tried to make an estimate. I haven't tried to estimate the extent of the burden. I do feel, without any doubt at all, from all of the data on hand, that it is one of the factors producing the present disparity between prices which farmers pay for what they buy and the prices which they receive. I think it is one of the larger factors. Those increased costs are bound to be reflected in the price of things they buy.

Mr. Chairman, I want to direct your attention to the statement on page 2 of the committee report concerning a saving of $275,000,000 annually for the years 1940, 1941, and 1942 by freezing the present pay-roll taxes at 1 percent each on employer and employee. This statement says there will be a net saving of $825,000,000 in 3 years.

On the same page we find the statement that by beginning payments next year instead of in 1942, and by liberalizing payments, we will spend $1,200,000,000 more than was contemplated under the original act during the period of 1940 to 1944, inclusive.

In other words, in spite of reducing collections $825,000,000 we are increasing expenditures by $1,200,000,000. This is nothing short of magic. The present administration is determined to spend prospective revenues during the immediate future. This is not a sound business policy and will eventually destroy the protection for which these people have paid.

Let us analyze the so-called savings and increased benefits. One Government estimate indicates that by 1954 social-security tax income will total $1,800,000,000, while demands for benefits will be more than $2,000,000,000. Thereafter demands will increase faster than revenues, unless taxes are increased. Thus, in 15 years, annual disbursements for old-age benefits will exceed annual income from pay-roll taxes. Therefore, at that time, Congress must either increase pay-roll levies or appropriate funds for social-security payments out of general revenue.

It is reasonable to assume that there will be great pressure against the scheduled increase of the tax to 4 percent in 1943, and to 5 percent in 1946, and there will undoubtedly be even greater resistance to the proposed increase to 6 percent in 1949 and thereafter.

It is reasonable to assume that there will be great pressure against the scheduled tax increases in 1943, and there will undoubtedly be a greater resistance to the increase of the rate to 6 percent in 1949. We cannot have tax reduction and increased benefits.

The principle of self-support in the present act means that the schedules of taxes and benefits were so established that the former are expected to support the latter. The present tax rate of 2 percent increases at 3-year intervals until it reaches 6 percent in 1949.

The Treasury has computed that a level top rate of 5.34 percent on pay rolls is the actuarial equivalent of the present 2 percent to 6 percent scale. In other words, any deferred payments at the present time means that this loss of revenue must be collected through increased taxes in the future. If the act is to be self-supporting, we must have the so-called level tax rate of 5.34 percent.

The Treasury has estimated $867 as the average annual wage. Assuming 42,000,000 registrants, the total pay roll is $3,414,000,000 per annum; the accruing liability is 5.34 percent of that sum; and the present tax that is being collected is 2 percent of that sum, leaving a difference of 3.34 percent of that amount to represent the present annual amount by which the taxes are not satisfying the accruing liability.

Some contend that the actuarial cost of this program may be in excess of 12 percent. Dr. Altmeyer stated that the eventual cost when the system reached its maturity would be 9.35 percent. I do not believe that anyone can visualize the time when industry and labor will be willing to carry a tax burden of approximately 10 percent of the pay roll for

social security. Dr. Altmeyer's testimony on this subject is very interesting.

Mr. ALTMEYER. If we go off the so-called Reserve method of financing, we are confronted inevitably with three alternatives in the future when the annual benefit costs will have increased steadily, as they will, of either increasing the contributions based upon pay roll above the present maximum of 3 percent, of making some contribution out of the general funds of the Treasury, or of reducing benefits. There can be no other alternatives except those three.

I should like to put the position of the Board this way: We feel very strongly that Congress today ought to indicate what the general policy of the Government will be when that point is reached in the future. If Congress believes the contribution rate should be increased from 3 percent to 3½ percent, or 7 percent altogether, instead of the present maximum of 6 percent, then that should be indicated at this time. If, on the other hand, Congress believes that 3 percent each, or 6 percent altogether, is a reasonable maximum so far as it can determine at this time, then Congress ought to indicate at this time that it favors some contributions out of general revenues. But to increase benefits at this time or to postpone the increase in the contribution rate at this time without taking into account the eventual consequences of either or both actions seems to the Board to create a situation where the future financing of the system and the future benefits provided under the system are thrown into doubt.

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Mr. ALTMEYER. Specifically, the actuaries estimated that the level premium cost—the average cost over the lifetime of the system—would be a little over 5 percent, and the eventual cost when the system reached its maturity would be 9.35 percent.

Mr. DISNEY. The cost?

Mr. ALTMEYER. The cost. It was estimated that the difference between the eventual maximum contribution of 3 percent each, or 6 percent together, and the 9.35-percent eventual cost, in 1980, would be met through the interest earnings on the reserve which would have accumulated by that time.

Mr. DISNEY. That would be direct taxes, of course.

Mr. ALTMEYER. That interest would have to be raised through direct taxes However, I think you have to distinguish between the interest earnings of a reserve and a direct Government contribution to the system. While the interest earnings on the reserve are raised presumably through general taxation, the citizens who pay the taxes to cover the interest earnings have received a quid pro quo in the past, because they have had the use of the money that the contributors have paid into the Treasury under the old-age insurance system

Since 1935 the actuarics are rather agreed—in fact, I know of no disagreement among the actuaries as to the general proposition that the costs of the present title II have been underestimated. The range in increase in costs—and I emphasize range—is up to as much as 50 percent greater in 1980 than originally estimated.

The Advisory Council's final report makes this interesting comment:

It (the Council) is of the belief that we shall not commit future generations to a burden larger than we would want to bear ourselves.

They also said in their report:

Information now available indicated that the benefit structure under title II of the present act will involve financing from all sources of annual disbursements equivalent to 10 to 12 percent of covered pay rolls by 1980, when persons now in their twenties will be at the retirement age. Certain members of the Council who are actuaries fear that the upper limit of the eventual cost of the benefits will be higher than here estimated.

Time will not permit a full discussion of the proposed changes of benefit payments due the covered workers under the old-age insurance plan or title II. But the American people should know that we are now changing rulings in the middle of the game. We are leaving the original principle of individual insurance and individual savings accounts—for a program of social insurance. The individual loses his identity and his savings becomes a part of a great national social-security pool. The individual worker becomes but a part of a great social machine. To me, it is but another step that leads to a social program similar to the type in existence in Russia and other totalitarian governments. Every wage earner who is single will be compelled to pay a tax and unless he or his dependents live until 65 years or older—his heirs or estate will receive the beneficient sum needed for burial expenses. This also carries a proviso which reads—"but no such payment for burial expenses may exceed the amount actually disbursed by the person or persons who paid such expenses." Should he, through an accident or otherwise, become totally disabled, he could not draw a dollar in insurance or benefits from the fund until he reached 65 years of age, and then his payments would be based on the wages paid during the years he was actually able to work.

This revision of schedules is in favor of the near old, at the expense of the young. Thousands of our citizens and workers who thought they were accumulating an insurance and savings account now find that these funds have been thrown together into a national pool without even consulting them.

The Ways and Means Committee has recommended a reduction in pay-roll taxes for old-age insurance. But no outright reduction is being recommended for the 3-percent unemployment-insurance tax. It is true that the section dealing with the unemployment-insurance tax is being rewritten on a merit-rating basis with new and additional State requirements. This 3-percent tax is a great burden on the employers and has a direct effect on our unemployment problem. Many of our small businesses and industries cannot afford this drain. Almost every city and good-sized town had examples of the destructive effect of this tax during the past year. Every time a small business or industry is forced to close its doors—the number of our unemployed increases. In a number of instances, the employers refuse to increase their pay rolls in excess of eight, in order to avoid the tax; and in other instances, it becomes necessary for employers to reduce their pay rolls to eight or less in order to avoid paying this tax. Therefore, this has a serious effect on the unemployed of our country. This is easy to understand, when one realizes that every time an employer puts a new worker on the pay roll at $100 per month, he adds a tax to his business of $48 per year. In my opinion, Congress might well reduce the pay-roll taxes from 3 percent to 2 percent instead of adopting the involved language of the provisions of this section.

The Social Security Board says that the tax rate should average 2.7 percent. Who can say at this time whether that is too much or not enough? We must have additional experience to show us what benefits for total and partial unemployment are to cost, as there is no way of predicting what the tax should be. The proposed amendment attempts to lay down standards which the States must meet; and it seems to me that it is entirely too early to try to establish these standards, as the States have not had enough experience to say what they should be. Everyone will agree that it is not logical or sensible to unduly tax the pay rolls and rob purchasing power of sorely needed funds, while building up large surpluses in unemployment compensation funds. In my opinion, the unemployment compensation tax should be lowered now, and if later experience shows that more funds are needed, the tax can be increased.

No one will deny reasonable benefits to the eligible unemployed. But, if advocates of more benefits are not careful, we will have a dole which places a premium on unemployment. Estimates of increased costs due to shortening of the waiting period and increasing duration, plus the addition of benefits for partial unemployment, vary from 20 to 50 percent. If these estimates are fair, then the formula in this section for a tax reduction is but an idle gesture, for the funds cannot raise the required one and one-half times. In good years it will be one and one-half times the increased total tax, and in bad years one and one-half times the increased total benefits—so it would catch the State coming or going.

Congress would perform a real service in the way of business appeasement and aid to employment by reducing the unemployment compensation tax from 3 to 2 percent now. With surpluses now in the State funds, no State will suffer before the time Congress again has an opportunity to study the picture. If this is not done, I sincerely believe this entire section, 1602, should be eliminated and the law rest as it is. This would give the States a chance to try out "experience rating" which is permissible, as the law now stands.

This new provision also threatens a very serious competitive problem between the various States. This section is so drawn that competing industries may pay a very high tax rate in one State and in the adjoining State would have no unemployment taxes to pay. This should cause everyone to give

serious consideration to it before it is enacted into law. My personal opinion is that if this situation develops as it might—it will mean the future destruction of the act itself.

In conclusion, I wish to state that I believe we need and will have a social-security program in this country. This program must be based on a pay-as-you-go plan, be actuarily sound, and have in mind the present and future cost of the program. [Applause.]

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, ladies and gentlemen of the Committee, it is my intention this afternoon to discuss in advance some of the amendments that Members have suggested they would offer on the floor when the reading of the bill begins.

Prior to that I do want to say a few words with reference to the discussion that arose this afternoon on the subject of the soundness of the investment of the funds which have been collected for old-age insurance payments and those which will be collected and paid into the new trust fund. These funds are required by law, and will continue to be required, to be invested in United States Government obligations. It is amusing to me that anyone who has had any grasp of the finances of the United States, of States, or of municipalities should feel any concern over the fact that funds for retirement payments or trust funds of any kind should be invested in the very best obligations that exist, those of the Nation, the State, or the municipality itself. If the credit of our Nation is not worth anything at all, then the wails and moans of those who call these investments "the purchases of I O U's" might be justified; but if the credit of our Nation is not worth anything, then the retirement fund, the annuity fund itself, and your money in your own pockets is not worth anything. I do not know of a single person with authority in finance or economics who would appear before this august body and testify otherwise than that the present system of investing these trust funds in the obligations of the United States Government is sound.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield for a question?

Mr. BUCK. Not just now. I will yield in just a moment.

During the course of the hearings before the Ways and Means Committee Mr. Gerard Swope, president of the General Electric Co., testified in reference to the manner in which the old-age reserve account funds were invested:

Mr. SWOPE. Nor have I any fears that these funds in the hands of the Government are in any sense unsecure.

Later, Mr. MCCORMACK asked him:

You do not consider that the investment of the money in such obligations is embezzlement, legalistic or otherwise?

Mr. SWOPE. Certainly not. It is a shame to so designate it.

Dr. J. Douglas Brown, of Princeton University, said:

There has been a great deal of talk about the mishandling of funds, and fraud. I think that is an entire misconception. I think the Treasury is performing its functions exactly and with the greatest integrity it has followed out the law as passed by Congress.

Mr. Marion B. Folsom, treasurer, Eastman Kodak Co., said, in answer to a query by Mr. COOPER, of Tennessee, who asked the question:

I don't understand you to be offering any criticism of the methods employed up to now?

No, sir, I do not. I do think there has been an awful lot of criticism of the handling of these funds which has not been at all justified.

Dr. Paul Studenski, professor of economics, New York University, said:

I don't conceive that the investment of these funds of the Social Security in Government bonds are merely investments in Government I O U's, or that we need to be very much worried about it. I have deep faith in the future of the credit of the Federal Government despite the extensive borrowing that the Federal Government is engaged in.

Dr. Edwin E. Witte, professor of economics, University of Wisconsin, and formerly executive director, President's Committee on Economic Security, said—and I want you to listen to this, gentlemen:

I will put it this way: That you cannot find among economists or financiers or anybody who understands the operations of finance or governmental finance a person who thinks that these funds are lost to the beneficiaries. They are, on the contrary, the most secure investment you can have.

It is remarkable that among those who are familiar with financial operations of business corporations, those who understand governmental finance and those whose opinions as economists are most valued that there should be unanimity of opinion. This unanimity ought to satisfy and silence those who are misrepresenting the past financial operations of the Government and who seek for some ulterior purpose that I do not profess to know, to discredit the value of the securities that the United States Government issues. As of December 31, 1938, Federal trust funds such as the civil service retirement and disability fund, the Federal Deposit Insurance Corporation, Indian trust funds, the Postal Savings System, Alien Property Custodian funds, and many others, held as investments, bonds of the United States Government, or bonds the payment of which was guaranteed by the United States Government, a total in face value amounting to $5,032,381,290. All of these bonds and obligations are just as much and just as little, I O U's as those the gentleman from California [Mr. GEARHART] complained about this afternoon. These investments are absolutely safe, as the gentleman from Massachusetts [Mr. MCCORMACK] pointed out, and are of the soundest possible character.

Mr. Chairman, I have been advised that there may be amendments offered tomorrow to delete from the bill the paragraphs which the committee has reported, defining agricultural labor, and bringing American seamen under the coverage provisions of old-age insurance. I should like to say a word first with reference to the reasons that actuated the committee in bringing those who are employed in maritime employment under the act.

We realize that this is still a very difficult problem so far as unemployment compensation is concerned. For example, there is the question of how long a seaman should be required to wait unemployed before he becomes entitled to unemployment compensation. Those who are familiar with the maritime industry will know what I mean when I say that when a seaman goes to a hiring hall his name appears at the bottom of the list and he has to work his way up. It is not, therefore, fair to the employer or to anyone else to say that he should have necessarily the same period of waiting that a man who is out of employment in general industry should have. We are not, however, touching that problem here. We have decided to bring seamen under the old-age provisions of the act, leave the question of unemployment compensation for future consideration. May I say that the committee is very hopeful that this latter portion of the problem may also be worked out in the near future. I understand that someone has objected to the wording in our bill because we have said that those engaged in maritime employment on American vessels shall be covered irrespective of citizenship.

Mr. Chairman, this language refers to any employee, and to any employer as well. The man who works in the Ford factory in Michigan, the man who works in the cannery in California, is building up his old-age record regardless of the fact that he is an American citizen, and regardless of whether he is employed by one. The phrase is particularly necessary as to seamen.

The inclusion of the phrase is necessary since most of the services performed on maritime vessels, with respect to which the taxes will apply, will be performed outside the United States. The courts might consider the levying of such taxes to be beyond the normal and usual exercise of the taxing power, and give the statute a narrower construction unless the intent is stated expressly.

The courts examine closely the intent to tax where the tax may be applied outside the United States. In *United States* v. *Goelet* ((1914) 232 U. S. 293), regarding the tax on the use of foreign-built yachts, the court said at page 296:

> Not in the slightest degree questioning that there was power to impose the excise duty on the citizen owning a foreign-built yacht wholly irrespective of the fact that he was permanently domiciled in a foreign country and putting out of view all questions concerning the nonapplication of the statute to the case in hand purely because of the situs of the yacht itself, the single matter for decision is, do the terms of the statute provide for the payment by a citizen of the United States who has a permanent residence and domicile abroad of an excise duty because of the use by him as owner or charterer under the terms of the statute of a foreign-built yacht? * * * Indeed we think it must be conceded that the levy of such a tax is so beyond the normal and usual exercise of the taxing power, as to cause it to be, when exerted, of rare occurrence and in the fullest sense exceptional. This being true, we must approach the statute for the purpose of ascertaining whether its provisions sanction such rare and exceptional taxation. Considering the text [of the law], we search in vain for the express declaration of such authority. True, it is argued by the United States, that as the tax is levied on any citizen using a foreign-built yacht and as any includes all, therefore the statute expressly embraces a citizen permanently domiciled and residing abroad. But this argument in effect begs the question for decision which is whether the use of the general words, any citizen, without more should be considered as expressing more than the general rule of taxation, or in other words can be treated without the expression of more as embracing the exceptional exertion of the power to tax one permanently residing abroad.

The court held that the tax in that case did not apply to a citizen having a permanent residence and domicile abroad. In view of the foregoing statements of the court, it seems wise to include the phrase in the definition of employment for purposes of the old-age insurance provisions of law, since it is our intent to levy the taxes on services performed outside the United States on American vessels.

The definition of "employment" for purposes of the Federal unemployment tax will still cover only services performed within the United States, and is not extended to include maritime service. It is necessary, however, to insert in that definition the phrase "irrespective of the citizenship or residence of the employer or employee" in order not to raise a doubt as to the intention with regard to service performed within the United States. If the phrase appears in the definition of employment for old-age insurance purposes, but is left out in the definition for purposes of the Federal unemployment tax, it might be contended that an alien or nonresident employer or employee is not subject to the tax, even though the services are performed within the United States.

There has been some question as to how large a percentage of our seamen are American citizens, and those who, perhaps, will move to strike out this section may dwell on this subject tomorrow. I have, therefore, for your information obtained a letter from the Department of Commerce, which I desire to read at this point:

JUNE 1, 1939.

Hon. FRANK H. BUCK,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN BUCK: This will acknowledge your letter of May 30, 1939, addressed to the Secretary of Commerce, in which you desire information as to the percentage of American citizens engaged in the maritime trade.

Statistics for the fiscal year 1938, now being prepared in the Bureau of Marine Inspection and Navigation, show that seamen, excluding licensed officers, shipped before shipping commissioners were 90.1 percent Americans. We do not have compiled a breakdown on the percentage of Americans shipped in the intercoastal, Great Lakes, and foreign trade. However, the Great Lakes trade is not included in the above percentage, inasmuch as the crews on the Great Lakes ships did not sign on before a shipping commissioner and the Bureau's figures are compiled from shipping commissioners' reports.

You might be interested in the following figures on the percentage of Americans shipped before shipping commissioners in previous years:

	Percent
Fiscal year 1937	86.0
Fiscal year 1936	83.4
Fiscal year 1935	80.6
Fiscal year 1934	77.9
Fiscal year 1933	74.7

I shall be pleased to furnish any further information you may desire on this subject.

Cordially yours,

J. M. JOHNSON,
Assistant Secretary of Commerce.

It will be observed that in the foregoing letter the total is not broken down by divisions; and I may say parenthetically also that practically all Great Lakes seamen are American citizens.

Obviously the maritime industry of the United States is on the way to be a 100-percent American labor industry, and it seems to me that in view of the fact there has been no opposition on the part of employers, and that the employees in this industry have requested inclusion, that no objection should be made when less than 10 percent of those now employed are aliens. Certainly there must be more than 10 percent aliens employed in great industrial establishments, such as the Ford Motor Co.

Mr. CULKIN. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. CULKIN. May I say that I concur heartily in the gentleman's conclusions and statements. I know of nothing that will stabilize the offshore marine industry to a greater extent than their placement under social security. I think the gentleman's committee has done a splendid job in this particular, and I agree with the gentleman's reasoning in full.

Mr. BUCK. I thank the gentleman for his contribution.

Mr. EATON of California. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. EATON of California. Are stevedores already included under social security?

Mr. BUCK. I understand they already are included.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. CARLSON. The gentleman from California has referred to the fact that 10 percent aliens are included. Personally I question the inclusion of 10 percent. As I understand it, there are 200,000 seamen to be taken in under this amendment. This would mean 20,000 aliens would be included. Is that correct?

Mr. BUCK. The pending bill proposes to extend coverage to service performed "on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States if the employee is employed on and in connection with such vessel when outside the United States." We define "American vessel" as any vessel documented or numbered under the laws of the United States and also any vessel neither documented nor numbered under the laws of the United States if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under its laws.

According to the testimony given by George E. Bigge, Commissioner, Social Security Board, documented vessels cover 183,000 people; that is about 8,000 on yachts of one kind or another, 20,000 on fishing vessels, about 90,000 in deep-sea fishing, and 43,000 on rivers and local craft.

Mr. CULKIN. Mr. Chairman, will the gentleman yield further?

Mr. BUCK. I yield.

Mr. CULKIN. Might I state to the gentleman that every merchant marine in the world—the French, the German, the Italian, and the English—have had social security and old-age retirement for their offshore men for an indefinite period, and it has had a tremendously beneficial stabilizing influence upon the industry. I think we need that particularly here in the offshore industry in America.

Mr. BUCK. As a matter of fact, if we did not include both the aliens and the Americans there would be a tendency for employers to hire aliens up to the limit the law allows.

Mr. CULKIN. Yes; but the limit is extremely low. I will not attempt to say what it is, but aliens in the American offshore service are a vanishing factor and they will be practically eliminated within 2 or 3 years.

Mr. BUCK. I understand so.

Mr. CULKIN. And may I say, if the gentleman will permit, that one of the preliminaries to a man's going on an American ship is that he shall have first papers.

Mr. BUCK. I am sorry; I cannot yield further to the gentleman, but I thank him for his valuable contribution.

I want now to take up the amendment that the committee has prepared defining agricultural labor. I am advised that one Member of the House tomorrow will offer an amendment striking out the exemption for agricultural labor, for employees of religious, charitable, and other organizations, and for those engaged in domestic service. If that is not adopted, I am advised that an amendment will then be offered to reject the paragraph the committee has prepared after much thoughtful consideration defining agricultural labor. I understand this amendment comes from very reputable labor sources. I regret they have seen fit to suggest that such an amendment should be offered. I can only say that I have been very proud myself to have been of assistance, for instance, in connection with this inclusion of seamen in the act on behalf of organized labor. I have had labor support invariably in my election contests, and I look back with pride upon my association with organized labor. I think, however, when organized labor attempts to step into the agricultural field without a realization of the economic situation of the farmer, it is not taking into consideration all of those elements which we as members of the committee have had before us for a period of some months.

Mr. Chairman, agricultural labor was exempted in the original act, and it was exempted upon a sound basis. There is a reasonable basis for continuing this exemption, and the committee so found unanimously. Farmers cannot pass on their tax cost as the industrialist can on his pay roll. May I say also, speaking as a farmer, that farm life offers its own kind of social security. Its work is outdoors. It does not have the nervous strain that is bound to come as a result of association with machinery. It offers under modern rules and regulations good living conditions everywhere. The young man is employed at an early age, and I may say to those of you who come from the city that we take care of a great many of your older men who have passed out of the picture as far as industry is concerned but who can still earn an honest, respectable living on the farm. Its social security is its own. Its problems are not those of industry; the farmer cannot be judged nor can agricultural labor be judged by the same standards as industrial employer and employee.

The exemption contained in the original act is justified and should be continued. The clarifying paragraphs that the Ways and Means Committee has put into this bill are merely for the purpose of interpreting the original decision of Congress that agricultural labor should be exempt. These paragraphs are based on the theory that what is agricultural labor is determined by the nature of the work and not by whom the man is employed. Agricultural labor starts with the planting of a crop. It ends when that crop has been delivered to market or to a carrier for transportation to market, and all the intervening steps should be regarded as in the nature of agricultural labor.

Mr. WOODRUFF of Michigan. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Michigan.

Mr. WOODRUFF of Michigan. May I direct attention to the bottom of page 51?

May I offer a tribute to the work of the gentleman from California in connection with clearing up a misunderstanding that seems to have existed in the Treasury Department in its interpretation of the will of Congress as outlined in the Social Security Act.

Mr. BUCK. I thank the gentleman.

Mr. WOODRUFF of Michigan. In that connection I will go into the matter further when the gentleman is ready to yield.

Mr. BUCK. The gentleman may propound his question and perhaps I can answer it as I proceed.

Mr. WOODRUFF of Michigan. I find at the bottom of page 51 the following sentence:

Services performed on a farm in connection with the raising, feeding, and management of fur-bearing animals, such as foxes, not now exempted, will be exempt under paragraph 1.

At the bottom of page 53 I find the following:

The term, for example, includes fur-bearing animal farms. Under the present law, services performed in connection with the operation of such farms constitute covered employment.

As a matter of fact, is it not true that that is simply an interpretation of the law by the Treasury Department and is not covered in the law itself?

Mr. BUCK. I think the gentleman is correct in his conclusions. The law clearly exempts "agricultural labor." Our difficulty has been to make the Treasury understand what "agricultural labor" is. I would like to develop that in connection with two or three other rulings the Treasury Department has made, if the gentleman does not mind.

Frankly, I think the time will come when both charitable institutions, educational institutions, and agriculture will feel that their employees ought to be included under at least the old-age provisions of this act; but I think a great deal of education is necessary before these classes of employers and the employees can see the benefits of this.

Mr. WOODRUFF of Michigan. I agree with the gentleman and I am in harmony with his views on that subject.

Mr. BUCK. It will be recalled that there was only one man who appeared before our committee asking that agricultural labor be included. I say frankly he did not make a good impression on the committee. Am I correct?

Mr. WOODRUFF of Michigan. Entirely correct.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BUCK. Mr. Chairman, under these circumstances I think the committee has acted wisely in presenting this amendment to you to clear up what agricultural labor means. In our opinion the Bureau of Internal Revenue, and I invite the particular attention of the gentleman from Michigan to this, in issuing its regulations for the collection of social-security taxes produced a great many conflicting and in my opinion ridiculous rules and regulations. One of them is the one to which the gentleman referred, having to do with fur-bearing animal farms. The Bureau of Biological Survey in the Department of Agriculture classifies farms of that type as agricultural. There is no question about that.

Mr. WOODRUFF of Michigan. Is it not the gentleman's opinion that the Congress never intended the operation of a fur-bearing farm to be anything other than an agricultural pursuit?

Mr. BUCK. Of course, that is exactly so.

Let me call attention to some of the other rulings. In some cases the rulings have worked to the advantage of farmers who have large acreage. I stated a few minutes ago that I am a farmer. I have a fairly large acreage, and on it I have a packing plant where I can clean, wash, and pack my own fruit.

That labor is exempt. If 10 or 20 of my neighbors do the same thing in the same way, if they get together and build a cooperative packing shed on the railroad and wash their apples or their pears, and pack their fruit and use the same type of labor under the same circumstances, they are now taxed under the rulings of the Bureau of Internal Revenue, because the work is done off of a farm. Where is the justice in that, in making the small producer suffer?

Let us consider the question of poultry. Under the ruling of the Bureau, if you raise poultry for the purpose of selling eggs or selling the fowl themselves to market and you employ labor, that is agricultural labor. On the other hand, if you employ labor to raise baby chicks, that is not agricultural labor. If you raise mushrooms out in a shed back of the house on your farm and employ labor, that is agricultural labor, but if you have a natural cave back of your house and raise them there and employ someone to harvest them, that is not agricultural labor.

Let me add that the Pure Food and Drugs Act of the United States and many State laws require rigid inspection of agricultural commodities, and in the case of apples and pears require that they be washed before they can be shipped in interstate commerce. The average farmer is in no position to

handle this work by himself on his farm. He must cooperate with his neighbors in a common packing plant where his fruit can be washed, his beans graded and cleaned, and so on. All these processes are a part of the preparation of the farm crop for market, and it has been unfair and inequitable for the Bureau of Internal Revenue to make rulings which tend to restrict all of these operations to a given farm. Their rulings have worked to the advantage of those who have large acreages on which they can carry through a complete agricultural operation from producing a crop to delivering for transportation to market. It might be very fairly said the present amendment is intended not merely to state clearly what Congress considers are agricultural operations but to remove the inequities that now exist.

The changes which we present to you have been worked out with members of the Legislative Counsel, representatives of the Bureau of Internal Revenue, and with counsel for the Social Security Board. I can state to you quite truthfully that the Treasury Department has assured the Ways and Means Committee that the definition proposed is one which they find workable.

Mr. HAWKS. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Wisconsin.

Mr. HAWKS. In connection with the sentences to which the gentleman from Michigan called attention, I wonder if the fur farmers who have been paying these taxes under the language used in the report will receive any repayment?

Mr. BUCK. I cannot tell the gentleman that. I will say this much, that in the opinion of those of us who helped to draw this amendment these various services which form an integral part of agriculture were intended to be covered by Congress in its original enactment; but, frankly, I cannot tell the gentleman what the situation would be in regard to the problem there.

Mr. HAWKS. It is not quite fair that they should have been taxed purely under a regulation issued by the Department.

Mr. BUCK. I take it that they have their recourse to the courts under those circumstances; there is no question about that.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. COOPER. Of course, these people who have been construed to be under covered employment and whose wage record has been built up will still be there. If they go into other covered employment they get the benefit of that.

Mr. HAWKS. How about the employers' contribution, then?

Mr. COOPER. Of course, the employers' tax has been paid. They do not get any refund. The tax is not being paid for the benefit of the employers but for the benefit of the employees.

Mr. HAWKS. But they would have to get out of this employment.

Mr. BUCK. I am sorry. I cannot yield further on this fur-bearing proposition. I wish to call attention to one or two other matters before my time expires.

Let me call attention to another serious anomaly. If you are the owner of a farm, and you enter into a written agreement with a marketing agent to pick and pack your crop, whether it is fruit or beans or anything else, the labor employed by the marketing agent is considered to be agricultural labor at the present time; but if you sell your fruit or beans to that same marketing agent and he comes in with a crew and picks your crop, that is not agricultural labor under the rulings of the Bureau of Internal Revenue. Services performed by the employees of a company handling tobacco in warehouses off the farm but in the immediate neighborhood where the process of fermentation was carried on, however, have been held to be agricultural, so that the Treasury has applied no uniform rule in connection with its idea of limiting agricultural labor to work on the farm. In the case of cotton ginning, packing lettuce, and so forth, however, a very rigid restriction has been made limiting the exemption to work done on a farm itself.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 5 additional minutes to the gentleman from California.

Mr. BUCK. These curious distinctions produce inequities among people operating in the same commodities in the same localities, and certainly this is an injustice. Now, assuming there is merit to what I said about the reason for the exemption of agricultural labor until such time as both employers and employees have been educated to the point where they will want to be included—and, after all, you want these people to be included just as you have wanted the seamen who have come to us asking to be included under this act—then we ought to have this clarifying amendment, this defining amendment which is based on the theory that it is not by whom a man is employed but the nature of the work he is doing that constitutes it agricultural labor.

Mr. Chairman, in conclusion I desire to discuss briefly the subject of the "liberalizing" amendments that have been suggested by some of the Representatives who come from States that are not matching the present Federal old-age assistance contribution. I have some hesitancy in going into this subject, because, as has been pointed out, the State of California is the only State that is now fully matching the contributions that the Government makes. I am satisfied, however, that whether or not ours is the only State that can do that or will do it, the equal matching principle is the sound principle on which Federal contributions should be made. Once we start paying two-thirds of the first $15, as has been suggested, and half of the rest, or matching at the rate of 4 to 1 for the benefit of certain States, it will not be long until all the States will come to you and ask you for a flat, a uniform, and a universal pension of the kind you voted down here the other day. There are reasons, which I shall insert in the RECORD, for rejecting any such proposal of a uniform or universal basis.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. Is it not a fact that if a change in the ratio of 50-50 should be made it would simply add to the expense of the Government and in no way benefit the aged people we are expecting to aid?

Mr. BUCK. That is my opinion. May I say that while this does not appear in the records, in the executive sessions Dr. Altmeyer stated that if we should adopt a proposal such as having the Federal Government pay two-thirds of the first $15 and half of the remainder it would increase the tax cost to the United States by from $40,000,000 to $100,000,000 a year.

This is on the basis of a $30 top matching. If we take the $40 top matching that the committee has recommended, the cost would be from $45,000,000 to $110,000,000 a year. The 4-to-1 matching proposal will cost the Federal Government an additional $220,000,000 per year.

Mr. Chairman, our committee is a hard-working committee. We have a great many things to consider, but, fundamentally, we are charged with raising the revenue for the country through taxation. When you vote on these so-called liberalizing proposals, remember that the next week you are going to be called upon to tax your people to pay for them. There is no alternative whatsoever. We cannot go on borrowing indefinitely; we will not do so, and we are going to have to bring in a tax bill that will wring the money out of the pockets of whom? Of those who are prepared to produce in the next generation and who are engaged in active business today in order to make these unreasonable pension payments to the States whose legislators themselves refuse to provide the funds which are necessary to take care of the States' responsibilities to their own aged. I am not insensible of the difficulties that some of our States have in providing for social aid, but I have noticed that whenever it is necessary for any State to match other Federal appropriations such as those made for roads, the States have always been able to find the necessary money. I am afraid that some of those who are urging these excessive payments are forgetting that after all it is the right of the State to determine how far

it wants to go in social insurance. When the Federal Government holds up the standard, be it $30 a month or $40 a month, and says that it will match up to half that amount, any money that a State provides, in my opinion, the Federal Government has extended an invitation sufficiently broad and sufficiently liberal, and until the time comes when the States take advantage of that invitation the Congress should not go further by authorizing larger subsidies which must be borne by the taxpayers on top of the already tremendous load of taxes under which they are staggering.

Mr. Chairman, at this point I desire to insert a portion of the testimony of Dr. Altmeyer, to be found at page 2306 of the hearings before the Ways and Means Committee:

Dr. ALTMEYER. The approach in the Social Security Act, as you know, is twofold. Title I undertakes to set up a systematic, orderly method of helping old people who are in need. But the benefits are in proportion to their needs.

The States have very wide freedom, in fact, entire freedom, in determining what the definition of the concept of need shall be, since that is not laid down in the Federal Social Security Act.

Therefore a State is in a position to determine, in the light of its resources, its habits, its customs, just what aid shall be granted these aged people, and under what circumstances.

That gives us a flexible system; that, in a country of this magnitude, with its varying conditions, is absolutely essential for a decent, equitable, and adequate treatment of this problem of need, which varies with the individual's circumstances.

The House very decisively defeated the Townsend proposal the other day. What the gentleman from Mississippi [Mr. COLMER] and the others who have spoken as he spoke are proposing to do is simply to open up the back door to Townsendism and to invite its proponents back to make a raid on the Capitol instead of sending them to the State legislatures, whose members they should deal with first of all.

I insert an extract from an editorial in the Washington Post of June 6, 1939, which states this quite clearly:

THROUGH THE BACK DOOR

At present the Social Security Board matches old-age allowances by the States on a 50-50 basis. Thus, the system retains a very definite local character. States are not likely to promise extravagant benefits so long as their taxpayers are required to meet half of the bill. Senator BYRNES proposes, however, that the Federal Government increase its contribution to two-thirds of the total pension allowed in the poorer States.

Acceptance of that principle for some States would, of course, quickly lead to demands for its general application. The next step might easily be a wholly Federal system of old-age pensions, in order to equalize the differences of which Senator BYRNES complains. The Townsendites would then have only to bring about liberalization of Federal old-age benefits to arrive, by a delayed approach, at the goal they seek.

When the House begins debate on the proposed amendments to the Social Security Act today it must be alive to the very real danger of ushering in Townsendism through the back door.

I also want to call the committee's attention to an editorial which appeared in the Washington News of June 7, 1939, on the same subject. I quote the following from that editorial. While the reference made is to a plan proposed by the Senator from South Carolina [Mr. BYRNES], its application is equally pertinent to the Colmer plan and others which we have before us today.

KEEP SOCIAL SECURITY SECURE

The proposed social-security law changes now being debated in Congress are recommended by the House Ways and Means Committee which has made a long and careful study and has considered the views of many experts.

We believe these changes are desirable and safe. Under them, payment of old-age insurance benefits would start next year, instead of in 1942; increased benefits would be extended to wives, widows, and dependents of insured persons; about 1,100,000 more people would be taken in under the law's insurance provisions; the plan to build up a $47,000,000,000 reserve fund would be abandoned; pay-roll tax increases would be postponed, saving employers and employees about $1,700,000,000 in the next 5 years; and the system would be liberalized in other respects.

But some Congressmen want to go even further. For instance, Senator BYRNES, of South Carolina, and others think the Federal Government should be more generous in the matter of old-age pensions toward the 30 States whose people have per capita incomes lower than the average for the whole country.

At present the Federal Government contributes half the cost of such pensions, up to $30 a month total. Most States pay pensions of much less than $30 a month—the country-wide average is below $20—because they can't or won't match the full $15 which the Federal Government is willing to provide. The Ways and Means Committee proposes to increase the maximum Federal grant to $20, making it possible for any State which will put up an equal amount to pay $40 pensions.

This won't help those very poor States which now fall far short of $15-a-month contributions. South Carolina, for example, pays an average pension of only $7.79, and Arkansas of only $6.05. Nine States, all in the South, are below $10.50.

So Senator BYRNES' plan is to have a sliding scale, with the Federal grants varying from half the total pension in "rich" States to as much as two-thirds in States whose per capita incomes are farthest below the national average, chiefly Southern States.

We appreciate the gravity of the problem Senator BYRNES is trying to attack. But we also appreciate the realities of politics, one of which is that what some States get from Congress all States will demand. If the Federal Government starts paying two-thirds the cost of old-age pensions in South Carolina, Arkansas, and other "poor" States, it will soon pay two-thirds the cost in every State.

Another reality of politics is this: That the larger the proportion of Federal contribution to a system administered by the States the less interest will the States have in keeping administration wise and economical. Local taxpayers are notoriously indifferent to waste of "money from Washington."

We think there are many States now paying low old-age pensions which could afford to pay more under the present arrangement. They should be encouraged to do that. We know there are poverty-stricken States whose economic condition should be improved. But the Byrnes proposal, it seems to us, would actually contribute very little toward that end, while at the same time it would threaten serious damage to social security's entire old-age pension system.

Mr. Chairman, I appeal to every Member of this House, when they vote upon the Colmer amendment, to think not of their own local problem, but to think in terms of the United States and of those people at the end of the line of taxation who will be called upon to make good any increases that are voted over and above those fair and liberal ones that the Ways and Means Committee has already made. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. TERRY].

Mr. TERRY. Mr. Chairman, I was very much interested in the closing remarks of the gentleman from California [Mr. BUCK] with reference to not changing the proportions that the Government now pays in old-age assistance.

Under the present law, the Government pays half of what the States pay out, up to $30 a month. Under the bill which is now under discussion, the Ways and Means Committee has increased the amount from a $30 maximum to a $40 maximum, with the State matching equally the Federal Government. This increase to $40 is a mere gesture. If the Congress has a sincere desire to assist the aged people of the country by making a substantial contribution, then I say that the increase from $30 to $40 with the present ratio does not mean anything. The important matter to consider in the contribution of the Federal Government is how much it will contribute toward the first $30 of the total amount of the old-age assistance.

In March of this year I introduced a bill, H. R. 5038, which changes the proportion of the contribution of the Federal Government. Under the present bill now under consideration, the Federal Government reimburses the State for one-half of the pension payments, not counting anything above $40. Based on title I of my bill, at the proper time I shall introduce an amendment which would change this basis in the following particulars: The $40 maximum in the bill would be increased to $45, and this increased figure would be divided into three $15 brackets, the first $15 paid to any individual for any month to be on the basis of $2 of Federal money to $1 of State money; the second $15 on the basis of $1 of Federal money to $1 of State money, or in equal proportions; and the third bracket of $15 on the basis of $1 contributed by the Federal Government to $2 contributed by the State.

This change would accomplish the following desirable results: It would enable those States which are now paying very low and insufficient pensions to raise their payments to a more reasonable level. Federal funds would go into the various States on a much more uniform basis than at present, because the poorer States could be expected at least to take full advantage of the more favorable matching up to $15. At present a disproportionate amount of Federal money is going into the richer states. The decreased matching ratio, from the standpoint of the Federal Government,

recognizes that as these payments increase, the Federal payment of pensions should decrease. In this way the old citizens of all the States—the wealthier States and the poorer States—would have the same basic sum, and the States could then add to that basic sum under the second and third brackets with a diminishing responsibility on the part of the Federal Government. Under the present method, only one State, California, exceeds the $30 maximum with $32.46, followed by Massachusetts with $28.57, and Colorado with $28.12. Nine States are below $10.50. The average pension of all the States is $19.27, and this in spite of the willingness of the Federal Government to pay one-half of the pension up to $30. Raising the maximum amount from $30 to $40 does not do the old people of the poorer States any good when these States cannot come anywhere near matching the amount the Government is now offering. To raise the amount to $40 merely emphasizes the vast disparity between the assistance that can be afforded the citizens of the different States.

As compared with a pension of $32.43 paid in California, my State, Arkansas, pays $6.15 per month to its old people. This means, of course, that the Federal Government advances to Arkansas about $3.08 for each eligible person, while it advances $15 per month to each eligible person in California—nearly five times as much as it contributes for the citizens of Arkansas.

This great disparity does not exist because Arkansas wants its old people to have inadequate assistance, but simply because Arkansas has not the taxable wealth on which to base a larger proportion of assistance to its citizens. It is not because Arkansas is unwilling to tax itself to provide social services for its people. Arkansas has placed upon itself about every kind of a tax that the ingenuity of man can devise—and yet we fall far short of measuring up to the average of the Nation. The wealth is not there. In addition to the Federal income tax, we pay a State income tax. We also have a sales tax and an occupation tax. Our real-estate tax rate is nearly three times that of the District of Columbia, and in order to keep our public schools going we have a voluntary 18-mill school tax which the various school districts assess upon themselves—in addition to the regular millage. We have a road tax and one of the highest gas taxes in the country.

There are many other taxes too numerous to recount in this brief time. I am mentioning these things to show that Arkansas is not trying to dodge its full responsibility in the matter of finding sources of revenue. And Arkansas is not the only State that is unable to find taxable wealth sufficient to provide a reasonable pension for its old people without adequate Federal assistance.

It is rather revealing to see that the per capita income of the United States in 1935 was $432, while that of Arkansas was $182. That of Mississippi was $170, and Alabama $189.

Many other States in the north, east, west, and south are also laboring under the handicap of insufficient taxable wealth.

Arkansas has had fine forests which have been cut down, to the enrichment of outside ownership. We have the largest deposits of bauxite in the country, but the wealth produced from this source has swelled the coffers of another State.

I am asking the members of the committee to give the people of the poorer States the chance to have not $200 per month, as was attempted last week by some of our friends, but merely an amount that will assure the old people of the Nation, east, west, north, and south, some reasonable modicum of comfort as they pass over the brow of the hill and face the setting sun. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 15 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, today when I picked up a very reliable weekly newspaper published here in Washington—the United States News—I saw that the Federal tax collections in 1930 were $3,600,000,000; that in 1938 it rose to $6,800,000,000; and in 1939 it reached $6,100,000,000. It further states that the amount now needed to balance the Budget is $9,700,000,000. Expenditures have trebled and taxes have doubled since 1929. This is not a record for any party, Republican or Democratic, to be proud of, but this spending orgy did not start with this administration, with the Coolidge administration or the Harding administration or the Hoover administration. This orgy started when the States threw away their birthright in 1913 and ratified the sixteenth amendment without a floor or a ceiling, releasing to the Federal Government the unlimited right to tax the States' citizens; that is when it started, and when the Federal Government began this orgy the States followed suit and the local governments followed the bad example of the Federal Government.

In 1937 the total governmental expenditures for State, local, and Federal Government in the United States was $17,300,000,000, and in that year all the States west of the Mississippi had an income of only $17,600,000,000.

The question is whether we are going to continue along this line. My remarks will be related to that question and, specifically, to the proposals made by fine gentlemen whose views I respect, who are suggesting that we violate the time-honored and, apparently, sound governmental principle of matching the States equally with respect to Federal sums.

We should keep in mind that there is not enough money in the United States, if we were to make a capital levy on every dollar's worth of property in the Nation, to satisfy the demands of all the humanitarian purposes that somebody could suggest that we carry on.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Yes.

Mr. TREADWAY. Mr. Chairman, I make the point of order that there is no quorum present.

The CHAIRMAN. The gentleman from Massachusetts makes the point of order that there is no quorum present. The Chair will count. [After counting.] Sixty-four Members present, not a quorum. The Doorkeeper will close the doors, the Sergeant at Arms will notify absentees, and the Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 90]

Allen, Ill.	Curley	Kennedy, Martin	Satterfield
Andrews	DeRouen	Kennedy, Michael	Schiffler
Arnold	Dickstein	Kleberg	Schulte
Barton	Dies	Knutson	Secrest
Bates, Ky.	Ditter	Lanham	Shafer, Mich.
Bell	Douglas	Larrabee	Shanley
Bender	Duncan	Lea	Smith, Wash.
Bland	Dunn	Lesinski	Smith, W. Va.
Bloom	Eaton, N. J.	McMillan, Thos. S.	Somers, N. Y.
Boland	Englebright	McReynolds	Steagall
Bolles	Evans	Maciejewski	Stearns, N. H.
Bolton	Faddis	Magnuson	Sullivan
Boren	Fay	Marshall	Sumners, Tex.
Boykin	Fish	Martin, Ill.	Sutphin
Buckley, N. Y.	Fitzpatrick	Massingale	Tarver
Bulwinkle	Flannagan	May	Taylor, Colo.
Burgin	Folger	Merritt	Thomas, N. J.
Byrne, N. Y.	Ford, Miss.	Murdock, Utah	Thomas, Tex.
Byron	Gifford	Nelson	Vorys, Ohio
Cartwright	Green	Norrell	Wadsworth
Case, S. Dak.	Griswold	O'Day	White, Idaho
Chapman	Harness	O'Leary	White, Ohio
Chiperfield	Harrington	O'Toole	Whittington
Clark	Hartley	Peterson, Fla.	Wigglesworth
Corbett	Hendricks	Pfeifer	Wood
Courtney	Hennings	Pierce, N. Y.	Woodrum, Va.
Crosser	Jarman	Pierce, Oreg.	Youngdahl
Crowther	Johnson, Ind.	Rich	
Culkin	Johnson, W. Va.	Rogers, Mass.	
Cummings	Kee	Romjue	

The Committee rose; and Mr. RAYBURN having assumed the chair as Speaker pro tempore, Mr. WARREN, 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. 6635, and finding itself without a quorum, he caused the roll to be called, when 312 Members responded to their names, a quorum, and he handed in the names of the absentees for printing in the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Oklahoma [Mr. DISNEY] is recognized for 12 minutes.

Mr. TREADWAY. Mr. Chairman, I yield the gentleman from Oklahoma 3 additional minutes.

Mr. DISNEY. Mr. Chairman, to discuss this whole proposition in 15 minutes is extremely difficult, but I shall do the best I can. I had made only some preliminary remarks when the point of order was made that there was no quorum present, and I think at the expense of boring those good people who were here when I started, I shall retrace my steps to some extent.

This morning I picked up the United States News, and I saw a very interesting chart in it, which I am sure is a reliable one, because this newspaper is factual in its statements. According to its chart, in 1930 we had a tax collection of $3,600,000,000; in 1938 there was a tax collection of $6,800,000,000, and in 1939, $6,100,000,000; and the statement is made in that chart that in order to balance the Federal Budget it would take $9,700,000,000. The proposal that I intend to discuss here would add, according to its own proponents, about $220,000,000. I do not suppose their estimates are any higher than they can justify under the circumstances, but that is what is involved in money. In my opinion, as a Democrat, I express the idea that the best speech that is being made nowadays on the floor of this House is being made by a certain Republican. It consists of eight words, "Where are you going to get the money?" This spending orgy is not a partisan matter. It did not begin in this administration. It became more accentuated because our economic difficulties grew to be greater.

It did not begin in the Coolidge administration, it did not begin in the Hoover administration, but it started when your State and my State threw away their right to control the Federal Government to some extent in matters of taxation when these States ratified the sixteenth amendment without floor or ceiling. Then is when the orgy began, and how long it will continue depends, in my judgment, upon what the States will finally do to stop it, and not upon what we will do here. Congress apparently is going to continue to spend until somebody some place, somewhere, halts us.

Mr. Chairman, I repeat, there is not enough money in these United States, if we were to make a capital levy on every dime's worth of property in the country, to meet all of the humanitarian needs that some person or group of persons or some official group of people, maybe departmental bureaucrats, might suggest. There is not enough money in America to do it. It is not a question nowadays, apparently, of what the people need in the demands that are made upon us; it is not a question of what this Nation can afford. We appear to be trying to give the people what they want and not what they necessarily need. Last week, by a decisive vote, we invited the Townsend people to go back to the States, where the responsibility primarily belongs. At least, in my judgment, it belongs there. We invited them to go back to the States and, in effect, to see the legislatures. But the Terry-proposed amendment, and the Colmer-proposed amendment, and various other amendments here proposed this afternoon are simply invitations to the Townsend people to come back again and again and again, until finally the principle that we voted against the other day will be in effect here.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Not until I have concluded my statement. I want to answer questions, but I want to conclude my statement first. The principle in the Townsend bill that was most unsound, in my judgment, was not the question of compulsory spending.

That could be taken care of some way. It is not a question of whether or not we pay people who need or do not need pensions. To my mind the question is whether or not the Federal Government is going to engage in paying pensions to the full extent, 100 percent. That is where the thing begins and ends. The other two elements, to me, are incidental to that main question.

Now, that is a policy we must determine. Under the sixteenth amendment we can continue taxing the people to any limit we see fit, until the States see fit to change such a system. I hope the Conferences of Governors will start something that will awaken us on that subject.

We can pension the old people to any amount and make the taxpayers pay any amount under the sixteenth amendment; we can pay them $100 a month, $200 a month, $500 a month, as we please, and we can raise the money. We can make the people take it. We cannot make them like it.

I discussed this with one gentleman from the South, in whose judgment I had the greatest respect. He said, "My State cannot pay any more. My State cannot possibly pay any more." With $45,000,000,000 piled up against the Nation, can the Nation pay any more than we are paying now? Can we possibly go any farther? Are we not in the same condition our colleague's State is in, with 10,000,000 people out of work, and while we are taxing business all the more and thereby preventing business, at least to that extent, from putting more men to work? Can we go any farther? I repeat, taxes have doubled and expenditures trebled in 10 years. Where is the saturation point? Can we make it any more emphatic about the Nation than he made it about his State? Maybe those States are not matching. Maybe they can match what we offer them. I think some of them can come more nearly matching what has been offered by the Federal Government than they are doing, but why should they do so when in Congress we propose to go to two-thirds or four-fifths? What incentive is there on the part of the States to match 50-50 when we here today are discussing matching two-thirds, four-fifths, or even seven-eighths?

Oh, gentlemen may say, "You on the Ways and Means Committee raised the matching limit to $20, which was just a gesture. That was a hoax." What if we had left it at $15, what becomes of your argument then? If we had left it at $15, where is the hoax in that? When you propose to go to two-thirds or four-fifths that is not any argument. This $9,700,000,000 deficit is what is involved. The proponents of this amendment admit that at the low figure $220,000,000 is the cost of their plan. This committee amendment in the bill is an invitation to the people who believe in old-age pensions to go back to the States where a part of this responsibility belongs, and where the responsibility will not be accepted as long as we flirt with the idea of matching the States more than 50-50.

All down the years of our history we have felt that when the Federal Government should go a certain length in appropriations where a local proposition was involved, the Federal Government's furnishing one-half was sufficient, and there ought to be responsibility on the part of the States to furnish the other half. Now, as I said, the other day we invited the proponents of the Townsend bill to go back to where the responsibility really lies. Today it is proposed to invite them back to continue this pressure. The man who defeats you when you are running for office again, after you have voted for two-thirds, will be the man who promises to go to four-fifths or seven-eighths, or all the way to 100 percent. Surely gentlemen do not have to have it explained to them what difficulties are involved in the Federal Government paying the whole bill. How fragile a basis we are operating on when the Government pays it all. Three hundred and two to ninety-seven the other day said that was unsound. Many things were said about the bill being a monstrosity and un-American in its nature, but basically what we were voting on was whether or not this Government should pay the whole bill for old-age pensions. Personally I think the taxpayer has some rights in this thing. I think the man who pays his taxes is entitled to know that every man who is getting money from the Government is doing his share, because he is entitled to that right. When we launch into 100-percent spending for pensions for the aged, the next step is to pay them regardless of need, and the next step is to raise the rate of monthly payment. We can do it. Whether our Government can afford it or not, we can take the money away from the taxpayers by some process.

Now I am ready to answer any questions.

Mr. PATMAN. I would like to ask the gentleman one or two questions.

Mr. DISNEY. I yield to the gentleman.

Mr. PATMAN. Under this proposed amendment to the social-security law offered by the committee, the Government will put up $20 by matching for every person over 65 years of age who is eligible under the State law. That is right, is it not?

Mr. DISNEY. Yes.

Mr. PATMAN. Now, the Colmer amendment, which many of us are supporting, provides only that a $20 Federal contribution will be made, but it commences at the bottom instead of at the top, and if all States take advantage of this amendment as proposed by the committee, the Federal Government will not be out one penny more if the Colmer amendment were adopted instead of the committee amendment.

Mr. DISNEY. I would be glad to have you explain that, in view of the $9,000,000,000 deficit, but you admitted a little while ago this would cost $220,000,000 additional annually, according to your own figures. I think it would be vastly more.

Mr. PATMAN. It would be exactly the same as the committee would have the Government pay, if the States take advantage of what you are offering them.

Mr. DISNEY. That may be a primary consideration, I may say to the gentleman from Texas, but to me the primary consideration is where we are headed in raising the payment.

Mr. PATMAN. I know, but the amount will not be increased.

Mr. DISNEY. I do not agree with the gentleman. If the gentleman can explain that to the House, I would indeed be glad to have him do so.

Mr. PATMAN. The explanation is simple. If all the States take advantage of what is offered them in this bill and pay their old people $40 on a 50-50 basis, which is $20 for each old-age pensioner, that would be exactly the same amount that the Federal Government would pay if the Colmer amendment were adopted.

Mr. DISNEY. But the States have certain rights, and this is on the basis of what the committee felt the States had a right to do, to say how much or how little they would pay their old-age pensioners. That is one of the duties of citizenship.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. BUCK. If we adopt the policy of the United States Government's matching 4 to 1 any pension scheme, will not the States have the same right to come back and ask us to match 4 to 1 on money for Federal-aid roads and other grants-in-aid that the Federal Government makes?

Mr. DISNEY. That follows logically.

Mr. TREADWAY. If in considering the pending bill we change the 50-50 provision as the committee recommends to a two-thirds and one-third provision, will the aged people get a cent additional money under the changed plan?

Mr. DISNEY. It does not seem to me that they would.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. JOHNSON of Oklahoma. I ask my colleague from Oklahoma, for whom I have great respect, whether it is not true that under the committee amendment he is actually proposing to work a hardship on the poorer States that will under no circumstances be able to match up the $20?

Mr. DISNEY. I do not think so.

A few days ago this House took courageous action in decisively rejecting the utterly inequitable and unsound plan for wholly Federal pensions. This action conclusively demonstrated that, so far as the Members of the House of Representatives are concerned, they place the welfare of their country and its citizens above any petty political advantage which they might personally gain by condoning a raid on the Treasury and a fraud upon the deserving old people of the Nation.

I am glad that the stand which we took upon that occasion grew out of earnest conviction on our part. For the threat of unwise action, which would be equally detrimental to the interests both of our elder citizens and of all citizens, is far from past. In fact, in some ways the danger is far greater at this minute than it was when we took our vote on the Townsend plan a few days ago. Then we faced an issue of which the fallacies were readily apparent. Today we run the risk of being drawn insensibly but inevitably into the quagmire of an equally impossible and equally fallacious pension scheme.

I refer to the proposals now being advanced for amending the Social Security Act to provide a Federal matching ratio for old-age assistance in excess of the 50 percent authorized by the existing law. Because the proposed amendments do not appear at first glance to suggest any radical departure from the principles already embodied in the Social Security Act, because they do appear at first glance to help the so-called poorer States, which, it is contended, cannot pay decent pensions to their needy old people, they have a specious plausibility. But beneath this plausibility, as I think I can prove to you, they are as impractical and as dangerous as those schemes which we have already rejected.

These proposals will involve excessive cost to our already burdened Federal Treasury. They will result in gross inequity as among the States. They will lead inevitably to a tremendous Federal bureaucracy. They will result finally in a straight out-and-out national old-age pension scheme, based neither on need nor economic loss. The ultimate complexity of the proposed scheme is such that it is bound to collapse under its own weight. And, what is more, it will fail completely in its avowed purpose of providing more adequately for the old people of this country.

Even the mildest of the proposals advanced would require the Federal Government to pay two-thirds of the first $15 to each recipient of old-age assistance plus one-half of any amount from $15 to $30. This would mean an increase in the Federal cost of old-age assistance ranging from forty to a hundred and ten million dollars annually, depending on the action taken by the several States. Other proposals which would necessitate still greater Federal expenditures have also been proposed. One of these would place upon the Federal Government as much as four-fifths of the entire burden of old-age assistance payments up to $25 per month. Another point to which I would like to call your attention is the fact that this estimate of an increase ranging from forty to a hundred and ten million dollars annually would apply only to the first few years. In future years we would have to anticipate that the amount required would be far in excess even of this.

I need not emphasize to the Members of this Congress the great difficulty we are now experiencing in raising the revenues necessary to meet present obligations. For the fiscal year 1940 our deficit will be three and one-third billion dollars. The total deficit over the emergency years since 1931 will come to $27,000,000,000. In view of the situation with which we have been confronted, these expenditures have been justified as emergency measures. As investments in the security and stability of the Nation they are sound and reasonable.

But how can we, in good conscience, now take a course of action which, I believe, will preclude any possibility of balancing our Budget within the predictable future? Yet that is precisely what the proponents of these bills are suggesting that we should do. The Ways and Means Committee is charged by this House with the responsibility for finding the money which the Federal Government needs to meet its obligations. I think it is worth noting that no one has asked this committee where the money to finance these additional Federal contributions to old-age pensions is to come from.

And, even if the Federal Government should undertake this colossal burden, it would not, in my opinion, be serving the ends toward which, it is said, these bills are directed. This action on the part of the Federal Government would not wipe out inequities in old-age assistance among the States. It would not put more money into the pockets of those needy old people who need it.

Assume for a moment that Congress was so short-sighted, so delinquent of its responsibilities as to pass such a measure.

What would be the result? There are several alternatives, all equally objectionable. In the first place it should be noted that congressional action on this matter would be meaningless until the States also took action. However, there can be little doubt that they would do so. It seems more than likely that some of the States would utilize this Federal handout to effect an unjust reduction in their own proper obligations. If that is the case, the old people will not get 1 additional penny. Instead, what will probably happen is that the bulk of the increased contributions from the Federal Government will be used for the purpose of reducing State expenditures. In other words, the States may, if they so desire, take unfair advantage of this situation to balance their budgets at the expense of the Federal Government.

Some States, on the other hand, will, no doubt, go the limit in stretching payments to old people. In that case they will make demands upon the Federal Government for sums that will so far out-top present expenditures as to be well nigh incalculable.

Furthermore it is readily apparent that the rich States which can easily afford to pay as much or more than they are now providing for their old people will be the ones most likely to receive this gratuitous assistance from the Federal Treasury. The inequalities of such a scheme become more and more apparent when you consider that the taxpayers who contribute to Federal revenues are not limited to any one part of the country. We are all of us citizens of the United States, as well as of a particular State. Since far more than half of the Federal revenues are derived from taxes not levied in accordance with ability to pay, these schemes would really operate at the expense of the so-called poorer States.

I repeat, as the elected representatives of the American people, we have no right to permit the gross inequalities which any such measure would inevitably produce. Rather, we have an obligation to protect the best interests of all concerned—the Nation and its States, the old people and their fellow citizens who in the last analysis support both Federal and State activities.

There are only two ways in which any such proposal could assure that more money would actually reach the old people for whom it is intended. One way would be to freeze State expenditures at their present level, or in some States at a higher level than they are now paying. This could only result in a permanent distortion of State budgets and a permanent crippling of other equally urgent services, including schools, hospitals, and other essential protections of the general welfare. The other method would be to require a Federal contribution of a flat, minimum amount which would go to every recipient. This is impractical and inequitable. It would completely disregard the element of need and would give the same basic amount to an individual who had no income whatsoever and to one who had some resources of his own. It is as unjust to make equal provisions for unequal needs as it is to disregard wholly the requirements of those who are in want.

Another point to be considered is the vast and, I venture to say unmanageable, complexity of administration which would result from any such change. This is a matter, gentlemen, to which those who support this bill appear to have given little thought. Yet, I think I can establish all too readily the conclusion that the Federal Government would find itself involved in details of administration which would be alike objectionable from the point of view of the Government and of the people. One of the inevitable concomitants of increasing Federal contributions is increasing Federal supervision and control over disbursements. As a result we would find ourselves, perhaps overnight, with an enormous Federal bureaucracy, which would be compelled to reach down into the homes of the individual recipients of assistance. Old-age insurance, which is federally operated, offers no such problem, because there payments to individuals are made on a basis of past earnings, and the Federal operations entailed are simply of a bookkeeping and accounting character. If the Federal Government extends its proportionate stake in old-age pensions, it must inevitably extend its proportionate concern in the individual needs of those receiving assistance.

One of the great safeguards of our present system of equal matching for old-age assistance is the fact that it is geared to give just consideration both to the national aspects and to the local aspects of the problem. I should be more than loath to see the Federal Government take any action which would weaken the local relationships so necessary, if an assistance program based on need is to have reality in the lives of individual men and women.

For all these reasons I believe that proposals to increase the percentage basis of Federal matching are unsound; that they would defeat the very purposes which are their avowed intention. In addition, I believe that they are wholly unnecessary. I recognize the serious financial problems with which some of our States are confronted. But I believe that the majority of the States can and will provide adequate pensions for their old people, and that they will do so vastly more effectively if they are not permitted to shift an undue share of the responsibility to the Federal Government.

I know what the situation is in my own State of Oklahoma. I am well aware of the difficulties which have been encountered there. Yet my State is paying pensions to a larger proportion of its elder citizens than any other State in the Union. So far it has been able to finance them; and it will, I believe, in the future be able to make its program still more adequate. I know that some of you may think, "Yes; but look at the amount paid in Oklahoma. Its old people don't get on the average quite $20 a month." But, even so, our average payment is higher than the average for the entire Nation.

Of course, the level of assistance in my State, as in many others, is still quite low. But, in considering these levels of assistance, these averages, we must remember that in every State they reflect a wide difference in the payments made to individuals. Many of the old people receiving aid in Oklahoma and in other States have some income from other sources, or they own their own homes. Others live in households where there are two or more persons, each receiving old-age assistance. In general, I believe it is fair to say that in most States small payments go to people who need only supplementary aid for such cash requirements as they cannot otherwise provide. These small payments bring down the average so that it does not give a really representative picture of the level of assistance now being generally provided.

Even so, as I just said, I believe that the States can and should work toward more adequate assistance within the present framework of the Social Security Act. In my State I believe that this objective can be attained without any net increase in cost. As you are all probably recalling at this moment, Oklahoma received considerable publicity a year ago because of failures both of omission and commission on the part of its old-age assistance administration. I would be the last to deny that there was truth in some of these charges. But, as Mark Twain said when notices of his death were published, "The reports in the papers have been considerably exaggerated."

Great progress has been and will continue to be made in Oklahoma in tightening up any laxness which may have existed in the initial stages of its program. And we are well on the way toward providing more adequate protection to those of our old people who are entitled to aid under the existing provisions of Federal and State laws. Oklahoma has had its share of criticism. I believe it is now entitled to a just recognition of its genuine concern for its aged citizens and of its determination as a State to meet its fair and full share of our responsibility toward them.

If this Congress reinforces the action it took on the Townsend plan, if it withstands as firmly the present insidious pressure to adopt equally unsound policies, I am certain that the whole future course of old-age security in this country will be brighter.

When no shred of doubt is left as to the position of the Federal Government, when the desires of some States to lift

the whole burden off their own shoulders have been answered effectually, we shall find, I believe, that State legislatures will stop passing memorials urging Congress to take over their own duties. Instead they will become responsive to the legitimate demands made upon them by the citizens of their own States.

I hope that my plea to you today will not be taken as opposed to the interests of the old people or opposed to Nation-wide social legislation. My record on this score speaks for itself, and I am willing to stand on the consistency of my past and present action. I voted for the Social Security Act in 1935. I voted for all the bills sponsored by the administration with the purpose of promoting greater economic and social well-being for the people of the country. And I expect to continue to support the sound social programs which I feel confident will be developed by this administration and future administrations.

But for this very reason I cannot do otherwise than call to the attention of this Congress the dangers inherent in the proposals before us. I have every confidence that we shall not unwittingly support a program which would implicate us in untold difficulties. These measures, while plausible and trimmed with vote-getting attractions, are, I am convinced, detrimental to the interests of the old people and the citizens generally. They will make our task in this Congress and in future Congresses vastly more difficult. We have no right to involve ourselves and the people whom we represent in any such ill-considered scheme.

I believe, as I think most of you do, that the interests of the old people will best be served by maintaining and strengthening our present system of genuine two-way cooperation as between the States and the Federal Government. The Federal Government has an obligation for old-age assistance, but so have the States. No plan which would permit either to slip out from under its just responsibilities can long endure. Within the week we have closed the door and, I hope, locked it forever to the threat of an unsound Federal old-age pension plan. Let us not permit this equally dangerous proposal to get by us because it makes a back-alley approach in the guise of a simple amendment to the existing program.

To forestall this inequitable, this foolhardy measure, we need no uncommon insight or courage. Plain common sense, simple arithmetic, and an ordinary feeling for human justice and human rights—that is all it takes to reveal the weaknesses and the fallacies of these proposals. By taking a little thought now we shall save the American people, including the elder citizens for whom each of us feels a deep personal concern, from bitter disappointment and incalculable costs.

The Washington Post correctly appraises the situation in the following language:

THROUGH THE BACK DOOR

Senator BYRNES has further shaken the confidence of those who hoped that the decisive House vote last week could be regarded as the end of the Townsendism. If the Senator's plan to break down the present relationship between Federal and State contributions for old-age pensions should be adopted, it would give the Townsendites precisely the sort of opening wedge they are seeking.

At present the Social Security Board matches old-age allowances by the States on a 50-50 basis. Thus the system retains a very definite local character. States are not likely to promise extravagant benefits so long as their taxpayers are required to meet half of the bill. Senator BYRNES proposes, however, that the Federal Government increase its contribution to two-thirds of the total pension allowed in the poorer States.

Acceptance of that principle for some States would, of course, quickly lead to demands for its general application. The next step might easily be a wholly Federal system of old-age pensions, in order to equalize the differences of which Senator BYRNES complains. The Townsendites would then have only to bring about liberalization of Federal old-age benefits to arrive, by a delayed approach, at the goal they seek.

Senator BYRNES makes a good point against the Ways and Means Committee proposal to raise the maximum Federal contribution for the aged to $20 per month. That plan, he says, will benefit only the wealthier States able to match such payments dollar for dollar. States which can afford to contribute only $4 per capita for their indigent aged would continue paying $8 pensions. The gap between $8 and $20 pensions must be avoided. But the existence of this problem does not justify breaking down the safeguards against an extravagant all-Federal pensions system.

When the House begins debate on the proposed amendments to the Social Security Act today it must be alive to the very real danger of ushering in Townsendism through the back door.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 1 additional minute to the gentleman from Oklahoma.

Mr. TREADWAY. Mr. Chairman, I yield 1 additional minute to the gentleman from Oklahoma.

The CHAIRMAN. The gentleman from Oklahoma is recognized for 2 additional minutes.

Mr. MOTT. The gentleman observed, in answer to a question by the gentleman from California [Mr. BUCK], that if this amendment were adopted the States would be inclined to ask for greater Federal contribution in every other activity, including road funds. Does the gentleman know of any State which has proposed that the Federal Government contribute more than 50 percent of road construction?

Mr. DISNEY. I do not; but I never heard before that they had proposed that we raise the 50-50 principle on anything else.

Mr. MOTT. On the other hand, the gentleman knows that the legislatures of a number of States have passed resolutions memorializing the Congress to pass legislation in line with the Townsend proposal, whereunder the Government furnishes the entire amount. The gentleman knows that.

Mr. DISNEY. If the legislatures had the responsibility of raising the money, they would not be doing such things. That is what I am contending—that they assume their responsibility.

Mr. MOTT. The gentleman knows that is true.

Mr. DISNEY. I have noticed that.

Mr. MOTT. In other words, the tendency of legislatures today is to ask the Federal Government to furnish a flat old-age pension. There is no desire for any matching.

Mr. DISNEY. They demand what they want. In other words, we are supposed under such a doctrine to legislate not on what we can afford, but on what they demand of us.

Mr. COLE of Maryland. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. COLE of Maryland. Following the long consideration which the Ways and Means Committee gave this subject and after so many weeks of testimony I assume the committee took into consideration the ability of the States to meet this problem. Did the Ways and Means Committee take any action on the question of embracing greater burden on the Federal Government than on the States? In other words, was the amendment which is now proposed considered by the Committee on Ways and Means?

Mr. DISNEY. Oh, yes; we considered it in the Ways and Means Committee.

Mr. COLE of Maryland. With what result?

Mr. DISNEY. That the proposal to raise to two-thirds was rejected after the most thorough and serious consideration. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. MCLEAN].

Mr. MCLEAN. Mr. Chairman, we have just listened to one of the most thoughtful and one of the most statesmanlike discussions that it has ever been my privilege to hear since I have been a Member of the House of Representatives, and it would be well for all of us to give some thought as to really what this contribution from the Federal Government to the States means. My attitude on the bill today might be described as that of one who came to scoff but stayed to pray. When the Social Security Act was previously before the House I was not in favor of it. I will vote for the pending measure. On the former occasion it was my conviction that the proposed activity was one in which the Federal Government should not inject itself. My school of thought was the same school as that of the President of the United States when he was Governor of New York.

On March 2, 1930, President Roosevelt, then Governor of New York, had this to say about the intervention of the Federal Government:

As a matter of fact and law, the governing rights of the States are all of those which have not been surrendered to the National Government by the Constitution or its amendments. Wisely or unwisely, people know that under the eighteenth amendment Congress has been given the right to legislate on this particular subject, but this is not the case in the matter of a great number of other vital problems of government, such as the conduct of public utilities, of banks, of insurance, of business, or agriculture, of education, of social welfare, and of a dozen other important features. In these Washington must not be encouraged to interfere.
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The preservation of this home rule by the States is not a cry of jealous Commonwealths seeking their own aggrandizement at the expense of sister States. It is a fundamental necessity if we are to remain a truly united country.

I share the same opinion today as that of President Roosevelt in 1930, but my position is altered by the fact that the social-security program is established, and my obligation is to assist in improving it. The modifications made by the pending bill are in that direction.

We are now engaged in a controversy as to the amount which shall be contributed by the Federal Government to the States to carry into effect the provisions of the bill.

This controversy illustrates the evils that are bound to grow out of the tendency of the present times to centralize all of our affairs in the Federal Government. The inadequate revenue systems of many States have made it difficult for them to finance numerous activities of present-day demands and, as the gentleman from Oklahoma [Mr. DISNEY] pointed out, the power of the Federal Government under the sixteenth amendment to tax without limitation or control has created a demand on the part of these less fortunate States that the Federal Government assist in various enterprises alleged to be for the benefit of the Nation as a whole and there has developed the practice of granting subsidies to the States.

These subsidies are politically and affectionately designated as "grants in aid." In the making of these grants constitutional restraints are disregarded and their purposes lost sight of, and there is deliberate resort to unique and subtle devices to circumvent them. The suggestions for Federal aid uniformly come from States less fortunate, hoping to benefit through the medium of Federal taxation out of the resources of others.

The obvious political significance of these Federal grants weakens the resistance of those in control of the pursestrings. The political mind, in its desire for perpetuation in office, is ever ready to yield to those influences which will provide for constituency benefits which otherwise might not be enjoyed by those possessing the voting power. By accepting these subsidies the States must conform to requirements laid down in the Federal statutes. By so doing they admit a degree of supervision and control which threatens State independence, which will ultimately destroy the sovereignty of the States and render them mere administrative agencies of the Federal Government.

The theory upon which these so-called grants-in-aid are made is that the Federal Government has some reservoir of money disconnected with local taxation which can be tapped for the benefit of the States and their various subdivisions without affecting the local tax burden. Some day when the people begin to realize that concentration in the Federal Government has removed their Government from their direct control, when all governmental activities are directed by one individual or group, just what is happening will be better understood. After all, every citizen of the United States makes his contribution to the revenues of the Federal Government, as well as to the State and local governments, and you do not ease the tax burden by changing the medium through which the taxes are collected and spent.

The people of my own State of New Jersey, for the fiscal year ending June 30, 1938, contributed over $210,000,000 in taxes to the Federal Government. These taxes were paid by the same people who paid taxes for the maintenance of the State and local governments. During that same year New Jersey received from the Federal Government for various relief purposes a little over $73,000,000, about 33⅓ percent of its contribution. Therefore, if a citizen of New Jersey paid to the Federal Government an income tax of $600, only about $200 was returned to the State in Federal grants, the balance being spent in localities far removed from the State and for purposes about which the New Jersey taxpayer had little or nothing to say.

The machinery of the Social Security Act is only one of many unique devices which have been resorted to for the purpose of circumventing the restraints of the Constitution. These restraints were created to preserve our liberty and independence by keeping governmental activities under direct popular control. It reflects no credit on the American people or the American system to say that the States cannot or will not meet their obligations to the needy through their local governments. It has been done. I challenge any Member of this House to admit that his State has neglected its obligations to the underprivileged. New Jersey, for example, was a pioneer in social legislation. We pride ourselves on our Workmen's Compensation Act, our public education system, our care of the blind, the widows, the orphans and aged persons, and mental defectives, and our program of vocational education and rehabilitation.

I said that New Jersey's contribution to the Federal Government was two-thirds more than it received. What is true of New Jersey is true elsewhere.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. McLEAN. Mr. Chairman, in many States the amount of Federal money received far exceeds the amount contributed by them. How long will the States permit the use of this device of taking money from the Federal Government and using it as an agency to take money out of the pockets of the more fortunate States, "sucker States," if you please, in the parlance of the day. We are heading to a time when the States will lose their identity and become mere administrative agencies of the Federal Government. The practice does violence to the statement of President Roosevelt in 1930 that "preservation of home rule is a fundamental necessity if we are to remain a truly united country."

Mr. Chairman, my attitude toward this program, as I have stated, remains the same, but my position is altered so far as this bill is concerned. I expect to vote for the measure. While I do not believe in the principle of the Federal Government carrying on this activity, we face a condition. The Congress has determined that it is a proper governmental function for the Federal Government to stick its nose into the activities of the States; and on the theory that this is a better bill, that this bill will better protect what rights may be left to the States, I am constrained to support it. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, it is my desire to compliment the committee for the amendments here recommended, which will leave approximately $1,575,000,000 over a period of the next 3 years in the hands of industry and the workers. This saving may be used in the purchase of consumer goods or it may be placed in the field of investment, and the savings are made to the people because the committee's recommendations do not permit the increased rates to go into effect until January 1, 1940, in connection with the changes they have made in the pay-roll and the unemployment-insurance tax.

The committee gives encouragement also because it seems to point out to us that the Congress can push a social-security program beyond the limits of the present technology to support. If we go too far in this respect, we contribute to the pulling down of the whole structure of social security and the boasted high standard of living which we enjoy today as a people.

For the committee to be able to come to us in the form of these amendments, and as they now recommend that we act,

which amendments are you might say only slight changes in the original Social Security Act, and they are only temporary in that they run for a period of only 3 years, and at the same time prevent the assessment or save for our people one and a half billion dollars, should prove to us that we were exceedingly loose in the construction and approval of the original Social Security Act.

Mr. Chairman, these recommended changes not only leave the framework of the Social Security Act intact but, in my opinion, these changes now supported by the committee actually strengthen the act and make it more acceptable to all and more nearly bearable to those who have to put up the money. Accordingly, in my opinion, we move in a direction of preserving the original philosophy of the Social Security Act.

Mr. Chairman, scientific knowledge is cumulative. It moves forward by steps. We can make too many promises. We can create too many dollar obligations for our scientific machinery to meet at a given time. Moving out of the field of poetry into the realm of grim reality, we know we cannot pour out of a pint measure more than a pint.

Mr. Chairman, I believe every man or woman who toils should have in this day, in this age, in this country, a frugal living, one economic in the use or expenditure of resources, not wasteful or lavish, saving, sparing, and with it all obtained by or appropriate to economy. So in considering this social-security problem I keep in mind the man or woman who has worked, who is now working, and who must hereafter work. For each there should be a frugal living. We can apply the tax too severely. We can be too aggressive.

Dr. Berle, in dealing somewhat with this situation, made this statement just the other day before the Temporary National Economic Committee:

> We have the undisputed fact in the United States—it appears partly true also in France, and to a less extent in Great Britain—that the private capital markets have been in large measure closed since the year 1931.
>
> The flow into capital construction may be said to have found its norm at a level of somewhere between eight and ten billions of dollars during the decade from 1920 to 1930. Of this, at least six billions went through the public markets—that is, occurred by sale of stocks and bonds. The balance went into construction through the mortgage markets or through private placement. By 1931 the amounts going through the public markets had fallen to approximately half that amount, then withered to a mere fraction. At a maximum, since 1931, not more than two and one-half billions of true capital money has gone through the mechanism of the public markets The average is considerably less.
>
> The conclusion is obvious: American private markets are not funneling capital funds into capital construction at more than—roughly—one-third to one-half the rate they were doing in the 1920–30 decade. This means that private activity in heavy industry is not being continuously generated in sufficient volume to keep those industries busy, or to keep the country continuously on an even economic keel.
>
> The slack has been taken up by Government financing.
>
> There is, first, the fact that the wealth-creating power of the Government is relatively limited. It has under its direct control not more than, perhaps, one-tenth of the productive machinery of the country. This is largely traditional in form.
>
> If, therefore, wealth is to be created by creation of Government debt, the scope of Government enterprise must be largely increased. Briefly, the Government will have to enter into the direct financing of activities now supposed to be private; and a continuance of that direct financing must be inevitably that the Government ultimately will control and own those activities. Put differently, if the Government undertakes to create wealth by using its own credit at the rate of four billion or so a year, and if its work is well done, the Government will be acquiring direct productive mechanisms at the rate of four billions' worth a year, or thereabouts. Over a period of years, the Government will gradually come to own most of the productive plants of the United States.
>
> This is certainly so fundamentally a change in the course of American life that the decision to make it should be taken for reasons other than relief of a series of temporary difficulties. If the country desires to make wealth creation a function of Government (I personally believe it must do so in larger measure than it has heretofore) the choice should be the considered choice of the country, and not the result of a policy of drift.

So, Mr. Chairman, from the statements of Dr. Berle we can gather additional evidence of what is taking place in this country, of why we have so many unemployed, of why our people are so conscious of this thing we call social security. Congress responds, more or less, to the demands of the people. Congress is conscious of pressure groups. Congress feels perhaps more keenly the call of the pressure groups than it understands the stress it places, from time to time, on the ability of our people to contribute to the tax box whether it be in the form of social-security taxes—or savings some would prefer to call them—or for some other purpose or objective. I personally feel that we are more apt to place too great a load on the people, that we are more likely to impose a social cost that is beyond the ability of our people to bear, than we are to overlook the social needs of the people.

With the permission of the House, I wish to further explore some of these factors and elements which enter into the general picture and which contribute so greatly to the growing concern of our people. Without question, the great number of unemployed—now estimated to be around 11,000,000 workers—is directly related to the absence of capital credit to which Dr. Berle refers. Furthermore, the factor of hoarding, the practice of pump priming, and the creation of credit money by Government are elements which we should consider in dealing with the program of the Social Security Act and these amendments here under consideration.

BANK HOARDING—PRICES

Mr. Chairman, an expression of appreciation is due the gentleman from California [Mr. VOORHIS] for his friendly recognition on May 8 of my effort of the 4th of May to present a partial analysis of farm price relations and money supply.

HOARDING VERSUS PUMP PRIMING

I beg to protest, however, that certain inferences which he drew from my remarks do not seem to me to be warranted. For example, I hope we may not fail at this point in the discussion to recognize the clarifying contribution of the Federal Reserve Board's recent statements pointing out that a record high in money supply is today accompanied by a low in price level. While it is not true, as the Board at least implied—the inference was actually drawn by the Economists' National Committee on Monetary Policy in reprinting the March statement of the Board—that price relations to which the Board itself attributes important economic significance have not moved with money supply, it is quite obvious that factors affecting the use of the money supply have intervened under the policies which have developed since the economic collapse of 1929–30.

It is gratifying, indeed, to have the gentleman from California acknowledge that these policies, because of the way in which they have created and floated new money to offset the losses of deflation, are proving, to use his words, to be "inadequate to solve the problem." Since these policies have had the support of both parties, I am happy to join him in pointing out that as to results we did not "plan it that way." Confession is good for the soul; and we may even hope that the shouting and tumult will die and the captains and kings of politics depart, leaving us to sacrifice our partisan pride of opinion and face these unsolved problems with an humble and a contrite heart.

I do not feel that in the time available I can resolve all of what seem to me the confusions in analysis and definition of terms which the gentleman has drawn from current political and academic thought and incoroprated in his reply. But I must at least point out that these ideas introduce considerations that, in my opinion, are quite extraneous to the problem of the monetary cycle with which we are dealing.

MONOPOLY PRICES

Outstanding among these irrelevancies is the specious attempt to create an alibi for our fiscal incompetency by attributing sticky or rigid prices to what the gentleman calls the magic of monopoly. To begin with, competent students, such as Humphrey, Tucker, and quite recently Arthur, have presented ample arguments to show that there is no magic about it; for as related especially to the size of modern units of industrial production, monopoly can have no determining relation to the general rigidity of prices in durable goods. On the whole, such prices fail to rise as much as they fail to

fall, and they developed this lag relative to shifts in farm prices long before the day of the supercorporation. But even if this were not true, the gentleman has eagerly admitted that we are dealing with a monetary problem in which the difficulty lies not in price rigidity but in price variability, which should not have occurred were monetary supply properly controlled.

His argument, therefore, reminds us of the good Irish biddy watching the holiday parade. As her son Pat's platoon swung around the prosperity corner she noted well the rigid and orderly array. But her maternal pride swayed her partisan viewpoint as she saw Pat striding out in front of the line. "B'gorra, 'n look, wud ye!" she cried. "They're all out o' step ixcipt Paat!"

Price rigidity—the gentleman would call it stability if he were not baiting big business—is the very thing he is seeking. Indeed, he is only too eager to suggest that it is the lack of stable prices that causes the hoarding of money such as we are now witnessing. In this contention we all readily concur. But this, as I shall undertake to show, is for the very reason that it sets up a vicious circle of cause and effect which eclipses the influence of a normal rate of interest in maintaining that circulation of money which can alone assure us that hoarding will not develop and create the very panics, followed by booms as rising prices recur, which we are seeking to cure.

BANKING, HOARDING, INVESTMENT, PRICES

Let the gentleman note well that the money changers were in the temple long before the evils of the modern clearing-house system were developed by banking with partial reserves. Let us recognize, too, that hoarding, under modern developments in the field of capital formation, that is, under mechanization, is capable of causing quite as much if not more difficulty in price cycles than is caused with the existing banking system. This system, though a very cause of instability—and Mr. Voorhis has such an eminent authority as Professor Slichter, of Harvard, to support him in this position—does at least allow for some erratic expansion, even by public as by private borrowing, as the gentleman well notes.

Hoarding, therefore, remains the ancient and fundamental evil with which we must deal; and in this connection I submit that it seems relatively immaterial whether or not we grant an unjust concession to people of means to create money in the form of bank credit. In the long run the effect of hoarding in producing the difficulty of money-price cycles must be pretty much the same as that of banking with partial reserves. The modern money problem is, indeed, more critical, but not so much because of the banking system as because of our mechanical development of capital equipment. The accompanying complex divisions in productive processes make continuity in trading through money imperative for the maintenance of economic stability and employment.

Indeed, it is at this point that I beg to take sharp issue with the bargain basement theory of pump priming by subsidizing consumers to maintain stable prices, to keep consumer purchasing power up to production, in the President's words. We are all consumers, especially of the food supplies which so sensitively record monetary conditions in their farm price level. Rich or poor, our consumption level in necessities is the same and has the same relation to the price of staples. But we are not all savers who can hoard money, and it is precisely for that reason that the method of issuing money must consider, not the spending motives of the have-nots who are without reserves which they can choose not to spend, but the spending motives of those who have earned a surplus in income which they can hoard. What will they do, and why? Should not those who earn and save our surplus control its investment? Is this not in the public interest?

How, indeed, can our eminently sincere Golden State colleague, having traced the cause of hoarding to falling prices, fail to see that he is not dealing with hoarding at all when he proposes to subsidize necessitous spending as against the investment of savings or surplus funds? Let us get hold of the fact that we cannot pin this lack of so-called velocity in money supply solely on the banks or on a few wealthy Midases, but must attribute it to everyone's cash balances insofar as such balances do not have to be spent for necessities. The failure of investment in paring knives or automobiles has the same effect, in proportion to its value volume, as the failure to invest in hotels or steel mills. As the so-called lack of confidence affects the money supply and the business cycle through the operation of bank credit, so it must also affect the sum of money in use through affecting the rate of employment of cash, just as it would do were we operating under an exclusively cash system. Failure to expand the money supply in such a way as to prevent falling farm prices must have this hoarding effect regardless of the banking system, even though it be true that our system of extending credit through the banks operates to prevent that essential monetary control.

It seems to me essential, therefore, that the monetary methods adopted shall affect not those incomes which must necessarily be spent regularly but rather those incomes or really that part of all incomes which can at will be spent irregularly and become indefinitely unspent as cash balances, thus affecting the total sum of money being used in trade. Is it not plain, both in theory and in fact, that this sum—all the money actually being spent—does not affect the price level of the classes of goods which, being durable, need not be bought as used and from which spending may therefore be withheld, but rather the prices of those goods which are used up as purchased and for which money must be spent continuously? Prices exist, and are related to the sum of money spent, in sales which are consummated, not in sales which are withheld.

As a business community the country seems not to budget its spending as an individual account might do, so as to allot a particular segment of its income to food supply. If staple farm prices are falling, income is not thereby released to other, nonnecessitous spending. On the contrary, income is, as a whole, devoted proportionately less to other things—so much less, indeed, that in order to sustain industrial sales the decrease in so-called demand would have to be apportioned, simultaneously, amongst the complex chain of productive factors which operate in assembling the products of industry. Doing this, simultaneously, is plainly impossible. So the final process of the many steps involved in the total cost of assembling any industrial product would have to assimilate the whole of this deflationary loss if all finished, consumer goods are to decline in price as flexibly as raw materials. Plainly, this, too, cannot be done if the final processor is to remain solvent, for he has already paid for antecedent costs (raw materials and unfinished goods) at a higher level of prices.

The result of deflation is, then, that the normal margin of profit which sustains all industry and investment, and which is the normal rate of interest, is destroyed and durable goods tend to be sold, to sustain their market position, at a price level representing money costs which must be restored by reflation to make the system work at all. Imagine, if you can, the chaos of a market for durable goods which operated flexibly to meet the monetary instability of farm prices! What would happen to the used-car market, for example, if new automobiles came onto the market at prices which varied with crop prices? Indeed, in such a market, the housewife would find herself renting washing machines and, mayhap, even paring knives, from a holding company operated to speculate or hedge against these allegedly competitive flexibilities in price.

It is obviously, then, impossible to keep the price of capital equipment, accumulated at costs incurred over a period of changing prices, in line with variable farm prices. If the normal rate of interest—the normal, marginal rate of return on investment—is affected by mere changes in the price of inventories (of all kinds of property), money incomes rise and fall accordingly and the whole capital structure is progressively affected in its price at a multiple rate

based upon calculations from the normal rate of discount or interest, if that rate is allowed to operate without interference. For this reason, money, despite attempts to neutralize the difficulty by changes in bank rates, is sooner or later sucked into speculative operations in capital values, largely through speculation in real estate and mechanics of the stock market. This affects normal business much as does hoarding, so that the money supply is never adequate and cannot be made adequate in the face of a rising level of basic commodity prices.

NEW CREDIT SCHEMES SUBVERSIVE

Despite this inherent monetary impasse involved in rising prices, Marxian fallacies as to the nature of capital and interest and their relation to monetary saving and investment have so permeated the whole of our body politic including, it would seem, even the Golden State, as to lead to the gentleman's naive proposal for a rising price level as a remedy for our troubles with debt! Our minds have become so chronically confused by inurement to the existing money muddle that we find it very difficult to think at all, it seems, in terms of a rational system. Indeed, though the gentleman has agreed with Dr. Currie that our money supply must come into existence free from debt, does he not now propose a system of public meddling with what must and should remain the properly private function of loaning money, by opening a ledger of national credit which so far has never been opened? How, pray, can public credit be loaned into a free system of competitive private enterprise? Is not the proposal for a system of industrial finance banks under Government auspices, selling consolidated debentures and stock to the public, but making credit and even equity capital available to producers, just another name for the very same kind of a financial Tower of Babel which we have been trying to build in the Federal Reserve System? Is it not, in reality, just such a system of concessions in credit money that we are now struggling to force into operation and which is proving not to be the answer even though autocracy be invoked, as in Germany, in the vain attempt to make it work?

In the words of the venerable president of the University of Minnesota, Dr. Guy Stanton Ford, prefacing the most notable volume of essays on dictatorships yet to appear in print:

> The unconscious fascism of many of the prescriptions to preserve democracy should give the thoughtful citizen more anxiety than the vague danger of a handful of radicals.

If my efforts to be thoughtful about the pickle being prepared for democracy in this Congress have told me anything, it is that those experts who are ideologizing for our million-dollar tem-permanent econostrums committee are preparing statistical opiates to assure public unconsciousness while democracy is being preserved in the saltpeter of bureaucracy and the vinegar of autocracy. Even Dr. Currie has, by request—I wonder who requested it—presented the committee with an array of dope sheets which should, let me say, raise the ghost of Disraeli in his trenchant retort: "There are three kinds of lies: White lies, damned lies, and statistics." Dr. Simon Kuznets, of the National Bureau of Economic Research, upon whose work I observe the Currie showing on offsets for saving is largely based, has himself indicated that these statistics of national income and capital formation are at best not precise guides in business-cycle studies. Yet it is assuredly the business cycle with which this committee should be especially concerned.

While it seems to be an accepted precept of statistical methods that figures prove nothing as to economic causation, their soporific influence has apparently beclouded even such an outstanding intellect as that which told this very economic committee only last summer:

> Regulation is always dangerous. Finally there is always the certainty that * * * the regulations will be used for purposes which are either corrupt, political, or doctrinaire. Any of these three may produce violent and extremely unhealthy results.

I wish someone would explain the system of capital credit which the author of this sage advice, Dr. Adolf Berle, Jr., now proposes in conjunction with the gentleman from California, so as to make me understand how it can be operated without regulations. An allegedly new banking system carried on not for profit but as a public service charged with the responsibility of making capital-credit loans to business and to government is projected—without regulation?

Let us beware, Mr. Chairman. Beware the Greeks when bearings gifts. Beware the starry-eyed liberal when devising new deals to operate on altruism. Give me liberty to profit or lose competitively in investment if you want me to feel safe from exploitation.

Whether or not so-called interest charges be attached to such a credit system as now exists or as these gentlemen of the New Deal are adumbrating for us is wholly immaterial to its feasibility. The flaw in the system lies in the attempt to float new money by lending it, so that the money exists in the debt structure only and can no longer exist for use if and when the debt is paid. Putting politics into such a scheme of parasitic, forced saving through Government auspices cannot sanctify it. On the contrary, that is precisely what has put the Federal Reserve Board on the spot today. Political pressure will continue to make a racket out of the very best intentions in the management of money by any board empowered to use its discretion in any way whatsoever. This will be true even in that fool's paradise where, according to Dr. Berle, new centers of finance are to be more responsible to the public by being wholly under nonpolitical, public control. But regulations, mind you, the doctor's own words, "regulations are to free them"—not the people but these new, new deals in finance—from the rigidities which now obstruct the flow of capital. No one suggests change in the objectives of the New Deal's struggles. But Heaven protect us from these unscrupulous money changers who, faced by the failure of credit, have proposed only the lending of more money, for though condemned in these very words in President's Roosevelt's first inaugural address, money lending and more money lending is still the fiscal principle under which those objectives are being sought after 6 long years of lip service to monetary liberalism. Liberalism; yes—with other peoples' money.

BUSINESS CYCLES ARE MONETARY

Bad as its sponsorship of spending has been, however, the present Reserve Board has at least been superwise in its suggestion that it be not given any added illusory powers. No matter what the auspices, the attempt to spend, privately or publicly, through an uncontrollable lending system, cannot operate otherwise than in business cycles of inflation and deflation. Failing to mend the roof in fair weather under the illusion that it is unnecessary, we are deluged with money leaks when the rainy day recurs. Quoting the words of Dr. F. H. Knight, of Chicago University, in closing a caustic criticism of the latest treatise on money and interest by John Maynard Keynes, our British bellwether in lending and spending, let me suggest that since speculative psychology tends to give rise to a kind of momentum or cumulative tendency in price changes, and since this tendency should be especially strong in the case of money, the essential function of which is to be held speculatively, therefore this—monetary speculation—is the most important factor in the general tendency to oscillate in an economic system—in contrast with speculative cycles affecting particular commodities.

Professor Marshall, of England, fully recognized—page 594 of his Principles—this monetary character of the business cycle and pointed out, in the precepts of his preface, that those effects of an economic cause which are not easily traced, are frequently more important than, and in the opposite direction to, those which lie on the surface and attract the eye of the casual observer. As recently pointed out by Dr. Timoshenko in a paper from Leland Stanford University dealing with the post-war price of wheat, monetary influences are a powerful price factor which nevertheless do not lie on the surface where they can be isolated and studied statistically.

We have then to deal with a factor the influence of which cannot be presented statistically in the investigations conducted by a congressional committee, however highly financed. What is needed, it seems to me, is not an addendum to the plethora of so-called facts already accumulated, but a correct interpretation of facts well known to everyone. It is not things as they are or have been, statistically, but things as they ought to be, that need a thorough reconsideration.

Does anyone deny that an outright policy of inflation would produce forthwith what is commonly called recovery? Hardly. We know very well that we cannot attain recovery and reemployment without an accompaniment of monetary inflation. What is not yet solved is the problem of making it permanent—of controlling, without restricting freedom of enterprise, the advance of prices to prevent the disparities of inflation, while maintaining an adequate supply of money in use to prevent the disparities of deflation. Nor can we meet this problem of prices and monetary inflation by playing ostrich with it—by sticking our heads in the sands of a Kentucky hillside where all that gold no longer glitters!

The eminent gentleman from New York [Mr. BARTON] has recently suggested the one sure way to stage a prompt recovery while calling a halt on public spending, to wit:

> Cut taxes immediately. Instead of decreasing the deficit the first year, this might for the moment increase it.

But the gentleman from New York [Mr. BARTON] has failed, it seems to me, to consider sufficiently the dangerous situation which deficit pump-priming has already produced under deficits borrowed from the banking system. Smothering taxation, accompanied by extravagant subsidies of all kinds, has produced the condition fostered by subsidized interest rates that has been disclosed by the chart of farm prices, money supply, and income, which I presented before this House on May 4. Unless we systematize Mr. BARTON's procedure for tax relief to make it check, as well as cause, inflation, changing also to a system of demand deposits covered by full reserves to prevent credit inflation, we can have only a gambler's recovery of runaway prices—and such a recovery, it would seem, probably cannot be stalled off much longer. Without this divorce between money supply and bank loans, as proposed by Dr. Currie, we face assured instability from the perverse elasticity of the system. This was pointed out also by Professor Slichter, of the Harvard School of Business, in his book Toward Stability. That instability, that uncontrolled inflation, may bring recovery, but with it will surely come the attempt to dictate prices and control investment that spells fascism. Thus arises the subtle subversion of democracy and free enterprise foreseen by Dr. Goldenweiser, of the Federal Reserve Board's staff, early in the New Deal, when he thus expressed himself:

> I am firmly convinced that monetary control does not exist and that within the framework of our economic and political organization monetary control can never exist. It will not exist until such time * * * when the Government will control substantially all economic activity.

This, then, is the defeatist view which the economic committee of this Congress and the administration is obviously taking for granted. Almost every presentation which official witnesses have put before this temporary (?) committee has been a promotion, not of a broad, open-minded investigation, but of a gilded goose-step into un-American activities.

CAPITAL IS NOT MONEY

Fundamentally, may I insist, the mistaken idea that interest is actually a charge for the use of money is at the bottom of the confusion of thought in which we have become enmeshed. In this confusion experts and laymen alike are failing to distinguish between money and wealth. Let us try to get this clear. Except, perhaps, in the form of public debt which, as Thomas Jefferson insisted, should be constitutionally prohibited, it is obvious that money itself cannot be invested.

It can only be kept in circulation by being spent for that which is actually invested—that is, for the productive factors such as machines, which are properly called capital. Whatever may be the practice in accounting—and my own business experience has been largely centered in accountancy—neither money nor instruments of indebtedness can be called economic capital. They may, of course, be properly listed in the balance sheet as individual or corporate business assets, but they are not themselves productive of any real wealth or income and therefore cannot be listed as capital in the sense of wealth—that is, as economic assets.

If we are to erase the confusion between money and wealth, between price and value, from our discussions, we must stop using the word "capital" to mean both or either—money and/or wealth. Capital is not money except to the individual who is counting his assets in toto as his capital, in which case he sums up everything in terms of money even though he be not actually possessed of a single cent of money. Capital in this sense of real wealth is not purchasing power as is money, and therefore is no proper, direct concern of Government, certainly not in its responsibility for dealing with our boom-bust monetary cycles.

Because money is not wealth, it may well be defined as that, the ownership of which excludes the ownership of wealth and prevents the holder from participating in the benefits of income. Normally, and properly, the holder of money cannot love money. Rather must he have to get rid of it—spend it for something which he can invest, that is, something which he can put to productive use, before he can enjoy any income. If properly used, money thus serves to socialize wealth in the sense of assuring that all wealth shall be produced for continual use.

Trading, indeed, is for mutual profit; it would not otherwise continue. It is, in other words, the procedure which creates the values in the products of division of labor which would otherwise be valueless to their producers. In brief, a normal money system must operate so that saving and investment may and normally do proceed coincidentally. This is accomplished because the production of surplus value by anyone can function at once through the medium of exchange to reward him with so-called unearned income. Through liquidating his surplus production—by conversion into money—and placing the money at interest at the disposal of society, the producer of wealth acquires income in liquid form without having wastefully to hold or invest his surplus goods himself. Indeed, if he neither spends nor lends his money, society proceeds to use the real wealth he previously produced without rewarding him at all. This, truly, is production for use in the socialistic ideal. No use—no profit.

In the light of this distinction between money and wealth we can readily see that it is simply not true, as the gentleman from California [Mr. VOORHIS] alleges, that the supply of money must be increased because, forsooth,

> Investment means a storing up * * * of a portion of current income.

Investment spending, even for Government bonds, does not store or hide any money and therefore create a need for a replacement fund. Normally, though not always under our existing credit system, investment circulates money just like any other spending. Indeed, all spending is investment, if not in the capitalistic accessories to labor which function in production, then in man himself as a productive factor; for as the philosopher Kant observed, man is both cause and effect. In all investment, human beings are both the means to the objective and the objective itself.

TAX RELIEF AGAINST PUBLIC SPENDING

To summarize, the new money must be issued, not by doles at the bottom of the system, but by tax relief into the hands of those whose incomes are in part available as taxes to support unproductive public spending and therefore can and will be used in private, productive investment and employment when released by remission of taxes. As long as public policy is based on the theory that public spending instead of tax relief for private spending is the only available expedient, it is assuredly inevitable that the Nation will be progressively engaged either in a fatal drift to communistic futilities or in boondoggling instead of in profitable production and trade. Since neither of these is feasible, Gov-

ernment squandering to "prime the pump" is a policy which finds itself in a dilemma, caught between the devil of depression and the deep blue sea of autocracy and bureaucracy.

WHAT IS CAPITALISM?

Let me close by asking consideration for what seem to me underlying principles in the normal operation today, as always throughout human history, of the competitive, capitalistic system. Let me say that while I hold no brief from Dr. Knight, of Chicago, and do not wish to involve him in the shortcomings of this presentation, I take my cue from my own business experience as illuminated by ideas which he has offered, particularly in criticism of Irving Fisher's presentation of the orthodox theory of interest and value.

A human economy can only operate capitalistically. Human economic values always represent estimates of future annual income accruing from the productivity of the asset being appraised, which is then capitalized at a fixed, natural rate of interest to set the valuation. Capital, in other words—real wealth, not money—must maintain a net reproductive rate in excess of all amortization charges—including insurance against risk—of approximately 5 percent annually in order to be worth what it cost. Investments, which in a money system should correspond with prices, are always appraised for pricing, not by whether or not the accumulation of costs which they normally represent proves capable of reproduction at a net rate to cover all expenses but by whether or not that net rate annually equals about 5 percent of those antecedent costs which have built up a given investment.

This dynamic process of maximizing productivity, income, estimating it numerically, capitalizing the resulting values at a multiple of 20 times the annual income, and adjusting antecedent costs to this appraisal, is obviously one which is so complex that it can be validated only by the personal responsibility of ownership for the solvency of the results attained. A free market choice should exist, free from price fixing by government; but it cannot be free from the stern realities of our existence and our environment as they fix the consequences of behavior. The profit and loss in property values resulting from reduction or elevation of expenses or productivity is a fixed multiple of resulting annual income. That is to say, any property is ultimately altered in value about 20 times as much as its annual net income is altered. This is true whether trading occurs or not.

It is thus obvious that errors in estimating incomes and resulting values may develop not only from individual lack of technical skill or knowledge but also from a social failure to use either a constant rate of interest or a common denominator of constant economic value in recording items of expense and production. Such a denominator and rate of interest cannot be selected arbitrarily for use but must be real, economic constants actually involved in the cumulative cost of all production as it is molded into property which can be owned and appraised. Obviously, a change in the numerical—monetary—expression of this real unit of cost or economic value, or a change in the interest ratio at which capital values are computed, will theoretically create a change in numerical—monetary—inventory that is proportionate to the investment already attained in processing at the time of change in the monetary denominator or in the rate of interest. Highly processed, durable commodities, which do not have to be used up as fast as purchased, will, therefore, become involved in capitalistic, speculative trading, resulting from interest-rate and monetary changes, at prices which vary intricately in proportion to their durability and length of processing.

Thus the fixed, natural rate of interest is the fulcrum upon which all trading values including natural resources are balanced against their productive capacity per annum. The process of appraisal on this basis is and always has been continuous and dynamic, for we are always debiting the investment with the rate of interest and crediting it with the value of services obtained during the intervals of use. If this account fails to balance, the investment is recapitalized accordingly by all those who trade for pricing on the market. Investment thus never yields any continuous profit or loss above or below the rate of interest. It is always reappraised, not on the basis of whether or not it produces a net income—above or below zero—but on the basis of the net income as related to the rate of interest—above or below about 5 percent per annum.

When the Greeks used a word meaning "offspring" for what the Romans came to call "inter-est," they had not fallen so completely under the spell of the money illusion but that they recognized that trading invariably proceeds on this fundamental, reproductive precept in capitalization. Every attempt in history to alter it by lending of new money at depressed rates or at no interest, has resulted in more or less disastrous hoarding and subsequent uncontrollable inflation. It has resulted, in other words, in a "business cycle." In my opinion, that is the way all this Government meddling with the lending of money will work out this time; and it is against this very contingency that the Federal Reserve Board has now warned the Congress that it does not have and cannot be given, effective powers of control.

EXTENSION OF REMARKS

I fear I would accuse the gentleman from California of a deliberate partisan attempt to obscure or camouflage the issues by sophistries did I not know, not only of his personal sincerity and integrity, but also how serious the confusion of thought, and of language, has become in the field of cycle and monetary theory as related to prices. As evidence of the nature of this confusion, Mr. Chairman, I shall very shortly beg leave to extend my remarks to include in the RECORD a series of letters which passed between myself and the Bureau of Agricultural Economics during the past year, leading up to the development of the chart of grain prices which I exhibited to this House on May 4. I asked the gentleman from California to join me at that time in requesting an excess of space, if found necessary, in which this correspondence may be printed.

Mr. Chairman, I ask unanimous consent to extend my own remarks in the RECORD on this subject and include some additional comments I wish to make that have to do with this problem.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. PATMAN].

OLD-AGE PENSIONS

Mr. PATMAN. Mr. Chairman, I congratulate the Committee on Ways and Means for the fine work it has done on social-security legislation since the beginning of 1935. This bill proposes a substantial amendment to the old-age assistance part of that law. It proposes that the Federal Government match up to $40, 50-50, the amount paid by the States; in other words, the Federal Government promises to pay as a direct Federal contribution $20 to each eligible person on the pension roll over 65 years of age. A $20 contribution; let us keep that in mind.

UNOFFICIAL STEERING COMMITTEE

This morning there was held a meeting in the caucus room, attended by Members of the House who are interested in liberalizing the old-age assistance part of this law. It was called by the gentleman from Mississippi, Congressman COLMER, who was elected chairman of the group. Many of us would like to see the Federal Government make a direct contribution of $30. Many would like to have different plans and proposals adopted. So we have agreed to pool all our different proposals before this unofficial steering committee and endeavor to get one major liberalizing amendment adopted to this part of the law. The amendment that was agreed upon is an amendment by the gentleman from Mississippi [Mr. COLMER], and it will be offered by him when this bill is read for amendment under the 5-minute rule.

FEDERAL GOVERNMENT TO CONTRIBUTE 4 TO 1 UP TO LIMIT OF $20 CONTRIBUTION BY FEDERAL GOVERNMENT

This amendment provides, briefly, that the Federal Government will contribute $4 for every $1 that is put up by a State

up to $20, the maximum amount that the Federal Government will be out. Remember, the committee offers a $20 maximum now in this bill, so this Colmer amendment will not increase that. Take a State that is putting up $10 now, under existing law the old-age pension recipients are receiving $20, half from the State and half from the Federal Government.

Under the Colmer amendment $5 of that amount will be sufficient to obtain $20 from the Government. That will make $25. Then the $5 extra which the State is paying will make $30. In other words, for every $10 that is put up by the State, up to $20, the Federal contribution limit, the State recipients will obtain $30—$10 put up by the State and $20 put up by the Federal Government. If all the States take advantage of the provision offered them in this committee bill, which is to match 50-50 up to $40 per month, the Federal Government will be out just as much as it would be out under the Colmer amendment.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. In just a moment I will yield.

I know the contention will be made that all the States cannot take advantage of this committee proposal. Shall we place ourselves in the position where we are collecting money from people all over the Nation by a 1-cent Federal tax on each gallon of gasoline, almost a 100-percent sales tax on cigarettes, an excise tax, and a normal-income tax, all these taxes being paid by people all over the Nation, but when we commence to distribute the money out for old-age assistance, when we commence paying it out, we commence at the top and help only the wealthy States? Shall we go back and tell our old people, "We voted for a law which would give you $40 a month, with $20 Federal contribution, if you live in California or in New York, but if you live in Texas or Mississippi or Oklahoma or in some of these other States, some of the States in New England as well, we cannot give you that amount. We are giving it only to the people who live in the wealthy States."

Mr. BATES of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I am sorry I cannot yield. I do not have the time.

I do not believe that is fair to the people who live in the poorer States and who pay exactly the same in proportion to what the people in all the States pay. It is certainly unfair to collect the money as we do and pay it out in that way.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from California.

Mr. BUCK. The States to which the gentleman refers match Federal funds for road improvement on a 50-50 basis, do they not?

Mr. PATMAN. Yes.

Mr. BUCK. In 1937, according to the information I have, some of those States spent millions of dollars to match the Federal contribution.

Mr. PATMAN. That is right.

Mr. BUCK. While they spent only a few paltry thousands of dollars to take care of their aged.

Mr. PATMAN. That is not a comparable situation at all.

Mr. Chairman, I hope the Colmer amendment is adopted when it is presented. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield 2 minutes to the gentleman from Montana [Mr. O'CONNOR].

Mr. O'CONNOR. Mr. Chairman, the primary purpose I have in asking for this time is to ask a question of one of the members of the Ways and Means Committee, but first I want to say a word for a class of people that do not seem to come within the philosophy or the scope of this act, and they are the employers. Take, for instance, the small stores in small country towns where we find storekeepers and little places of business such as laundries and so forth that may go on for years and employ quite a few people. We find in many instances that after their rent is paid and their lights and heat are paid for and after the janitor is paid and after their other help is paid, they have little left for themselves. They have been contributing to this fund from the beginning and yet, under the philosophy or scope of this bill, if they go broke, and the records show that from 75 to 90 percent of employers engaged in such small business today do go broke, we find them without the scope of this measure and without being able to receive any benefits from this social-security set-up and, personally, I would like to know from some member of the Ways and Means Committee, and particularly my good friend, the distinguished gentleman from Tennessee [Mr. COOPER], if there is any way by which we can amend this bill to include such an employer, for instance, who goes broke.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I yield the gentleman 1 additional minute and will be glad to endeavor to give him the best information I can in that brief time.

Of course, this program is to provide benefits for employees and not employers. Under the original report of the President's Committee on Economic Security, a provision was included and recommended to provide for voluntary annuities, which would have taken care of the type of person to which the gentleman refers. We encountered considerable opposition from insurance companies to that provision of the recommendation. Therefore in the original social-security bill that part was not included and it is still not included in the pending measure.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, it would seem from the discussions we have had that by far the majority of the House has already made up its mind what it is going to do, and it would seem that this bill will pass overwhelmingly. It is almost useless for us to indulge in any further debate. Really, we have had no real debate for there are not many items in controversy. We have had rather a symposium of explanations, and I do not know that we will have much further debate when we get into the consideration of the bill under the 5-minute rule. Some of you who were here 5 years ago, when we passed the social security bill, know that it was generally considered that that was the most comprehensive bill that had ever been passed since the foundation of the Republic. When I say comprehensive I mean the most all inclusive. Of course, a war measure or other measures of that kind constitute a different proposition, but it was generally considered then, and is considered now, that the social security bill is the most comprehensive, all-inclusive bill that Congress has ever passed from the days of George Washington down to 1935.

When we passed that bill it divided itself naturally into two categories, and that same situation obtains with reference to the bill we are considering today. Any arguments that we may have with reference to this bill will all divide on these two points.

What are the two divisions to which I refer? One is the division that has its source in the wellspring of public charity or from a public sense of duty to those of our people who, through no fault of their own, are unable to properly care for themselves.

The second division is title II and title III, which readily classify themselves into the classification that I shall call insurance.

In this first grant is old-age pensions. There is no special tax laid for this class. Do not get it confused with the old-age benefits. The old-age pension section in title I is a charitable proposition, where the United States Government comes forward and seeks to do something for the aged people of the country. Tomorrow, when someone rises and offers an amendment to change the program of 50-50 contributions, you must remember that the old-age pension plan that we passed 5 years ago did not originate with the Federal Government. The Federal Government is not the originator. Congress cannot claim patent rights on old-age pensions, because many of the States had old-age pension laws long before the Federal Government took it; but you can put your finger on this, that the Federal Government did not take it up until it found out how popular it was with the States, and

it then took it up with the idea in mind that it should always be a national policy, and that the Government and the States should divide the responsibility. We laid the proposition down that the States should participate equally with the Federal Government. The Federal Government did not put up any machinery for distribution. It did not provide for that; it simply laid down the proposition that we would give an equal amount with any State up to $15. But the States must come forward and superintend the distribution of the pensions. The States must administer it. If we had not provided in that bill that the States would administer the act, it never would have been passed; and why? Because we argued that we wanted the administration of the law close to the people so that the people could tell who were the chiselers and who were the people that should not have the pension and who were the ones who should have it. And so when we considered that proposition 4 or 5 years ago, do you know what we Republicans did?

I am not trying to inject politics into this but just a statement of facts. We Republicans tried to fix the figure for the Federal Government's contribution at $20 to be matched by the States. We waged a battle for $20 but it was not accepted. Do not you think we should feel proud that the Democrats have seen the light? [Laughter.] They have seen the error of their ways. They have seen the equity of it, and they now come with us for a $20 a month proposition which I am sure we Republicans will support.

Let me tell you another thing about the bill we passed in 1935. The Democrats cannot claim credit for this whole Social Security Act, comprehensive as it was. Certainly not. It has 10 titles in it. One of the titles simply gives the name to the bill, so it has nine effective titles in it. One of those titles provides aid to the blind. When the original social-security bill came from the White House it said nothing about the blind. We fought it out in the Ways and Means Committee, and the Democratic Party would not accept that provision for the blind, so that that party now has no right to claim that it is responsible for the pension the blind get in this country. We Republicans made the fight on the floor of the House and tried to get the Democrats to include the blind, but they declined to do it. The proposition received much support but not enough to carry it. The bill went to the Senate, and the Senate amended the bill with language almost identical with the amendment which we offered. So, Mr. Chairman, this bill is not a political bill, either Republican or Democratic. It is a bill that has in it many good features which have come from both parties and some which are not so good.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I am always glad to yield to my leader on our committee.

Mr. TREADWAY. The gentleman is too modest about the matter of the aid for the blind. He was the man who proposed it. [Applause.]

Mr. JENKINS of Ohio. I thank the gentleman, and I am proud of any small part I may have had in it. It is not necessary to mention that here. Let us go a little further. We had in this original bill a proposition that provided for aid for children. That was not initiated by the New Deal. We had that in the Federal law. We had in the Federal law rehabilitation features. The biggest part of this important bill was already the law in some form or other. When we approach a discussion of this bill, let us consider these assistance features as being for the best interests of the country. We are all for these features in spirit; we may differ in method.

The other division into which this law will classify itself naturally is, as I have heretofore stated, the provision of insurance. I opposed title II 5 years ago. I oppose it now in my heart. Then I said it was unconstitutional, and I was opposed to it on the further ground that I felt it was not a wise program for the Government to assume. I shall not discuss what we did at that time, but I still insist that these insurance features have not put themselves by a 5-year trial on as firm a footing with the people as these other features have. I would be in favor of title II with all my heart if I felt it would benefit the workingman. The workingman needs immediate help when he needs it—not a rainbow 45 years away.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. In a minute. I want to drive this home. Observe this prophecy. We made it 4 years ago. We said this insurance proposition would not live because it is not built on proper insurance foundations, and it would not endure; it could not endure. They said that they would fortify it with this vast $47,000,000,000 reserve.

We opposed the big reserve then. We Republicans opposed it 2 years ago. The gentleman from New York [Mr. REED], one of our distinguished Members, and myself collaborating with other members of our party on the Ways and Means Committee, advanced our position and our reasons for it. Today we see what has happened and we can say, "I told you so." Now, what has happened? This bill provides for a change in the pay-roll tax rate which will do away with the $47,000,000,000 reserve. That was a 10-to-1 reserve. Now the bill provides a 3-to-1 reserve. Why do I mention this? I mention it because they have seen the light of day. They have come to our view by the irresistible force of facts. They see another thing. They see that these two insurance provisions will not stand on their feet from an insurance standpoint. They will not do it. Why do I say this? Let me take you to the majority report and show you what the majority report says. I want to compliment those who got it up. It is a splendid report. Particularly you younger Members who want to make speeches this summer on this proposition of the social security, may do well to take that report and also the minority report, which is equally and even more eloquent in its correctness than the majority report and it is even more responsible and illuminating, but it is not quite so voluminous. I want you to look in that report and see what has happened. Let us see what has happened. On page 15 they have a table that is really astounding. It scares me because it proves that the time is coming when these two insurance features are going to be nothing more nor less than social-benefit institutions. The Federal Government will have to maintain them.

Talk about taxes! This bill will reduce the tax two hundred and seventy-five million, on title II by reason of our freezing the pay-roll tax at 1 percent for 3 years instead of raising it to 1½ percent on the employer and employee as the present law provides. But the tax will go up to 2 percent on each of these parties in 3 years from now. In 5 years it will go up again to 6 percent—3 percent on each. When it is up to its highest limit, 6 percent, we will run behind $81,000,000. Let me show you the figures. In 1940 we take in $501,000,000, and only spend eighty-eight million. In 1941 we take in five hundred and five million, and we only spend two hundred and eleven million. In 1942 we take in five hundred and four million, and we spend three hundred and fifty million. We are still ahead of the game. But in 1944, when we raise the tax, we take in $1,067,000,000 and we spend five hundred and ninety-eight million. In 1950 we take in $1,751,000,000, and we spend $1,389,000,000. When our employers will be paying 3 percent and the workingmen will be paying 3 percent, you can say whatever you please, you can laugh if you want, but when it reaches its limit of tax production, it will reach in 1955, $1,849,000,000, and we will spend $1,930,000,000. That is what we will spend. That will be a deficit of eighty-one million in that one year. What are we going to do then? You cannot raise the tax—you have told the people that this will carry it through, and this is not true. You cannot raise the tax, consequently you are going to dig down into your pockets to keep the gigantic institution going. Why? Because you will have a lot of people who paid for it, and you will say, "We cannot throw those fellows down now. We will have to do something about it." My friends, we are proceeding blindly, and the only result will be to deceive the people.

I tell you, just as sure as you live, that the United States Government has no business in the insurance business unless it runs it along the lines of insurance, unless it expects

to come forward and make up the great deficits as it will have to do. Then, if it is not an insurance program, why not give it a descriptive name? Why deceive the millions of workers who are now under the Social Security? They are not voluntarily under it. It is compulsory. My friends, if it were optional, that would be entirely different, but when the Government compels many millions of its people to pay their money on an insurance plan that they have a right to believe will benefit them, only to find it to be a delusion, somebody will have committed a terrible legislative crime.

Who will answer me as to what we will do in 1956? As I have already shown, we are going to be compelled to dig into our reserve to the tune of probably four hundred million. In 1957 we will have to dig in a lot more. The next thing we will have our reserve all used up, regardless of whether it is I O U's or good regular United States bonds. We will be in the red so far that I do not know what we will do about it. It will be terrible to contemplate. If we could quit in 1956 without any evil consequences, that would be one thing, but you just simply cannot quit when you get that far along. Then you know what will be the result—appropriation upon appropriation, world without end.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I gladly yield to my able friend from Kansas.

Mr. CARLSON. Will the gentleman just stress the fact that that is only 15 years away—a very, very short period in the time of a nation.

Mr. JENKINS of Ohio. Yes. That is what astounded me when I heard those men coming from the fiscal department of the Government say with such nonchalance, "Yes; in 15 years we will be out on a limb." They do not care. They know that the New Deal will be an old broken-down "old deal" by that time. They have never been compelled to meet a pay roll and they have never carried a dinner bucket, else they would be more interested.

What are we going to do about it? What is our obligation to posterity? We must be interested about this. It is a tremendous question. I do not know what is the best thing to do about it, but it seems that the best thing we can do is to separate these provisions of the social-security bill, so that we can administer what admits of administration. Let us Congressmen, representing the Federal Government, give these aged deserving people five or ten dollars a month more; let us encourage the States to do likewise; let us take care of these unfortunate widows with dependent children; let us take care of these rehabilitated people; let us take care of the public-health provision. I have not mentioned that yet, but that is an eminently proper governmental activity. The Government should take an interest in the control of epidemics and in health measures that are general in their scope. It ought to be ready to meet them financially. But when the Government gets into the insurance business or anything of that sort, they should know their business. When you tell a man 20 years of age, "Now, we are going to compel you to come under the social-security law, and if you will pay a certain percentage of your wages until you are 65, you will draw a pension. You are putting on him a tremendous task. You were never put under such a yoke. I dare say that if you had your choice you would not assume the load. I am not opposed to it if the people want it. But it is a tremendous thing to have about 45,000,000 people paying on a plan that will not carry through as they are now led to believe it will do. If you have made $18 or $20 or $25 a week for about 45 years, you will get about $40 a month when you get to be 65 years of age. The employer will have paid as much as you paid, yet you will have not as much as old-age pensioners should have now who have paid nothing in. If you die before you are 65, without a family, you will get nothing." And your widow will only get 6 months' benefits at the time of your death, and no more until she is 65. I am sorry my time is running short. I should like to discuss many other provisions of the bill. [Applause.]

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, only a few days ago, some of us stood on the floor of this House pleading for the enactment of legislation which bid fair not only to provide immediate and adequate social security for the senior citizens of the country, but to contribute to the general welfare of all the people of the Nation.

During the debate on that measure some of us were somewhat critical of the present Social Security Act and the amendments now proposed to it. That criticism, however, was not directed at the broad principles of the law. No one ever has questioned the high purpose or the fundamental soundness of the social-security program. Our complaint was against the amount of protection provided in the present law and the proposed amendments for the elder citizens who are most in need of protection right now.

Our sole purpose was to supplement the law so as to give immediate and adequate social security to the needy elders, who are too advanced in years to enjoy the full benefit of the revised act, or any more liberal provisions which may be adopted in the future. It seems a pity that the public-spirited citizens, who have done so much to advance this program of protection against economic and social hazards, will not share as they should in the fruits of their labors. But that is the portion which frequently falls to the pioneers along the path of progress. They sow the seeds and future generations reap the harvest. They may solace themselves with the knowledge their efforts were not in vain.

But no matter how far short of meeting the present and pressing needs of those most deserving of adequate protection these amendments may fall, I shall support this measure on the theory that "half a loaf is better than none." There can be no question about the desirability of the amendments and the vast improvement they will make in the social-security program.

Among the many features of this measure, which are designed to improve and strengthen the present act, I am impressed particularly with the merit of two amendments. The first is the provision to keep social security secure. I refer, of course, to the provision creating a Federal old-age and survivor insurance trust fund to safeguard the insurance benefit funds. The second is the provision freezing the pay-roll tax. Those two amendments are calculated to contribute to public confidence in the Social Security Act.

Under the present administration we have witnessed some frenzied deficit financing. Public confidence in the entire social-security set-up was shaken when it was revealed that taxes paid into the social-security fund were being dumped into the general fund in the Treasury and were being used to finance the current expenses of the Government.

No trust imposed upon the Government is higher than the fiduciary capacity it serves with respect to the social security funds. Nothing could be more cruel to those who place a blind faith in the integrity of the Government than the misapplication of such funds. It is unpleasant to even contemplate the calamity that would befall this country if social security funds were squandered recklessly on all sorts of pump-priming projects. All danger of any such calamity, however, has been eliminated by the creation of a trust fund, ear-marked for social security purposes.

The freezing of the old-age insurance tax will have a far more wholesome effect than appears on the surface. Business men and especially small-business men in my district looked askance upon the automatic 50-percent increase in the old-age annuity tax, which was scheduled to begin in 1940. Businessmen, already heavily laden with taxes, were fearful lest the sharp increase in that levy would greatly disturb business and might result in further unemployment. An increase of about 15 percent in the Federal tax burden upon corporate employers, as it is estimated the higher rate would have imposed, is no small item to a businessman with a business budget. Such an increase in Federal taxes certainly would be a serious factor in preventing or at least delaying recovery.

Fortunately, the committee listened to the sound arguments presented by businessmen and allayed their fears by freezing the tax. The amendment would freeze at 1 percent the tax on the worker and 1 percent on the employer for the 3 years 1940, 1941, and 1942, as against the 1½-percent rates on each under the present act. That provision alone will save employers and workers about $275,000,000 in 1940, or a total of $825,000,000 in the 3 years.

Another provision which is designed to lessen the load on employers without lessening the benefits to the workers is worthy of mention. States may reduce their unemployment insurance contributions if a certain reserve fund has been attained and minimum benefit standards have been provided. It is estimated this provision may save employers from $200,000,000 to $250,000,000 during 1940, if the States cut their contribution rates from 2.7 to 2 percent.

Employers stand to save another $65,000,000 a year under the unemployment-compensation provisions. This would be done by limiting the application of the tax to only the first $3,000 an employer pays to an employee for a year. Still another saving to employers of about $15,000,000 will be made under the provisions for refunds and abatements to employers who paid their 1936, 1937, and 1938 unemployment-compensation contributions late to the States.

In all, it is estimated that savings, chiefly to employers, aggregating about $1,700,000,000 may be effected in 3 years.

One of the chief virtues of the amendments is the provision under which payment of old-age insurance benefits will start next year, instead of in 1942. Other commendable amendments include the increased benefits to wives, widows, and dependents of insured persons and the inclusion of about 1,100,000 more persons under the law's old-age insurance provisions. And about 200,000 persons, chiefly bank clerks, are brought under unemployment insurance.

One of the vital clarifying amendments has to do with agricultural labor. The term "agricultural labor" is defined so as to exempt certain types of service and thus meet sound objections made by the farmers.

Another sound change is the abandonment of the plan to build up a $47,000,000,000 reserve fund for old-age insurance, and the adoption of a pay-as-you-go policy, with a moderate contingent reserve.

No one, not excepting the Democratic members of the House Ways and Means Committee, claims that even with the proposed amendments the Social Security Act is perfect or all inclusive. On the other hand, the Republican minority of the committee concedes the measure at least makes certain improvements in the present law—some of which we have ourselves heretofore suggested—which we believe justify us in supporting it despite its defects.

Because of the tendency on the part of some Democrats to claim all the credit for the Social Security Act, I wish to read one paragraph from the views of the minority, included in the official report on this bill. It states:

> Republicans in both branches may deservedly be proud of the part they have played in calling to the attention of the country the dangers and burdens inherent in the present reserve structure, and in bringing about the changes proposed. The action taken by the committee is an acknowledgment of the soundness of the major Republican criticism of the existing law.

Let us hope the day is not far distant when we all can join in nonpartisan praise of a perfect Social Security Act, under which the holy trinity of democracy—the worker, the employer, and the Government—are linked in the fulfillment of America's destiny—adequate social security for all of our citizens. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, the fact that the criticism of the use by the Government of old-age trust funds for current expenses is amply justified seems to have been recognized by the authors of this bill, for a half-hearted attempt has been made to sugar-coat the present method; but the basic principle and basic wrong has not been corrected.

The bill now changes the name of the "old-age reserve account" to the "old-age trust fund," and instead of purchases being entirely under the control of the Secretary of the Treasury, it is placed under the control of three trustees, namely, the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board; and it is provided that the money is to be used to purchase either original issues at par or outstanding obligations at the market price, and I O U's—special Treasury obligations—only if the trustees do not consider that to purchase either of the above two classes "is not in the public interest."

But this plan in no way goes to the root of the fallacy in the present system. The only way that a true trust fund can be provided is by limiting the purchases to bonds which are already outstanding. In this way only can you prevent these taxes from being used for current expenses.

The case is no different from that of a shopkeeper who has a pension to pay to an employee at some future date, and receives the money for this purpose. If he should take this money and use it for current expenses for his store and give himself an I O U, then when the time comes to pay the pension he will have to look somewhere else for the money. The same would result if he used the money to invest in part of a note or bond issue which he was selling to others.

The safe way in which he could assure himself of having the money when needed would be for him to take up from the bank one of his notes which is already outstanding. Thus when the pension comes due he can use the money which he has been putting aside to pay off the note.

There are only three ways in which these trust funds can be invested in Government securities. The fairest way, as I have mentioned, is the purchase of already outstanding securities.

The second is by the purchase of a portion of an original issue which is being offered to the public. This method the authors of the new bill seem to think is entirely justifiable; but, in my opinion, this would not make for an honest fund, for the Government only issues bonds when it needs the money for current expenses, and the money would, of course, be used for this purpose. The Treasury would in all probability increase the authorized amount of the loan by the amount of money which they knew the so-called trust fund would be purchasing.

I cannot see that this makes any more of a real trust fund than the present or third method, which is to sell to the fund Treasury I O U's at a specified rate of interest, as in both cases the money is used for current expenses.

The result of either of the last two plans is that the workingman is taxed and the money goes into the trust fund. The trustees then take the money which they have received and give it to the Treasury, which in turn issues to the trust fund either its I O U or a new bond "part of an original issue." Thus the Treasury has the money to spend for current expenses and the fund has the new bonds for the I O U's, but when the time comes that the fund must be used for the benefits provided for in the act the Treasury has spent the money years before; the money is gone, and in order to get the necessary funds to pay pensions due they must tax the people all over again.

As I said before, the only way that a real trust fund can be provided is by buying United States bonds which are already outstanding. As the money provided by the taxpayer and used by the trustees for purchase of these bonds goes to the owners of these bonds who have already paid the Government for them no new money will go to the Treasury for it to spend, and the money provided from the old-age taxes cannot be used for current expenses.

It has been said that we should not criticize this method as the same thing has been done in other cases by Republican Secretaries of the Treasury. It must be remembered, however, that in past times the money involved was a comparatively small amount; and whether it is done by Republicans or Democrats, it is wrong. I am perfectly willing to acknowledge that everything done by past Republican administrations was not perfect; and when we find a thing that is wrong, let us correct it.

It is easy to criticize, but those who criticize should propose a constructive solution; and, if no one else does, I propose to introduce an amendment tomorrow along the lines of H. R. 6156, which I introduced on May 4, 1939, which would accomplish the purpose of preventing the use of this trust fund for current expenses. [Applause.]

Mr. MARCANTONIO. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Mr. MARCANTONIO. Mr. Chairman, I withdraw the point of order.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Chairman, I rise at this time to ask a question and to set forth a situation which I believe obtains in the district of every Member of this House.

In nearly every community in the country there are small corporations that employ a few men and women. Some of them may only give employment to 4 or 5 people, others 8, 9, 10, or more. These little industries are the backbone of many little towns and cities and in their aggregate provide the pay roll, the employment, and the purchasing power of the people. Many of these concerns operate on a very small margin of profit while others are barely able to continue in business. In many instances they mean the very life of a community. If one of these small corporations employs 8 or more people, it comes under the pay-roll tax of the Social Security Act, amendments to such act now being before us as provided in the bill H. R. 6635. This provision of the law has deterred many small concerns employing less than 8 people from expanding or offering employment to others in order to avoid the penalty of the pay-roll tax. Such is the case in my congressional district. Undoubtedly such little industries felt they could not continue in business if they had to meet the added burden of such taxes. At least in this respect and in such instances the Social Security Act has retarded progress and recovery and added to the list of the unemployed.

As the law stands now an officer of such a corporation, a little corporation, who receives no salary whatever but who simply gives his name to the company, is included as one of the employees and figured in the basis for computing pay roll taxes. For example, if you had a company in your district that had seven employees drawing salary and two who were officers but who received nothing whatever from the company, who simply gave their names to the company because of family prestige and influence or community pride, nevertheless those two officers are considered as employees, the company would be charged with nine employees and compelled to pay a pay-roll tax based on nine employees even though two of them receive nothing from the company.

I particularly call the attention of the committee to page 63 of the bill, subsection (d) where the term "employee" is defined to include an officer of a corporation. I wonder if the committee would not accept an amendment in substance as follows: "But exempting such officers and employees of a corporation who receive no compensation or salary whatever from such corporation"? The reason for this amendment is to keep alive and going in the little communities of the Nation small companies and corporations that are the backbone of the country, without subjecting them to the pay-roll tax on employees and officers who draw no salary. Perhaps the able distinguished gentleman from Tennessee [Mr. COOPER] wants to answer that question?

Mr. COOPER. I did not quite catch the full import of the gentleman's question.

Mr. DONDERO. The question is, Whether or not the committee has taken into consideration the effect of including in the number of employees in small companies those employees and officers of corporations who merely lend their names to the company but receive no compensation or salary whatever, thereby subjecting such small concerns to the pay-roll tax, whether or not the committee has considered the question of excluding them from the pay-roll tax imposed by this bill.

Mr. COOPER. The gentleman will recall, of course, that the pending bill exempts all who are exempted under section 101 of the internal-revenue law. This takes care of chambers of commerce and a long list of institutions.

Mr. DONDERO. I understand that, but I have received correspondence from little corporations wherein they state they may have nine people employed but only seven receive any compensation whatever. Because of the fact that two are officers, although they receive nothing, the company is subjected to a pay-roll tax. That company is not a chamber of commerce; it is a little corporation that is trying hard to get along. What has the committee done to take care of a situation of that kind? Can the gentleman from California, a member of the committee, answer that?

Mr. BUCK. Are these corporations of which the gentleman speaks corporations operated for profit?

Mr. DONDERO. They are.

Mr. BUCK. I am afraid we have not done anything about that.

Mr. DONDERO. These two officers receive no compensation whatever; they simply give their names to the company.

Mr. BUCK. We have not covered such people. We have covered the situation in the cases of corporations exempt from taxation under section 101 of the revenue law.

Mr. DONDERO. It seems to me that an amendment covering such cases as I have mentioned might be advisable.

[Here the gavel fell.]

Mr. LUDLOW. Mr. Chairman, with the main objectives of the pending social-security legislation, namely, the liberalization of benefits, I most heartily agree. No person with a heart and an understanding would be content with the pitifully inadequate benefits now paid to our worthy aged. It is our duty to do something more than has yet been done, or even attempted, to make the evening of their lives peaceful and secure.

Nevertheless, there are provisions of the pending bill to which we in Indiana must vigorously dissent because of their relation to the Indiana unemployment compensation program, and we will be hoping that somewhere in its progress through the legislative mill the bill will be amended so as to iron out these objectionable provisions.

In order that the House may understand the legitimate criticisms of those who speak for our Indiana business interests, I submit the following four objections to the bill presented by William H. Book, vice president of the Indianapolis Chamber of Commerce.

The chamber of commerce of our city is one of the best organizations of its kind in the country, and Mr. Book is an outstanding business executive who has had much experience in matters relating to public affairs. His four points of criticism are as follows:

1. Although the bill technically preserves the rights of States to operate under merit rating programs, the other provisions so increase the costs of the program as to substantially restrict the operation of merit rating. It may, in the practical operation, actually become inoperative.

2. The prospect of tax reduction is minimized, if not entirely offset, by the increased benefit requirements, so that what is projected as a substantial saving in pay-roll taxes for unemployment compensation will in the long run prove to be an actual increase.

3. More difficult and expensive administrative requirements are set up in the full-time weekly wage basis of computing benefits required in the bill.

4. The bill is a long step toward federalization of unemployment compensation.

I also present a copy of a letter written by Mr. Book to Hon. JOHN W. MCCORMACK, the able member of the Ways and Means Committee in charge of this legislation. This letter follows:

INDIANAPOLIS, IND., *June 5, 1939.*

HON. JOHN W. MCCORMACK,
House Office Building, Washington, D. C.

DEAR MR. MCCORMACK: I shall attempt in this letter to outline the views of employers of Indiana, as I can interpret them from the conclusions of employers' committees and individual employers, regarding unemployment compensation program amendments contained in H. R. 6635.

It should be said at the outset that employers generally appreciate the effort that has been expended by yourself and other members of the Ways and Means Committee in placing in the bill

you have drafted features which are calculated to give immediate relief from the growing tax burden on business. I refer particularly to the tax exemption on portions of annual salaries in excess of $3,000, to the permissive features allowing States to reduce unemployment compensation taxes on a uniform, State-wide basis, and to the Federal old-age benefit program amendment "freezing" the tax for another 3 years at 1 percent. I believe it is recognized by this time that employers are not entirely selfish in their efforts to obtain relief from growing tax burdens, but instead have sound basis for their contention that everyone will profit through the softening of tax deterrents to industrial expansion and growth.

There are several specific features of H. R. 6635 with which business groups of Indiana do not agree, for, they feel, sound reasons. These I pass on to you entirely in a constructive spirit.

Probably the major point of disagreement with the bill lies in the minimum benefit standards which are established, particularly in the duration requirement of 16 times the weekly benefit amount. Careful analysis has shown that this requirement would increase total benefit payments in Indiana—and hence the total cost borne eventually by employers—approximately 20 percent. The establishment of flat duration standards also is felt to be an abandonment of insurance principles and a step in the direction of the relief concept of unemployment compensation.

It is realized that an objection to the minimum-benefit standards immediately raises the controversial question of just what the level benefits should be. However, we feel that should be a matter largely of State determination, in accordance with conditions of each State. It must be recognized that if the unemployment-compensation program is to be successful, the economic benefits derived from it must outweigh its costs. There obviously is a point to which benefit costs of the program might go which would defeat the program. There is not sufficient experience yet to know what that point is, and employers of Indiana feel that the Federal Government would be establishing a dangerous precedent in fixing as minimum-benefit standards a level which would result in increasing materially the benefit-payment costs of nearly all State programs.

Specifically, employers are not convinced that the Federal law should prescribe any minimum-benefit standards. However, if it is to be conceded that Federal minimum standards are necessary in the case of States wishing to apply uniform, State-wide tax reduction, the standards set up in the Ways and Means Committee bill should be modified to the point where they will serve exclusively as protection against possible State action reducing benefits to an unreasonably low level—rather than standards compelling States to raise their present benefit levels.

Employers also feel it would be a mistake to include in the benefit-standard requirements language which may later be interpreted by the Social Security Board as requiring strict adherence by States to the full-time weekly wage base in the determination of weekly benefit amounts. If States should be required to base weekly benefit computations on what, in effect, is the wage an individual would have earned had he been employed full time at his regular rate of pay, almost insurmountable administrative and employer-reporting difficulties will be created, as States which have tried the full-time weekly wage base have learned. The highest quarterly wage base, such as is used in Indiana, approximates the full-time weekly wage base insofar as the benefit applicant is concerned, but is much simpler of administration. Indiana employers feel that there should be some such change in H. R. 6635, as the elimination of the terms "full time" where they appear on page 73 of the bill, and the insertion, after the word "earnings" in line 12, page 73, of the words "as defined in State law." This would leave the definition of weekly earnings to State legislative action.

The effect of the bill on State merit-rating programs is of primary concern to Indiana employers. I realize that the bill permits a State, if it has the prescribed balance in its fund and if it meets the prescribed minimum-benefit standards, to have State-wide tax reduction, individual merit rating, or a combination of both. However, the estimated 20-percent increase in benefit costs which would be involved in Indiana's compliance with the benefit standards would result in a substantially more narrow margin within which merit rating might operate, defeating it completely for some employers. Unless employment conditions improve materially, the margin would be so narrow as to render merit rating almost wholly ineffective for all employers.

If a State did not have the prescribed balance in its fund or did not choose to meet the minimum benefit standards, under subsection (a) of section 1602, as amended, it would be required to levy taxes that would produce the equivalent of a 2.7-percent rate on total pay rolls of the State subject to the unemployment compensation program. It is obvious that under such circumstances merit-rating programs, for practical purposes, would be nullified. It is the consensus, specifically, that States which prefer to remain exclusively on the individual merit-rating basis—in preference to State-wide reduction or a combination of the two—should not be compelled to meet the one and one-half times reserve requirement or gear their rates to a 2.7-percent average as long as they have a set-up definitely guaranteeing payment of all benefits to which unemployed workers are entitled. We are quite certain that Indiana has such a guaranty in its adequately protected partial pool set-up.

I should state that at a recent conference of representatives of business groups from Indiana, Illinois, Wisconsin, and Missouri, views expressed by the representatives from the other States were substantially the same as those which I have outlined in this letter.

Generally speaking, the belief of Indiana employers is that there should be no more than the necessary minimum of Federal regulation of State programs, and under no circumstances should there be interference with the freedom of States to encourage stabilization of employment by means of merit-rating programs. In the long run, this will accomplish far more for the good of employees and employers alike than the boosting of the amount of cash benefits—a procedure which, when carried to the extreme, could result only in the collapse of the unemployment compensation program.

As explained to you by Mr. Howard Friend, I was ill the latter part of last week and am sorry that I was not able to get to Washington to talk with you. It appears now that the Indiana group probably will not be in Washington until such time, following your suggestion in your letter of June 3 to Mr. Friend, as the bill is under consideration by a Senate committee. We shall hope to have the opportunity to talk to you at that time.

Sincerely yours,

WILLIAM H. BOOK.

In conclusion, I present the summation of a special report of the governmental research division of the Interorganization Council of Indiana, which outlines the views of State-wide business employers' organizations of Indiana which have given this matter the most serious study and consideration. The summation referred to follows:

SUMMARY

In this, an analytical treatment of major amendments to the Federal social-security law affecting unemployment compensation, as proposed by the Ways and Means Committee of the National House of Representatives in the pending bill, H. R. 6635, the following conclusions are reached in respect to their application to the Indiana program:

1. Tax exemption on portions of annual salaries in excess of $3,000 is a wholly justified correction of an existing inequity.

2. Permission to States to reduce contribution rates on State-wide basis is an immediate tax relief step but it is modified by specified conditions which would increase the program's ultimate cost to industry.

3. The 16-week minimum benefit duration requirement would increase total benefit payments in Indiana approximately 21 percent.

4. Merit rating consideration: (a) Unless the State complied with minimum benefit requirements and established the specified minimum reserve, individual merit rating would be inoperative except to the extent that limited rate variations would assure aggregate collections equivalent to collections from a State-wide rate of 2.7 percent. (b) If the State qualified for a reduced State-wide rate and individual merit rating, the 21-percent increase in benefit payments materially would narrow the margin in which the individual merit-rating program and its incentive to the stabilization of employment might operate.

5. At existing or improved employment levels, minimum benefit standards of the bill could be met and the State-wide contribution rate reduced to 1.7 percent without "bankrupting" the Indiana fund, but operation of individual merit rating would be narrowly restricted. At lower employment levels, the ability of the Indiana program to meet benefit standards and maintain an adequate reserve qualifying the State for a reduced rate is very doubtful and individual merit rating would be completely nullified.

6. The full-time weekly wage base for the determination of weekly benefit amounts would create very serious administrative difficulties and would increase State administrative costs and costs of reporting by employers. It probably would increase total benefit payments, depending on how literally it might be administered.

7. Establishment of a flat duration of benefits would represent abandonment of insurance principles under which total benefits payable to an individual are related to his previous earnings and would be in violation of the concept of unemployment compensation as an insurance—and not a relief—program.

Mr. COOPER. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore having resumed the chair, Mr. WARREN, 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. 6635) to amend the Social Security Act, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. BUCK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein excerpts from hearings before the Ways and Means Committee and excerpts from two editorials.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DEMPSEY asked and was given permission to extend his own remarks in the RECORD.

Mr. DINGELL. Mr. Speaker, I ask unanimous consent that I may be privileged to include in the remarks I made this afternoon three short tables which are necessary to properly round out my speech.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan [Mr. DINGELL]?

There was no objection.

Mr. COLMER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD with reference to the liberalizing amendment which I have given notice I will offer, and a chart and statement showing what this amendment would do.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi [Mr. COLMER]?

There was no objection.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today and to insert in connection therewith certain excerpts.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

AMENDMENT OF THE SOCIAL SECURITY ACT

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6635) to amend the Social Security 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 further consideration of the bill H. R. 6635, with Mr. WARREN in the Chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield the remainder of my time to the gentleman from New York [Mr. REED.]

Mr. REED of New York. Mr. Chairman, I do not know whether the membership of the House fully realizes or appreciates the amount of time that has been spent by the Ways and Means Committee on this important legislation. I think it has been one of the most arduous and one of the most trying experiences I have had in some 20 years of legislation. The hearings have continued for more than 3 months. We have had hearings morning and afternoon on this bill, and I want it distinctly understood at the outset that there has been no political opposition to this bill, and there was not when it was before the House originally. It was a bill that was approved in the Senate by a vote of 76 to 7; it was approved in the House by a vote of 371 to 33, and later approved by the President on August 14, 1935.

I want to be perfectly frank with the Members of the House and state that I was one of the 33 who opposed the bill in its original form. I was in absolute sympathy with the objectives sought to be attained, but there were certain provisions in the bill of which I did not approve and which I felt would come back to plague the Congress and the country.

It is inconceivable that anyone would be opposed to the objectives of a bill of this kind; that is, a system of protection against unemployment, a scheme of annuities for industrial and white-collar employees, a plan for noncontributory old-age pensions for the needy, noncontributory pensions for the blind and for relatives caring for orphans and other destitute children, and an appropriation for the Public Health Service.

These are all very worthy objects, and you would find few men who would be opposed to them; but I want to call the attention of the House to the fact that when the bill was first before the Congress it was my honest and firm conviction that the bill was unconstitutional, but evidently the Supreme Court thought otherwise, and it is now the law of the land. Outside of that objection which I had to the bill, I am as heartily for the objectives now as I was in the beginning, and I think a great improvement has been made in this bill, and I doubt if there will be very much opposition to it.

This is not a perfect bill, far from it; in fact, there are very few pieces of perfect legislation that come out of a large legislative body. Most bills are a matter of compromise. There is bound to be great diversity of opinion as to just how certain objectives should be obtained. The New Deal Members seem to feel we are guilty of lese majeste if we offer any constructive suggestions to important legislation once it has been written at the other end of the Avenue.

Mr. Chairman, the New Deal Members of the majority have been very sensitive to any criticism of legislation emanating from the inner circle at the other end of Pennsylvania Avenue. The Social Security Act, as first presented to Congress, was so filled with glaring defects that it was inevitable that its provisions would have to be overhauled to avoid its utter ruin at the hands of an indignant public. The majority would not listen to the constructive criticisms of the Republican minority, nor would the New Deal Members of the majority consider proposals offered to improve the act.

Even now New Deal Members rush to the defense of the policy of spending the pay-roll taxes as they flow into the general revenues of the Treasury. The mere mention of I O U's is like a red flag to infuriated bulls. The fact that an income tax imposed upon the low-income groups and then used for the New Deal spending program does not impress the spenders as anything irregular or a proper subject for criticism.

I realize that not a thing I can say will quicken the conscience or bring home to those who act in the capacity of legislative guardians of a fund intended by the Congress to pay old-age benefits, a realization that the money should not be diverted to other purposes. The fact that far in excess of a billion dollars has been collected in pay-roll taxes for the specific purpose of paying old-age benefits, and that all of this except a comparatively small amount has been used for other purposes seems to be of no consequence to those who are doing the spending. It is evident that the taxpayers now realize that as a result of this diversion of the funds so collected and spent by the New Deal, the money will have to be raised over again by taxation.

The Republican minority from the first has sought to direct attention to the injustice of taxing the working men and women of this Nation to furnish funds to be spent, wasted, and frittered away by a reckless spending administration. I know full well how futile it is to argue the injustice of such a program with those whose only interest seems to be to continue to obtain money to spend, regardless from what source derived or to what end the funds collected will be applied.

It is important, however, that the record should be kept straight for the benefit of the public. When the public is once in possession of the truth, the constructive suggestions of the Republican minority will receive more and more support, and the consequence will be a more just and workable law.

I want to quote what the Brookings Institution of Washington, D. C., has to say on this subject, social-security taxes and their use, for paying the current expenses of the New Deal spending program. I quote:

The primary criticism of the old-age annuity scheme relates to the accumulation of a huge reserve. The plan involves the accumulation by the yearly payments and the interest thereon, of a sum which will pay the annuity when the beneficiary reaches the required age.

The accumulations are invested in Federal Government obligations yielding at least 3 percent return. If outstanding Government bond issues do not yield such a rate, special obligations yielding 3 percent are issued for the purpose. By the end of December 1933 the Government had issued two billions of such obligations, and these were turned over to the Social Security Board in lieu of cash collected from the social-security taxes. The Government is, of course, obligated to pay interest on these bonds to the Social Security Board. These bond accumulations are called reserves, and it is estimated that by 1980 the accumulation would reach nearly $50,000,000,000. Under existing procedures the pay-roll taxes are used for operating expenses of the Government. Neither cash nor revenue-producing assets is being provided by the taxes. Thus the accumulating obligations under the social-security plan will have to be met by further taxation in the future. Such a development was not contemplated originally. It was assumed that the Budget would be balanced and that the social-security taxes could be used to reduce the existing Government debt, thereby lessening the Government's obligations, if not accumulating cash or other assets. The persistence of the deficit has meant that such a program could not be carried out.

The net effect of the pay-roll taxes to date has thus been to provide the Government with some revenue and to keep the Federal deficit a little lower than it would otherwise have been. As a method of raising money for the general expenses of the Government it is highly inequitable in its operation. A part of it falls on the low-income classes, and that which is collected from corporations is not levied with reference to their ability to pay. As we have seen, it bears heavily on small corporations.

If there were a balanced Budget and the social-security taxes were being invested in outstanding Government bonds, the reserve, so to speak, would be in the form of decreased Government liabilities rather than in the form of increased assets. It is apparent in any case that the so-called reserve is not analogous to that maintained by ordinary insurance companies which do not invest in their own obligations or create new I O U's, the payment of which would involve increased collections in the future from those insured.

The alternative to the accumulation of a huge reserve is a pay-as-you-go plan. Since under the present operation of the system the benefits will have to be paid out of general taxation in the future, we should cease beguiling ourselves into the belief that the building up of a reserve has any economic significance. We should raise such amounts of social-security taxes as are necessary to take care of current payments and to provide the modest reserves necessary to care for possible emergencies. This means a few billion dollars at the most.

The inauguration of this plan should be accompanied by the adoption of the principle of investing the modest contingent reserves that would be accumulating in outstanding Government obligations. This implies an abolition of the present system of guaranteeing a 3-percent return on the reserve in the form of Government obligations delivered to the Social Security Board; the earnings on the investments should be determined by money-market conditions at the time of purchase rather than be arbitrarily set at a fixed minimum rate which may come to be out of line with market yields. This plan of actually investing the tax accumulations in outstanding bonds necessarily means that the social-security taxes cannot be used to meet Treasury deficits.

In short, this analysis implies a segregation of the administration of the social-security program from the ordinary financial operations of the Government.

Under the pay-as-you-go plan we would not need to have nearly as high rates in the early years as under the present plan. The rates would start at a low amount and would increase in proportion to the increased age of the groups affected.

I call attention to the fact that the Brookings Institution after a most thorough and exhaustive study of the Social Security Act made the following recommendations:

1. The old-age annuities should be financed on a pay-as-you-go basis rather than by the accumulation of a huge reserve.
2. The rates for the old-age annuities should be temporarily reduced from 1 to one-half of 1 percent, and be subsequently increased only as benefit payments necessitate.
3. The modest contingent reserves should be invested in outstanding Government bonds at current rates, and the financial administration of the system should be segregated from the fiscal operations of the Treasury.

Mr. Chairman, it must be apparent to all, except to the New Deal spenders, that the pay-roll taxes continue to flow in full volume from the pockets of the working men and

women into the Treasury to be squandered for anything, and everything that can be devised by a group of happy-go-lucky spendthrifts. It is only natural to expect criticism from the New Deal spending, debt-creating advocates, but the Republican minority has come in for no more abuse from the New Deal devotees than has that wing of constructive critics, known as Jeffersonian Democrats who have resisted the unsound fiscal and financial policies of the present administration.

Mr. Chairman, Republican modesty might have prevented the minority from claiming credit for such improvements as appear in the bill now under consideration, but courtesy requires that we acknowledge with profound appreciation what the New York Times has had to say with reference to the contribution which the Republican minority has made to the measure under consideration. I quote, first, from an article by Mr. Arthur Krock under date of February 3, 1937, in this leading and outstanding Democratic newspaper:

Behind the concurrent resolution looking to improvements of the Social Security Act, jointly sponsored in Congress by a Republican group, is the story of an interesting experiment. The resolution represents a serious effort, after long study, to organize and publicly demonstrate an effective opposition technique in this heavily administration Congress. It turns on the contribution of ideas advantageous to legislation passed by the party in power instead of attempts to hamstring, harass, and embarrass.

The authors of the proposal and devisers of the technique which it is hoped the suggestion will illustrate and popularize are Senators VANDENBERG and TOWNSEND and Representatives REED and JENKINS—all Republicans. They conferred long, earnestly, and often before they made their move. They do not doubt their resolution will be pigeonholed by the majority. But they believe the changes they propose in the fundamental mechanics of the Social Security Act, being fundamentally sound, will eventually be adopted under the auspices of the administration.

The article goes on to say:

The four Republicans who composed the resolution did not rely on their own resources or information. They approached the best experts they could find, nonpartisan and in favor of social security. They accepted numerous suggestions * * * What the Republican conferees sought to evolve was a sustained piece of constructive critical work, and they believe they succeeded. They approached the problem as national, nonpartisan, and economic, too worthy to be the object of a political gesture, and realizing also that especially in such a matter, the least politics is the best.

The basis of the constructive criticism of the resolution's authors can be summarized as follows: It is most important to put the contributory old-age pension system on a firm and practical footing. It is not so grounded at present. The full reserve set-up is the flaw, with its eventual accumulation of forty-seven billions to be invested in Government 3 percents.

Any such fund, in the opinion of the Vandenberg group, is sure to be politically used in a democracy, and meanwhile the accumulation reduces the available revenues for current old-age pensions. They believe the arrangement doubly penalizes the worker because, while exacting a high tax, it deprives him of the present fruits of his investment.

The sponsors would eliminate the full reserve requirement of the existing law, substituting a modest contingent reserve, and thus release a large share of the pay-roll tax revenue, using the saving for one of two purposes. First, to hasten or increase the payment of old-age pensions. Second, to reduce the pay-roll tax to 2 percent for an indefinite period and avoid the graduated increase for a long time.

After pointing out the Republican opposition to the huge reserve, the article concludes as follows:

It can readily be seen that this is neither sniping nor the old political device of trying to dig a hole for the enemy, regardless of whether, when he falls in, his good public works, as well as his bad, will be buried with him.

Now, let us see what Mr. Krock had to say in the Democratic New York Times on March 28, 1939, with reference to the effect of the minority's efforts to amend the Social Security Act:

CONSTRUCTIVE VERSUS PARTISAN CRITICISM OF NEW DEAL LAWS

In February 1937 four Republican Members of Congress introduced a concurrent resolution looking to improvements in the Social Security Act * * * The four Republicans were Senators VANDENBERG and TOWNSEND and Representatives REED and JENKINS. * * * As was remarked in this space at that time, these Republicans "approached the problem as national, nonpartisan, and economic, too worthy to be the object of a political gesture, realizing that in such a matter the least politics is the best."

NATURE OF RESOLUTION

Their concurrent resolution was based as follows:

"It is more important to put the contributory old-age pension system on a firm and practical footing. It is not so grounded at present. The full reserve set-up is the flaw, with its eventual accumulation of $47,000,000,000 to be invested in governments, at 3 percent. Any such fund in a democracy is sure to be politically used, and meanwhile the accumulation reduces the available revenues for current old-age pensions. The present arrangement doubly penalizes the worker because, while exacting a high tax, it deprives him of the present fruits of his investment. These Republicans proposed elimination of the full reserve requirement, substituting a modest contingent reserve and thus releasing a large share of the pay-roll tax revenue. They sought to use the saving to hasten or increase the payment of old-age pensions, or to reduce the pay-roll tax to 2 percent for an indefinite period and avoid the graduated increase for a long time. * * *

"Only a part of the suggestions of 1937 have been met by the administration, and all the faults of the Social Security Act have by no means been marked for remedy. But a large step toward improvement has been paced by Mr. Morgenthau and for the first time the President has completely assented to a major New Deal law revision which is simultaneously a candid admission of error and a cooperative move for business recovery."

[Applause.]

The trouble with that is that when the law was written it was speedily passed for political purposes. Even the slogan "Social Security," the title of the act, was a catch phrase, and led every person in distress to believe that at last here was legislation that was going to build the Eutopia of which he had so long dreamed, but today we are confronted with a practical situation, with a situation of doing what the country can afford to do in its present economic condition. We sought by months of hard labor, in a nonpartisan way, cooperating in every way possible with the majority to perfect this bill. I say to the membership of the House that while there are many shortcomings in the bill, yet it is so superior to the original bill, and as it has now been pronounced by the Supreme Court the law of the land, that I shall vote to pass this measure. I hope also that it will not be so far amended by overenthusiastic people as to emasculate the provisions intended for the benefit of those for whom the law was enacted to help.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. CRAWFORD. If we have a moment, I think we might develop this thought a little bit. At the present time, as these tax remittances are made to the Treasury by industry, collected from the employee and from industry, they go to the general fund of the Treasury?

Mr. REED of New York. That is right.

Mr. CRAWFORD. And they are appropriated out by acts of Congress, to be used for the general purposes of the country, instead of being appropriated out for the purchasing of debt obligations previously issued by the Government. Therefore the present act calls for the issuance of special obligations to which the gentleman has referred. Later on, when the recipients of the benefits desire to collect something the Government must go out and tax the people to get the money in order to pay the recipients of the benefits, and while that is going on the special obligations are reflected in the debt of the Government.

Mr. REED of New York. That is correct.

Mr. CRAWFORD. The special debt obligations do not show up in the deficit, figured as such, but they do show up in the increased debt of the Government. If, instead of following that procedure, we purchased Federal debt obligations previously issued, the deficit figure would show up in a greater sum, and might be embarrassing politically, but at the same time we would be accumulating as a reserve fund previously issued debt obligations incurred in running the Government, and those debt obligations then would be thrown into the fund and the interest which they would accumulate would help pay the benefits to the beneficiaries in the subsequent years. As I understand the gentleman's quotations from the Brookings Institute, that is what they recommend, and that is in line with the original philosophy of the minority group of the Ways and Means Committee.

Mr. REED of New York. That is right.

Mr. CRAWFORD. I wanted to get that point cleared up.

Mr. REED of New York. We pointed that out from the very start. Of course, I do not need to say to this House that it is human nature, whenever a legislative body sees a vast accumulation of funds in the Treasury, to appropriate those funds for other purposes. It is a dangerous procedure. As I say, this does not correct the situation entirely, but it goes a long way in cutting down the large reserve, and cutting it down to a reasonable basis of about 3 to 1, or something like that.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. SIROVICH. I have been very much impressed with the statement the gentleman has made, but the thought which has come to my mind, and which I would like the gentleman to consider is this: In the year 1970 he states that we would have accumulated about $47,000,000,000.

Mr. REED of New York. That is right.

Mr. SIROVICH. We will suppose $40,000,000,000 had been accumulated. That money could wipe out the complete tax-exempt securities in which the wealthiest people of the country have invested. As I say, the securities are tax exempt, and the money has not gone into business and industry, and if an amendment could be offered to the social-security bill that the $1,300,000,000 that we have now received thus far, and every year, should be utilized for the retirement of tax-exempt securities, then the Government would retain the interest, and this money would be forced into private industry and would tend to employ the army of unemployed. What about that?

Mr. REED of New York. Let me tell the gentleman what would happen in that event. All you would have accumulated are just these 3 percent I O U's, and the money in the meantime collected would have been spent. Let me ask the gentleman a question: Did the gentleman vote the other day for the bill to remove the partition and permit the Government to issue $15,000,000,000 or more of long-term bonds in lieu of short-term notes?

Mr. SIROVICH. I do not think I was here at the time.

Mr. REED of New York. The gentleman's side passed that bill and there is nothing now to prevent the Treasury from issuing $15,000,000,000 more of tax-exempt securities, which the majority has been condemning so much.

Mr. SIROVICH. Could we today offer an amendment at the proper place that all of this money that is obtained for old-age security and old-age assistance should be utilized only for one thing now and that the retirement of tax-exempt securities?

Mr. REED of New York. I am not so sure whether you can do that or not. I do not mean to be short with the gentleman from New York, but of course there is a constitutional question involved. It is very serious.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. HINSHAW. In questioning another member of your committee the other day I learned that the funds to be raised by this taxation of the employer and employee are used exclusively for the purpose of paying benefits to the contributing employees when they reach retirement age. Is that correct?

Mr. REED of New York. Will the gentleman state that question once more, please?

Mr. HINSHAW. That the funds raised through the 1-percent tax on employer and employee are to be paid through the trust fund exclusively for the benefit of those who have contributed to the fund—that is, the employees who have contributed to the fund, and for no other purpose. Is that correct?

Mr. REED of New York. That is what we plan.

Mr. HINSHAW. Is there any tax plan set forth in the bill that would provide for the other payments that are authorized by the bill, such as old-age assistance and aid to the blind, and so forth?

Mr. REED of New York. No.

Mr. HINSHAW. Then payments for these purposes come out of the Federal Treasury?

Mr. REED of New York. They come out of the Federal Treasury.

Mr. HINSHAW. Or Federal deficit, shall we call it?

Mr. REED of New York. General taxes.

Mr. HOLMES. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. HOLMES. I want to make an observation along the line of that made by our colleague, Dr. SIROVICH. Why should the suggestion be made that this small group of about one-quarter or one-third of our population who contribute to this pension fund—I mean employers and employees—should alone be the ones who should assume the burden of this whole tax when there are millions of professional men—doctors, lawyers, and men of wealth—who do not contribute in any shape or manner to this fund? If we are going to retire this huge sum of billions of dollars it should be by all the people, because it is their obligation and not this particular group of manufacturers and employees who should be called upon to assume all the burdens of wiping out this tremendous bonded indebtedness.

Mr. REED of New York. I thank the gentleman for his observation.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. BROWN of Ohio. As an employer I would like to ask the gentleman this question: When this law became operative originally a contract was made between the Government and some of my employees stating that those employees would be paid a certain amount upon retirement, or in case of their death their estates would receive a certain amount. This bill, I notice, changes those payments entirely. Is that true?

Mr. REED of New York. It does. It changes the contract that was entered into. It modifies it considerably.

Mr. BROWN of Ohio. It changes the contract which was made, under which these men have paid in their money as employees and under which contract I have paid in as employer?

Mr. REED of New York. The original conception and philosophy of this bill was this, and it so went out to the country, and workingmen and employers believed it: That every person who paid a pay-roll tax looking forward to old-age benefits would be assured of one thing—that he would get all the money back that he paid in, plus interest.

Mr. BROWN of Ohio. And under this law he will not, if he dies before he reaches 65?

Mr. REED of New York. That is true. It has been modified.

Mr. BROWN of Ohio. And there is a direct damage and injury to a number of men in the higher brackets; is that not true?

Mr. REED of New York. Yes; that is true.

Mr. BROWN of Ohio. Let me ask the gentleman one other question. What is there to prevent this Congress or a Congress 10 or 20 years from now from changing this law entirely and taking away further benefits that the men are supposed to receive from the money they have paid in?

Mr. REED of New York. Not one thing, because one Congress cannot bind another. It is simply the conscience of the sovereign.

Mr. BROWN of Ohio. And, of course, governmental contracts no longer hold in the United States under our present Court?

Mr. REED of New York. That is correct.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. MILLER. I would like to call the gentleman's attention to page 95. I notice the bill carries this provision: That the Federal Government will pay an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, and so forth, not counting so

much of such expenditure with respect to any individual for any month as exceeds $30. In other words, it leaves the blind with a $30 limitation, while we are giving the old-age pensioners $40 at 65 years.

Mr. REED of New York. Yes.

Mr. MILLER. Does it not seem that a blind person should be entitled to the same amount as the aged receive?

Mr. REED of New York. Of course; that is the danger of late amendments to a bill—not going through and correcting all discrepancies. I assume there will be some effort made on the floor to equalize some of the inequalities. [Applause.]

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Tennessee [Mr. COOPER].

The CHAIRMAN. The gentleman from Tennessee is recognized for 37 minutes.

Mr. COOPER. Mr. Chairman, the Social Security Act, approved on August 14, 1935, is the greatest piece of social legislation ever enacted at any one time in the history of this or any other country in all the world. Many of the leading countries of the world have programs for social security. Most of those programs have been built up over a period of years, in some instances as many as 20 years being necessary to build up the program. They would provide for one phase of it, perhaps old-age pensions, and later they would provide for unemployment compensation, and so on; but this is the first country in the history of the world that ever adopted a rounded-out program for social security at one time.

It was my privilege to be a member of the subcommittee in 1934 that gave considerable time and attention to a part of the program embraced in the present act. It was also my privilege to be a member of the subcommittee which did most of the work in the drafting of the present Social Security Act. It is a little difficult for us sometimes to fully understand statements and charges made here on the floor, especially by some of our friends who cannot resist the temptation to be just a little partisan now and then, and to hear the statements made that this bill was sent up from the other end of the Avenue, and that it was hastily enacted by Congress. Now, as one who is in a position to know something about the real facts, I want to say to you that I have never known any measure that received more careful, thorough, and painstaking consideration by a standing committee of the Congress, or a bill more of which was actually written by the committee than the present Social Security Act. [Applause.] To those of us who labored so long and so hard in the drafting and the enactment of this legislation, the surprising thing has been that the program has succeeded to the remarkable extent that it has and that it has worked so successfully.

Let us bear in mind that we were plowing new ground. There were no precedents in this country to guide us and few precedents in other countries of the world, because, after all, we have a decidedly different situation in this country to what they have in most of the other countries of the world. We realized at the time that, although we were doing the best job we could, further amendments would be necessary and changes in the light of experience would be found to be expedient and advisable. This legislation has been considered all the way through, in 1934, in 1935, and the pending bill, on a nonpartisan basis. There has been no partisanship manifested by members of the committee during the consideration of this measure; and as one of the majority members of the Ways and Means Committee, I am glad to acknowledge our debt of gratitude to the minority members of the committee who have cooperated with us and assisted so much in the consideration of this important legislation. [Applause.] We are also indebted to Mr. Rice, of the drafting service, and the members of the staff, and the Chairman of the Social Security Board and his very efficient corps of workers who have worked with us and assisted us all the way through in the consideration of this legislation.

This legislation stands today as a great tribute to the foresight and the wisdom of that great humanitarian, that man whose heart beats in tune with the interests and the welfare of the masses of our people, our great President of the United States, Franklin D. Roosevelt. [Applause.] This program was the outstanding objective of Mr. Roosevelt during the second 2 years of his first administration. The present Social Security Act passed the House by a vote of 372 to 33 and passed the Senate by a vote of 77 to 6.

The Social Security Act, which contains substantially the provisions for insurance as was reported by the Ways and Means Committee, has been sustained by the Supreme Court of the United States in three different cases.

The enactment of the Social Security Act marked a new era in this country. For the first time the Federal Government accepted the responsibility of providing a systematic program of protection against economic and social hazards. The first part of the program is designed to reduce future dependency. The second part of the program is designed and intended to relieve existing needs. The first part of the program provides for a Federal system of old-age insurance and for a Federal-State program for unemployment compensation. The second part of the program provides for grants to States for a program of aid to the needy aged, for dependent children, for needy blind, as well as providing for assistance to public health, maternal and child welfare, and other similar types of assistance.

Mr. SHORT. Mr. Chairman, will the gentleman yield at that particular point?

Mr. COOPER. I yield.

Mr. SHORT. I just wondered, the gentleman from Tennessee, who has studied this matter so thoroughly, if he can tell the Committee why no assistance is included for helpless cripples?

Mr. COOPER. I am glad the gentleman asked that question because he and the membership of the House are entitled to an explanation on that point. The Social Security Board recommended the inclusion of a provision for total permanent disability cases at some time in the future. It pointed out, however, that not only would a large additional amount of expense be involved, but they stated that, in their opinion, it would probably require a year or 2 years to be able to work out a proper program for its administration. Your committee, therefore, in view of that information from the Social Security Board, decided not to include a provision in this bill for total and permanent disability cases.

Mr. SHORT. But I am sure that the gentleman from Tennessee will agree with all of us that a person with two legs off, or two arms off, is just as helpless, and as much in need, and as deserving of assistance as a person 60 or 70 years of age.

Mr. COOPER. There is no question about the desirability of trying to take care of cases of that kind. There is no doubt about all of us being interested and anxious to do all we can along that line.

Mr. SHORT. Is the Social Security Board at this time making a study of this program and when will they report to the Congress?

Mr. COOPER. The Social Security Board is continuing its study, and, of course, under the Social Security Act as drafted and passed, the Social Security Board is required to continue its study on all phases of social security and make reports to the Congress.

Mr. SHORT. I hope they will soon report favorably in the matter of assistance to these helpless cripples.

Mr. DUNCAN. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. DUNCAN. Along the line of the inquiry by the gentleman from Missouri I will ask the gentleman from Tennessee if there is not included in the bill a provision for vocational rehabilitation to take care of the type of people referred to by the gentleman from Missouri?

Mr. COOPER. That is true. Of course, under the present Social Security Act there is provision made for the Federal Government to make grants-in-aid to the States to care for people injured in industry and otherwise and to provide rehabilitation for them. In this bill we increased the amount of the Federal grant by $1,000,000.

Mr. SHORT. But that is confined to those injured in industry?

Mr. COOPER. That is a program that has been going on for years. That particular appropriation has been increased by a million dollars.

Mr. DUNCAN. This applies not only to those injured in industry but to those injured otherwise?

Mr. COOPER. That is true.

Mr. GWYNNE. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Iowa.

Mr. GWYNNE. There seems to be some question about the employees of corporations under section 101. Is it the gentleman's understanding that an employee or an officer of a corporation under section 101 who receives no payment is not included?

Mr. COOPER. That is true.

Mr. GWYNNE. That is the proper construction?

Mr. COOPER. As I endeavored to reply to the gentleman from Nebraska [Mr. STEFAN] when he asked a similar question yesterday, I will say to the gentleman from Iowa that he nor any other Member of the House is more interested and more anxious about that being taken care of than those of us on the committee. We certainly did everything we could and we received the assurance that the provisions of this bill takes care of that situation.

Mr. MILLER. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Connecticut.

Mr. MILLER. Referring back to the question asked by the gentleman from Missouri, if the administration would take the broadest possible interpretation of the act, can it not do a great deal under the vocational rehabilitation, by constructive work, for the so-called crippled and disabled?

Mr. COOPER. That is true.

Mr. MILLER. May I add a further thought. The worst thing that could happen is to tell a person who is crippled that he is on the shelf for life. I would rather spend $10 to rehabilitate that man than to pay him a pension of $10 and retire him.

Mr. COOPER. That is true. The gentleman will remember that this is a State program. It is a State-administered program. The Federal Government makes grants-in-aid to the States to carry forward the rehabilitation program. We are increasing the amount of money or the authorization by the Federal Government to the extent of a million dollars in the pending bill.

Mr. MILLER. In some States there seems to be a misunderstanding as to what rehabilitation of the disabled means, and some of the money expended in the States, it has been ruled by the Board, is not rehabilitation. I realize it cannot be included in the act.

Mr. COOPER. The gentleman knows that Congress cannot enact a law and administer it too, but we are including a provision to enable the States to give greater assistance along that line.

Mr. CRAWFORD. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. CRAWFORD. If the States fully comply to the limit and go along with the million dollars to which the gentleman has referred, what will the total sum amount to? Can the gentleman give us that figure? Suppose the States fully comply.

Mr. COOPER. I cannot give the gentleman the amount to the penny.

Mr. CRAWFORD. Roughly.

Mr. COOPER. We are appropriating $1,900,000, approximately, at the present time. This bill increases it by a million dollars, which will make very close to $3,000,000.

Mr. CRAWFORD. Does the gentleman know what the States are contributing with reference to the $1,900,000?

Mr. COOPER. I do not have those figures before me. The gentleman from New York [Mr. REED], who has been vitally interested in this matter for many years, made a very able speech day before yesterday on that particular subject.

Mr. CRAWFORD. I thank the gentleman.

Mr. DINGELL. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. DINGELL. I think if the gentleman from Michigan [Mr. CRAWFORD] will refer to page 31 of the report, he will get the entire answer to his question.

Mr. COOPER. In this connection permit me to say I really believe the report presented by this committee on the pending bill is one of the best I have ever seen since it has been my privilege to serve here. I think it would be to the interest of every Member to study and preserve the report. We have labored for a long time to try to make it as complete as possible, and I think we have made considerable contribution along that line. [Applause.]

Mr. TREADWAY. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I assume that the gentleman is speaking of both parts of the report, including the minority views?

Mr. COOPER. I am glad to include the entire report, both the report accompanying the bill and the minority views filed with it.

Mr. TREADWAY. I thank the gentleman.

Mr. COOPER. Mr. Chairman, as I was trying to point out a few moments ago, it was realized at the time the Social Security Act was passed that changes and amendments would have to be made in the future. When you are dealing with a program as far-reaching and as important as this, it is humanly impossible to bring about that degree of perfection in the drafting of legislation of this type that we may be encouraged to believe will withstand all possible future tests. So it was recognized at the time the Social Security Act was passed that changes would be found necessary, and the provision is included in the present act providing that the Social Security Board shall continue to study, make investigations, and report to Congress its recommendations for changes and improvements in the act in the light of its experience.

Last year an advisory council was appointed, composed of many of the outstanding men of this Nation, men like Mr. Swope, of General Electric; the head of United States Steel; Mr. Fuller, of the Curtis Publishing Co.; and many other outstanding industrialists of the Nation; also outstanding labor leaders of the country, including Mr. Matthew Woll, vice president of the American Federation of Labor; a representative of the C. I. O.; and other outstanding representatives of the workers of the country; and a very distinguished group of outstanding men who represented the general public, including Dr. Brown, of Princeton University, who served as chairman of the group.

Then the Social Security Board made its report and the President of the United States transmitted this report to the Congress. The report of the Advisory Council and the Social Security Board was the basis upon which your committee worked out the amendments which are presented to you in this pending bill.

Full and complete hearings were held on this subject. Forty-eight days of time was devoted to those public hearings. They began on February 1 and closed on April 7. Twenty-five hundred pages of testimony are included in the printed hearings. One hundred and sixty-four witnesses appeared during that time. The committee devoted 6 weeks of almost solid time in executive session to preparing the pending bill after the public hearings were closed. This bill embraces the amendments to the present Social Security Act.

If I may have your indulgence for a few moments longer, I would like to take up and endeavor to discuss a little more in detail some of the outstanding amendments included in this bill and changes made in the present Social Security Act. First, I should like to invite your attention to the matter of taxes. This bill affords more tax relief to the people of this country than we can hope to give them in any other measure that can be enacted by this session of the Congress. [Applause.]

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. In connection with the recommendations of the Advisory Council, William Randolph Hearst appointed a committee to make an investigation, called the Nonpartisan Social Security Commission, consisting of Senator James J. Davis, Henry I. Harriman, Samuel W. Reyburn, William J. Graham, Dr. Herman Feldman, Dr. Richard A. Lester, and Merryle Stanley Rukeyser. Their recommendations, as far as contributory annuities are concerned, are substantially along the lines of the recommendations of the Advisory Council and along the lines of the present bill as this committee has reported it.

Mr. COOPER. The gentleman is correct.

If I may refer at this time to an additional item, we have heard considerable discussion about the old-age insurance reserve fund. We have heard some words used that I regret to hear used in connection with it, with respect to its being a system involving the use of I O U's, and so on like that. The Social Security Act, the law passed by Congress, requires that these special obligations shall yield 3 percent interest for this fund. Of course, the money coming in from the payroll taxes is to be invested in these special obligations. The Treasury Department has followed the word and the letter of the law in that respect. This Advisory Council, composed of some of the outstanding men in the Nation, included as a part of their report a description of the use of this fund, and I wish to read two short sentences from the report:

> The United States Treasury uses the moneys realized from the issuance of these special securities by the old-age reserve account in the same manner as it does moneys realized from the sale of other Government securities.

This matter has been handled the same as all other funds of a similar type and character. The retirement fund for civil-service employees and the fund for the soldiers' insurance, as well as various other funds, have been handled in exactly the same way, under administrations of both political parties, as has this fund for old-age insurance.

I invite your attention to the closing sentence of this report:

> The members of the council—
>
> This is the Advisory Council—
>
> regardless of differing views on other aspects of the financing of old-age insurance, are of the opinion that the present provisions regarding the investment of the moneys in the old-age reserve account do not involve any misuse of these moneys or endanger the safety of these funds.

As I indicated a moment ago, I should like to invite your attention briefly to the provisions of this bill with respect to taxes. During the year 1940 the people of this country will pay about $580,000,000 less in taxes than they would have to pay under the present act.

For the ensuing 2 years they will pay about $1,130,000,000 less in taxes than they would have to pay under the present act. The total savings will amount to approximately $1,710,000,000.

The old-age insurance tax has been frozen at 1 percent on the worker and 1 percent on the employer for the 3 years 1940, 1941, and 1942, as against the 1½-percent rate on each employer and employee under the present act. This will save employers and workers about $275,000,000 in 1940, or a total of about $825,000,000 in the 3 years.

Provision is made so the States may reduce their unemployment insurance contributions, if a certain reserve fund has been attained and minimum benefit standards have been provided. All except about five States of the Union will be able to take advantage of this change during 1940. This may save employers from $200,000,000 to $250,000,000 during 1940 if the States reduce their contribution rates from an average of 2.7 percent to an average of 2 percent.

Only the first $3,000 an employer pays an employee per year is taxed under the unemployment compensation provision. This is already true in the case of old-age insurance. This will save employers about $65,000,000 a year.

Provision is also made for refunds and abatements to employers who paid their 1936 and 1937 and 1938 unemployment compensation contributions late to the States. This will save employers about $15,000,000.

Therefore, the aggregate of these items, as I indicated a moment ago, will amount to a saving to the taxpayers of the country of about $580,000,000 during the year 1940, and for the next 3 years a total saving of about $1,710,000,000. This is much more substantial tax relief than we can possibly hope to give to the people of this country under any other legislation that we can pass at this session of the Congress.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. JENKINS of Ohio. I appreciate what the gentleman says, and I think it is a very fine showing. I wonder if the gentleman is going to show in his speech how much wider we have made the distribution. If the gentleman does not have the time or is not going to do so, I may say that I have not been able to find that set out by itself in the report, and I believe it would be a very fine thing if it were stated, if the gentleman has such information. It would not, of course, be fair to tell this House you are going to save that much money, because we are going to spread it out over a wider base and spend a great deal more than we are going to spend.

Mr. COOPER. Of course, you have to spend more money, especially for old-age insurance during the earlier years of the program, but we will save money in the later years, so that over a period of 40 or 45 years it is estimated it will come out about the same as the present program would cost us.

Mr. HOLMES. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. HOLMES. I understand the gentleman to say that the annual contribution on the part of the employee and employer has been fixed at 1 percent.

Mr. COOPER. Yes; that is true.

Mr. HOLMES. Has the gentleman any estimate of how much revenue that tax will bring into the Treasury?

Mr. COOPER. I do not have the figures immediately before me as to the yield of the present 1 percent, but by freezing at the present 1 percent and not allowing it to increase next year to 1½ percent on employers and employees, the saving I have indicated of about $275,000,000 will be made by reason of not allowing the increase to go into effect.

Mr. HOLMES. I appreciate that and I am just wondering if the Treasury did not file with the committee the total amount of the yield during 1938 on that 1 percent basis.

Mr. COOPER. Oh, yes; those figures appear in the hearings. I just do not happen to have them immediately before me at the moment.

Mr. HOLMES. Are they in the report?

Mr. COOPER. Yes; they are in the report, too.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Oregon.

Mr. MOTT. Will the gentleman clear up the matter regarding the use of this pay-roll tax by the Government? The gentleman heard the gentleman from New York state that under the present system the Government is giving the Security Board its I O U's, and that when the time comes to pay these pensions it will mean that a tax will have to be levied again. Will the gentleman point out, if he can, wherein the statement of the gentleman from New York in that respect is incorrect?

Mr. COOPER. I endeavored to point out a few moments ago by quoting from the Advisory Council that this fund has been used just the same as all other similar funds handled by the Government, and that is true.

Now, let me further state to the gentleman, what practical difference does it make? These taxes are paid in by the employers and employees. The Government receives that money in the Treasury. The Government has certain expenditures to make and certain obligations to meet. What is the practical difference between levying a tax upon the

people now to raise all the money that the Federal Government has to have or in using this money and paying interest on it; and if need be, levying taxes later to replace that money?

From a practical business standpoint I am unable to see how there is any ground for any great alarm or disturbance on that point.

Mr. MOTT. If the gentleman is asking me, I see a great deal of difference, but that was not my question.

Mr. COOPER. And this is not the proper time for us to get into a prolonged argument about that.

Mr. MOTT. The question I am asking the gentleman is whether or not the statement of the gentleman from New York is correct that we levy this money twice in order to pay these old-age pensions? We levy it once through the payroll tax, we spend that for general governmental purposes, and then we levy it again by general taxation. Is that correct or not?

Mr. COOPER. No; I do not think so. We levy this tax and we provide this fund and it is held by the Government.

Mr. MOTT. No; it is spent by the Government.

Mr. COOPER. Just a minute, if I may continue. We levy this tax, we collect this money, and it is held by the United States. Now, the United States Government uses that money just like it uses any other money, and issues its special obligations to this particular fund, and they are held in this fund. The fund is just as solvent; it is just as sound as the Government itself. Now, what is the difference between raising taxes or providing revenue in the future to take care of these special obligations than it would be for any other bond or obligation issued by the Government?

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. I am very much interested in the gentleman's comment that the tax for 1936, 1937, and 1938 had been taken care of from some of those who paid their taxes to the State too late. It has come to my attention that this rather complicated legislation carried such heavy penalties as to work an injustice on certain taxpayers in its beginning years of operation. Some taxpayers at first paid, or offered to pay, too late and were themselves not to blame.

Mr. COOPER. Too late to get credit.

Mr. MURDOCK of Arizona. The gentleman found, did he not, that there were a great many that were in that predicament—men who were not at fault, but who had failed to synchronize these two laws, one law on the part of the Federal Government, and one on the part of the State, so that such taxpayers found themselves delinquent, so to speak, and under heavy penalty? I think the gentleman's committee has done wisely and acted justly in showing this proper attitude toward struggling businessmen. They want to do the right thing in paying these taxes and I congratulate the committee upon this fair provision.

Mr. COOPER. I appreciate the gentleman's statement. Of course it was shown to us that a considerable number of people had been caught in this kind of a situation. I have no doubt that many of them were worthy and deserving and there may have been some who were not quite so worthy and deserving, but we have given the relief, we have at least given them a fresh start, an opportunity to move along from this point.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. BROOKS. I think the gentleman is making a very learned discussion of this bill. There is one phase of it, however, that perhaps the gentleman has touched upon to some extent, but it is something I believe that all of us are much interested in, and that is the question of the wider distribution of old-age pensions. Will the gentleman explain to the House whether or not the new set-up is going to give a wider distribution of the funds either to cover families or old people in this country not covered at the present time?

Mr. COOPER. Does the gentleman have reference to old-age assistance in title I, commonly called old-age pensions, or does he refer to old-age benefits under title II, commonly referred to as old-age annuities?

Mr. BROOKS. Old-age pensions. That question has arisen and it has been discussed on the floor, but I have not heard a satisfactory answer up to the present time.

Mr. COOPER. Of course my time is almost exhausted and I cannot enter into a lengthy discussion of that at this time except to say that the pending bill continues the present arrangement whereby the Federal Government will match dollar for dollar what the State puts up for old-age pensions, except this does increase the limit from $15 to $20, or a total of from $30 to $40.

Mr. WHITE of Ohio rose.

Mr. COOPER. I am sorry, but I have only a little more time remaining and I was hoping to cover some other phases of the bill. We have liberalized considerably the provisions of the Social Security Act, especially with reference to old-age insurance, and we now include in this bill provisions for the wives of these annuitants, and we also make provision for children, also for widows and orphans. It has been considerably extended so as to take in this adidtional group of people so that we may in effect say that we now have under the provisions of this bill a program on a family basis, and we will take care of these people who will need this assistance because of the loss of the father or the husband and the loss of the pay and wages that he has been bringing into the family.

I would like to here show more in detail some of the additional benefits provided.

SUMMARY OUTLINE OF BENEFIT PROVISIONS UNDER THE REVISED FEDERAL OLD-AGE AND SURVIVORS' INSURANCE PLAN

A. EFFECTIVE DATE, JANUARY 1, 1940

B. OLD-AGE RETIREMENT BENEFITS

1. Old-age benefit: Each insured individual who has reached the age of 65 is eligible to receive a monthly primary (old-age) insurance benefit determined as follows:

(a) A basic amount computed by applying 40 percent of average monthly wages up to the first $50, plus 10 percent of average monthly wages in excess of $50.

(b) Such amount to be increased 1 percent for each year of coverage ($200 or more wages).

2. Supplement for wife: In addition, the wife, aged 65 and over, of an individual entitled to primary insurance benefits is eligible for a supplement of one-half of the primary old-age insurance benefit, or her own benefit, whichever is larger.

3. Supplement for children: In addition, each individual entitled to primary insurance benefits is eligible for a supplement of one-half of the primary insurance benefit for each child under the age of 16, or 18 if regularly attending school.

C. SURVIVORS' BENEFITS

1. Widows' old-age insurance benefits:

(a) Lump-sum payment: A lump-sum benefit equal to six times the monthly primary insurance benefit is payable to the widow, irrespective of age, upon the death of her fully insured husband.

(b) Monthly benefits: Each widow of a fully insured individual is also eligible when she attains age 65 (i) for a monthly benefit equal to three-fourths the primary insurance benefit (beginning at age 65, or 6 months after her husband died, whichever is later) or (ii) her own primary old-age insurance benefit, if larger.

2. Orphans' monthly insurance benefits: Each insured individual's dependent orphan (up to 16 or 18 if regularly attending school) is eligible for an orphan's benefit equal to one-half of the primary insurance benefit of the deceased parent.

3. Benefits to widows with children:

(a) Lump-sum payment: A lump-sum benefit equal to six times the monthly primary insurance benefit is payable to the widow upon the death of her insured husband.

(b) Current monthly insurance benefit: A widow of an insured individual who has in her care one or more children also is eligible for a monthly benefit—beginning with the sixth month after the death of her husband—of three-fourths the primary insurance benefit until she dies, remar-

ries, or the children reach 16—or 18 if they are attending school regularly.

4. Parents' insurance benefits: Upon the death of a fully insured individual who leaves no widow or child under 18 (a) a lump-sum benefit equal to six times the primary insurance benefit is payable to a surviving parent who was wholly dependent upon the deceased and (b) upon reaching age 65—or 6 months after the month in which such individual died, whichever is later—a monthly benefit equal to one-half of the primary old-age insurance benefit is payable to each such parent.

5. Lump-sum funeral benefit: Upon the death of an insured individual who leaves no widow, no child under 18, and no wholly dependent parent, a lump sum of six times the monthly primary insurance benefit is payable for the funeral expenses of the deceased.

D. MINIMUM AND MAXIMUM BENEFITS

The minimum benefit payable shall be not less than $10 per month. The maximum benefit payable shall be not more than double the primary insurance benefit, 80 percent of average wages or $85, whichever is the smallest.

Your committee, after 4 months of hard work, has brought you a bill that we sincerely believe is in the interest of the people of this country and one that we feel is worthy of your support. [Applause.]

The CHAIRMAN. The time of the gentleman from Tennessee has expired. All time has expired.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the bill may be read by title rather than by sections.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that the bill be read by title rather than by sections. Is there objection?

Mr. TREADWAY. Mr. Chairman, as far as the minority is concerned, we are agreeable to reading the bill by title.

The CHAIRMAN. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will read.

Mr. TERRY. Mr. Chairman, I make the point of order that there is no quorum present.

The CHAIRMAN. The gentleman from Arkansas makes the point of order that there is no quorum present. The Chair will count. [After counting.] One hundred and twenty-one Members present, a quorum.

Mr. JENKINS of Ohio. Mr. Chairman, I rise to a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. JENKINS of Ohio. I make the inquiry just as a matter of information, because several people have come to the desk inquiring as to where they may offer their amendments. This is true, is it not, that the bill will be read from the first page over to title II, at the end of page 5, and anyone wishing to offer an amendment that is germane to any portion of the bill up to that place will be permitted to offer it at the conclusion of the reading of that portion of the bill, if he can get recognition from the Chair.

The CHAIRMAN. The gentleman from Ohio is entirely correct. The Clerk will read title I.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Social Security Act Amendments of 1939."

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 percent."

SEC. 103. Section 6 of such act is amended to read as follows:

"SEC. 6. When used in this title, the term 'old-age assistance' means money payments to needy aged individuals."

Mr. COLMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COLMER: On page 3, line 9, strike out "one-half" and insert "four-fifths"; in line 15, strike out "40" and insert "25"; page 4, line 6, strike out "one-half" and insert "one-fifth."

Mr. COLMER. Mr. Chairman, this is the amendment that we gave notice several days ago we were going to offer on this occasion. This is the amendment that has the backing of approximately 100 Members of this House who are sponsoring it. This is the amendment by which we hope to equalize the distribution of the proceeds to the aged needy of this country.

I placed in the Appendix of the RECORD, appearing at page 2490, under an extension of remarks, a chart which would show just what this amendment would mean in the average receipts by those qualified as recipients in each State. In other words, this amendment seeks to have the Federal Government pay four-fifths for every dollar that the State puts up to the Federal Government's limitation of $20. This would tend to equalize the distribution of these funds. It would tend to bring some of the poorer States up, but it

would help every State in the Union, as this chart will disclose.

I know a lot has been said about helping the aged needy. I know there is a lot of lip service that is rendered to this class of people. I do not belong to any organization other than the organization that was formed here yesterday. I do not subscribe to any organization that goes out and seeks money from the aged and needy—money which they need—to try to put across this kind of legislation. I do not have any sympathy with a lot of that stuff that is done.

By this amendment you have an opportunity to render some real service rather than lip service to your constituents who are in need of these funds.

We are going to have a lot of debate about this, I assume. These gentlemen on the powerful Ways and Means Committee, for whom I have very profound respect and a high regard, are going to say that we are trying to wreck their bill, and so on. But this matter has been called to their attention before. I realize they have worked hard on this proposition, but I am not going to take all my time in paying tribute to the Ways and Means Committee, more than to say that I have a very high respect and regard for them.

But I do say to you, when they tell you this will wreck the Government and it is going to cost a whole lot of money, just remember this: As the able gentleman from Georgia [Mr. RAMSPECK] has pointed out, if this amendment is adopted it will not cost the Federal Government one cent more than it would cost the Federal Government if the States match the $20 that the Ways and Means Committee has authorized them to pay in this bill. It is not going to wreck the Government. I voted against a proposition that was submitted recently, as a matter of discretion, because I thought it was going too far; but we have got something here that is tangible; something that is reasonable; something that can be attained. Those of you who are in favor of this amendment and who want to help these aged people, I hope, will say so by your vote on this amendment.

Mr. Chairman, the distinguished chairman of the Ways and Means Committee contends that this amendment, if enacted, would cost the Federal Government more than four-hundred-odd-million dollars, and gives his authority therefor. We deny that it would cost anything like that amount, and we aver that the figures that we obtained from the same source are to the effect that it would cost only $114,000,000 upon the present basis of those who are qualified and are obtaining the pension. But, of course, we know that figures do not mean anything. The question is, Are we willing to adopt this amendment and let it go to the other end of the Capitol, where it would be amended, anyway; and as a result, have some tangible increase worked out in conference? Let me say to you that while we are primarily interested in the States in the lower brackets, this amendment would help aged recipients in every State of the Union, including the State of the distinguished chairman of the Ways and Means Committee. It would mean, as we pointed out the other day, that the aged needy who qualify in the State of Mississippi would receive a pension of $18.05. We appeal to your sense of fairness and justice and urge you to support this amendment.

[Here the gavel fell.]

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from Mississippi [Mr. COLMER], and I appear here as one of the group that is sponsoring this amendment.

My State today is paying between $8 and $9 to its old-age pensioners. Offering the additional amount from the Federal Government, under the plan sponsored by the Ways and Means Committee, will not help their situation. They are not now able to match the $15 on a dollar-for-dollar basis. Therefore the plan of the committee does not offer any assistance to the State of Georgia.

According to the information I have, the situation we find ourselves in in Georgia is a situation similar to that of most of the States, in that they are not now matching the $15 which the present law provides. If the Ways and Means Committee is in good faith in offering this $20, and I think they are, then the plan we are proposing here today will not cost the Government any more money, simply because we are not increasing the amount that the Government offers to pay beyond the $20 stipulated in the pending bill. We simply change the ratio or proportion from dollar for dollar to 4 to 1. That will help all of the States. Every one of the 48 States of the Union will be able to pay more money to the old-age pensioners in their States, without increasing the cost to the States.

Mr. BOEHNE. Mr. Chairman, will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. BOEHNE. What assurance does this amendment give the aged needy that they will actually receive more in the State of Georgia or the State of Mississippi or in any other State in the Union than they are now receiving?

Mr. RAMSPECK. It gives them this assurance, that with the present appropriations, instead of getting between $8 and $9 they will get over $20.

Mr. COOPER. Mr. Chairman, will the gentleman yield further?

Mr. RAMSPECK. I yield.

Mr. COOPER. What is there in this amendment, though, to force this money to go to the old people instead of the State just taking this money and continuing to pay the old people what they are getting now?

Mr. RAMSPECK. Of course, any State can refuse to appropriate any money for old-age pensions. They can do it under the committee's plan just as well as they can do it under this, but public sentiment will demand that they continue the present appropriations and take the benefit of additional money coming from the Federal Government, and that is the only way we are going to do anything under this type of legislation for the old people in our States.

I hope the committee will adopt this amendment. I think it is a reasonable proposal, and I think it will benefit all of the States and enable us to enact a sound, sensible program, one that can be complied with and one that will be of real benefit to the people.

Mr. DWORSHAK. Mr. Chairman, will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. DWORSHAK. The gentleman states that some States are not able to match 50-50

Mr. RAMSPECK. Yes.

Mr. DWORSHAK. Why are they not able to do that?

Mr. RAMSPECK. Because they have not enough money.

Mr. DWORSHAK. Where is the Federal Government going to get the money to pay the four-fifths instead of the half when it is now operating at an annual deficit of three or four billions of dollars?

Mr. RAMSPECK. The same place it gets it now.

Mr. DWORSHAK. Where is that?

Mr. RAMSPECK. By borrowing it and from taxes, that is where we get it now.

The point I am making is that even though the committee proposal says that the Federal contribution will be raised to $20, the old people will not get any more than they are getting now for it will be impossible for the States to match it.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. BUCK. I think the gentleman has not thought this through. It will, of course, cost the Government more money. Under the Colmer amendment the Government would be called upon to pay a $20 pension to every qualified aged needy person in the country, but under the committee plan it will not cost the Government more, because the States must match.

Mr. RAMSPECK. Then the gentleman admits that his committee put that in the bill not in good faith.

Mr. BUCK. Not at all. The committee put it in the bill in the utmost good faith, liberalizing the present law, but following out the principle of the present law.

Mr. RAMSPECK. It was put in the bill with the expectation that the States could not take advantage of it?

Mr. BUCK. It was not.

Mr. RAMSPECK. Then the Colmer proposal will not cost any more than the committee proposal will. [Applause.]

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, several bills in line with the Colmer amendment have been introduced in this House. I happen to be the author of one similar to it which had the approval of the great organization of which Abe Epstein is director and which has the approval of that organization and, as I understand, was endorsed by Mr. Epstein when he testified before the Committee on Ways and Means. In view of the fact that the bill that I have proposed is in line with the Colmer amendment, I wish to address my remarks to that amendment rather than to the legislation which I proposed.

In the first place, the proposal of the Ways and Means Committee on old-age help is unfair to the poorer States of the country. That is apparent. There is a disparity in the amounts that old people in the various States will receive. In addition to that particular disparity there is another one. Because of the difference in amounts, it forces the poorer States to pay from their meager funds a part of the cost of furnishing larger pensions to the richer States. These two disparities are so unfair that I believe they will be remedied by this House. It was suggested a few days ago by someone on this floor that there ought to be a disparity in old-age payments in the States because of differences in the cost of living in different sections of the country. The Wage and Hour Division of the Labor Department recently found as a fact that in certain cities or towns of around 5,000 or 10,000 population in the South and elsewhere over the country there was only a 2-percent differential. So much as to the unfairness of the bill as it now stands as to the poorer States.

I also maintain that the committee's proposal is unfair to the richer States, and for this reason: The poorer people, and especially the aged people, where low old-age payments are made will and do frequently gravitate to the richer States where larger amounts are paid. I know this is the fact.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. COLLINS. I have only a minute or two, I cannot yield. I know this is a fact, because in the last 5 or 6 years, according to a study made about a year ago by a certain group studying sociology at George Washington University in the District of Columbia, it was found that about 87,000 colored people had come to the District of Columbia and that this influx along with the other colored residents constitute 47.3 percent of the total votes of the District of Columbia if there were suffrage here. This shows that people in the small or no income brackets are moving to centers like Washington, Cincinnati, St. Louis, Chicago, Philadelphia, Detroit, and other cities of the United States to get relief or larger old-age assistance benefits. And these cities will necessarily have to further increase their budgets in order to care for these unfortunate people seeking a better existence.

[Here the gavel fell.]

Mr. KEEFE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I am one of those benighted individuals who had the audacity to vote for the Townsend plan and I am perfectly willing to assume that responsibility. The same reasons that impelled me to vote for the Townsend plan compels me to vote against this amendment. In the discussions upon that bill, the gentleman from California [Mr. BUCK], who is now smiling so vigorously, in opposing the same, stated to this House in substance, like the advance man who used to run ahead of Ringling Bros. circus, "Wait until our circus comes to town." He stated in his remarks to the House in opposition to that bill, "Wait until the social-security bill comes before the House. We are going to do something for the aged people of this country in that bill."

As a result of those discussions, propaganda was disseminated throughout the Nation having for its purpose the creation of an impression in the minds of the aged people that they might expect some additional benefits by way of increased old-age pensions as a result of proposed amendments to the Social Security Act and the aged people of this country have been led to believe that after voting down the Townsend plan the Ways and Means Committee is going to take care of the aged by increasing the Federal contribution to the States who pay old-age pensions.

While I intend to vote for the present bill, I do not do so under any misapprehension that the proposed increase of Federal contribution from $15 to $20 is going to have the effect of materially increasing the pensions received by the aged throughout the country, and any propaganda that has been issued which tends to create this impression, in my judgment, is exceedingly vicious. The simple facts are that under the present law the Federal Government undertakes to match State money up to $15 per month for the payment of old-age pensions, so that if the various States were able to pay $15 per month to needy aged people, $30 per month pensions could thus be received.

The present bill proposes to increase the Federal Government's contribution from $15 per month to $20 per month, thus giving the impression that $40 per month pensions are to be made available to the aged. No such cruel hope should be aroused in the minds of the aged people of this country, for while it is possible for $40 pensions to be paid under the present bill, the States, in order to pay $40 per month pensions, must pay one-half thereof, or $20, themselves.

I ask, therefore, in view of the facts that the records disclose that practically no State has availed itself up to date of the opportunity to receive even $15 per month, as provided in the present law, by matching that amount through the medium of a State contribution, how can it be expected that the States will be able to raise any more money to meet their share of the pension by raising the offer of the Federal Government from $15 to $20 per month? If the States are unable to match $15 per month, under the present law, and pay $30 per month pensions, certainly they will not be able to match $20 per month, so as to be able to pay $40 per month pensions. It is true that the opportunity is provided in the present bill, but aged people of this country should know and understand that the Federal Government under this proposed bill will not pay out a single dollar that is not matched by a similar dollar to be paid by the respective States, and I can see no hope or expectation of any increase in pensions if dependence is to be had upon the various States to provide the matching funds in order to make increased pensions available.

I have always contended, and still contend, that the whole subject of old-age pensions is Federal in character and scope, and that whatever pensions are paid should be paid directly out of the Federal Treasury, and the amount necessary to make such payments be provided for by suitable tax legislation on a pay-as-you-go basis. Any other program will have no other result than to see 48 different State pension schemes and plans buffeted about as political footballs while the aged people must stand on the side lines and continue to suffer because of improper and inadequate care.

It seems to me that any pension plan that is proposed should be sound enough and appealing enough to the public of America to permit the imposition of sufficient taxes to pay the cost. And any other program which relies upon a continuation of borrowed money is, in my judgment, indeed a hoax upon all of the people of this country. The aged people of this country, therefore, should not be encouraged in the thought that so-called liberalization of the old-age benefit provisions of the Social Security Act are going to result in any increased pension for them. [Applause.]

[Here the gavel fell.]

Mr. HOBBS. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I yield to no man in my respect for the Ways and Means Committee of this House and for the distinguished and able gentlemen who compose it. My respect

is unbounded also for the experts that great committee has associated with it in its labors. But I am convinced that in writing the old-age pension provisions of the original act, as well as of this bill, Jupiter has nodded.

In the bitter winter of 1788 Queen Marie Antoinette of France was told by one of her courtiers in reply to her question, "Why do the people cry?" "They cry for bread." Her classic response was, "Then let them eat cake."

History tells us that that witticism was one of the causes of the French Revolution and her start on the path to the guillotine.

The parallel may not be perfect, but it is sufficiently so, I think, to warrant its use as an argument for supporting the pending meritorious amendment. The needy aged of America who live in those States which are too bitterly poor to match Federal funds to any appreciable extent, are almost literally crying for bread. The answer of the Ways and Means Committee is, "Then let them eat cake."

Why increase this limit of Federal contribution to $20 when only one State has matched $15? If that cruel, false hope that you engendered by the original act and the State plans presented under it has failed of fruition in 47 States in the Union, and so miserably in 8 States that not one of them has been able to provide their half of even a $10 monthly pension, why do you call this an improvement when you merely raise the outside limit to which their false hope might point?

Mr. Chairman, we are not here arraying class against class, nor State against State. We are simply trying to face facts and those facts are that it is just as impossible for Alabama, for instance, to raise the $27,000,000 which would be required to match the Federal contribution up to $15 for every old person in our State as it is for an ordinary cow to jump over the moon.

The distinguished Secretary of Commerce, then W. P. A. Administrator, when he made his speech at Memphis about what he was going to do for the farmers of the Nation in their off season, after the crops were laid by, through W. P. A. work relief, was suffering from the same illusion that has actuated the Ways and Means Committee in the presentation of this bill. Neither he nor they can believe how poor many States and citizens are. The honorable Administrator thought there could not be more than 100,000 farmers in the Nation whose annual incomes were less than $312. That was his first total allotment—100,000. In spite of all the restrictions that could be devised, 100,000 was not sufficient for one State. In my home county I think more than 5,000 farmers qualified, but only 300 jobs were provided for them.

As it was in that promised farm relief, so is it with old-age pensions. The promise was not opulence, but the actuality is pathetic.

Whether we should ever have created this hope is debatable. But, having done so, the Nation's duty is clear. We must keep faith with those needy aged whom we taught to hope. They cannot eat hope. [Applause.]

[Here the gavel fell.]

Mr. NICHOLS. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I shall support this amendment. I have never been able to understand why the domicile or the residence of an old man or woman should be a test as to how much money he or she should receive from the Federal Government in payment of an old-age pension. I have always been impressed with the thought that when the Federal Government admitted that it owed an obligation to the old men and women of the United States, in fairness the Federal Government owed exactly the same amount of money to every old man and woman regardless of their geographic location within the United States.

Now, has the Federal Government recognized and admitted the fact that they owe an old-age pension to the old men and women of this country? The answer must inevitably be "yes." My distinguished, able, and respected colleague from Oklahoma made a very enlightening speech yesterday in which he pointed out that the thing we voted on when we voted several days ago on the Townsend plan was a test of whether or not the Federal Government should bear the entire burden of paying an old-age pension. I differ with my friend because that was not the test at all. If the State of Oklahoma can pay her old men and women a pension of any amount of money that is a State obligation.

If any State in the Union wants to pay its aged any sum of money, that is the privilege of the State and it is a State obligation. As I see it, this is a Federal matter. If the Federal Government is going to put it upon the basis that an old man or woman must live in a rich State before he or she can receive as much money as another old man or woman in exactly the same circumstances, then, insofar as the Federal Government is concerned, it is discriminating between the old man or the old woman who lives in Mississippi, for example, and the old man or the old woman in exactly the same situation who lives in the State of New York.

This is the closest approach I have seen to the Federal Government paying an equal amount of money to old men and women who fall into a certain class no matter what State they live in. The only reason it is a close approach is that if this amendment is adopted then any State which can raise $5 for the old men and women entitled to a pension would receive $20 from the Federal Government. When the Committee on Ways and Means says, "We will match up to $20 the money appropriated by the States," it is saying, "We assume that the Federal Government has a responsibility of $20 per month to every old man and woman in the United States."

I am tired of hearing candidates for office prate about the great things that will be done for the aged of this country.

I am tired of seeing this body year after year hold out hope to the aged of this country that some day the Federal Government will adequately take care of them.

I could not support the Townsend plan because it held out a promise to the old people of this country which I knew could never be fulfilled, to wit, the payment of $200 per month to every old man and woman in the United States over 65 years of age; and the Ways and Means Committee said they were bringing out a bill which would liberalize old-age pensions and adequately fulfill the Federal obligation. They have broken faith with us.

The plan offered here today by the great Ways and Means Committee of this House is but little better than the Townsend plan, because it holds out to the old people of this Nation the hope that under the provisions of this bill they will receive $20 a month. The real truth of the matter is that they can only receive this sum if and when the State wherein they live appropriates enough money to pay them $20 a month from the State, in which event the Federal Government will match it with $20.

Let us look at the record. Ten dollars a month is the average paid in old-age pensions all over the United States, being represented by $5 from the State and $5 from the Federal Government. Only one State in the United States is paying $15 a month, and by so doing availing themselves of the $15 contribution of the Federal Government. That State is California.

Why, then, should we believe that the States of the Union will now supply $20 when under the old law they could not even supply $15?

No; this bill is but an idle gesture, and unless this Colmer amendment, or some amendment like it, is adopted, we will simply fix it so that the rich States of the Union, such as New York, California, and other States of their kind, will benefit because their resources will permit the appropriation of sufficient sums to avail themselves of the $20 Federal contribution while the old people in States, such as Oklahoma, Alabama, Mississippi, and nearly every State in the South and Southwest, will continue to suffer because the resources of those States are not such that the legislature can appropriate a sufficient amount of money to match 50-50 the maximum amount provided in this bill.

Why do not we be honest and fair with the old pioneers who gave us civilization, culture, and the good things of life which we enjoy today, and say to them the Federal Government will pay you X amount of dollars as its contribution to your support in your declining years, through appreciation for services rendered, and they pay that amount to every old man and woman who falls within the classification, regardless of where he or she may live, and then if the State in which they live deems that that State owes them an additional sum, then let the State legislature appropriate that sum and pay it to them direct and independent of the sum paid by the Federal Government.

When I voted for the Social Security bill when it was first offered for consideration, I said that I was doing so not because I thought it was ample or sufficient, but because I found myself in the position of a man who found himself caught naked in a blizzard and someone handed him a suit of B. V. D.'s and he put them on, not because he thought they would keep him from freezing to death, but because he thought it was the best that was offered.

If this amendment is defeated and there is not one similar to it adopted, my conscience dictates to me that I should vote against this bill and that I would do were it not for the fact that I am afraid that the old people of my congressional district would misinterpret the vote and think that I was voting against the principle of the payment of an old-age pension, so I presume that in the end I shall have to vote for the passage of whatever bill is finally agreed to by the House, finding myself again in the position of a man in a blizzard.

This is the first real opportunity that the Members of the House of Representatives have had to closely approach discharging the Nation's obligation to our aged. Support this amendment. Let us incorporate it in this bill. Then we can all go home tonight, sleep well, secure in the belief that we have taken a long step forward toward discharging this obligation, and we can surely rest assured that we are no longer kidding the old people of the country, but at last have decided to play fair. [Applause.]

[Here the gavel fell.]

Mr. DISNEY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, in my opinion, this amendment is madness, sheer madness, when we begin to reason it out. The Social Security Board estimates that this will cost $417,000,000 annually, this statement being made by the Chairman of the Board to me here this morning.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield for a question.

Mr. COLMER. What is the name of the gentleman who made that statement?

Mr. DISNEY. Mr. Altmeyer, the Chairman of the Social Security Board.

This amendment will cost $417,000,000 annually; and you will know it yourselves when you reason it out, and so will the author of the amendment.

Mr. COLMER. Mr. Chairman, will the gentleman yield further?

Mr. DISNEY. No; I have only 5 minutes.

Mr. DEMPSEY. Mr. Chairman, will the gentleman yield for just one brief question?

Mr. DISNEY. I yield.

Mr. DEMPSEY. What did the Social Security Board estimate would be the cost of providing $20 a month under this bill if all the States matched that contribution?

Mr. DISNEY. I did not inquire about that. That is not involved.

Mr. Chairman, let us be practical for a moment. Suppose we were members of the Mississippi Legislature and this amendment should pass here today. We would promptly go into session and raise the State contribution to $5 from whatever it is now—I believe it is something over $4. You say now you cannot afford to raise the State contribution, yet if this amendment were agreed to you could afford to go to $5, because for every $5 you contributed you would bring $20 of Federal money into the State. You would figure the additional expenditure under the same theories advanced here; would justify your raising the contribution to what you say now you cannot afford. You would have put up $5 to get $20 into the State. What else would you do? You would liberalize the needs test until you would get more twenties and more and more until you would gut the Federal Treasury. That is what would happen.

Mr. ZIMMERMAN. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I cannot yield.

Then let us go to the State of Oklahoma and imagine you are a legislator in that State, which now contributes about $9. A legislator with enough sense to come in out of the rain would vote to cut the contribution to $5, because now the old-age pensioners in the State get only about $18 when we put up $9 and by contributing $5 you would get a total of $25 a month for the old-age pensioners in the State. Then you in Oklahoma would liberalize the needs test to get more and more twenties from the Federal Government. Why would it not cost $417,000,000? The gentleman from Oklahoma [Mr. FERGUSON] and I discussed it last night, and reasoning that the probability would be that because of the liberalizing of the needs test, which would naturally follow if this amendment is adopted, the number of pensioners would go up and up, if State legislators would act as we would appear to be acting if we passed such an amendment, it would come more nearly approaching a billion dollars than $417,000,000.

Gentlemen, let me plead with you. In 1916 the Federal Government in this United States cost $1,034,000,000, and in 1939, without any comparable increase in population, we are going to spend ten billion. How long can it last? How long are we going to continue at this rate? We cannot afford it.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Not now.

It is said that the State of Alabama just cannot raise the money. How long are we going to continue? Why, the psychology in the Hoover administration got so low that Government obligations were selling in the 80's, and now Governments are oversubscribed 10 or 15 times. What a turn of the hand it would take to change that intangible thing, that psychology, into the psychology of those other terrible times. If we try to keep this up, we just cannot afford to do it. [Applause]

[Here the gavel fell.]

Mr. FORD of Mississippi. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in support of the amendment offered by my colleague the gentleman from Mississippi [Mr. COLMER].

The gentleman who just preceded me said that the amendment is sheer madness. I think there are very few people in this House this afternoon who will not take issue with that statement. I may call attention to the fact that the people in my State today are only receiving around $8 per month at the age of 65 years and above, and they are limited to cases of absolute necessity. It is not a wide-open proposition where people generally who have reached that age and have a very meager income can even get any assistance. They have to submit proof that they are on starvation and have no relatives that can assist them before they are even recognized for any assistance, and even then there are a great many persons on the waiting list who are unable to get their $8 a month now.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. FORD of Mississippi. Yes.

Mr. DISNEY. The gentleman would not abolish the needs test?

Mr. FORD of Mississippi. I would make it more liberal and would certainly eliminate the pauper's oath.

Mr. DISNEY. That is exactly what your legislature would do if you ever passed this amendment.

Mr. FORD of Mississippi. I think they should do it. I think it is only fair to the people of this country that we should increase and liberalize this pension. [Applause.]

Mr. DOUGHTON. If they should do that, why do they not do it now?

Mr. FORD of Mississippi. The trouble is a great many States, including my own, are financially unable to put up the $4 for the ones who are on the rolls today.

Mr. DOUGHTON. If they cannot put up $4, how can they put up $5, as proposed in this amendment?

Mr. FORD of Mississippi. Of course, if this amendment is adopted and they only put up the $4 which they are doing at the present time, then the Government, under this amendment, would put up $16, and that would enable them to receive a total of $20 a month. A great many of the aged people in my State would be most happy to receive that amount a month instead of the meager sum of $8 which they now receive under the present Federal and State laws.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. FORD of Mississippi. I yield.

Mr. COLMER. Of course, my colleague does not understand—and I am sure the gentlemen who have questioned him do not understand—that it would be necessary to put up any fixed amount for them to receive an increase under this amendment. If they put up $2, under this amendment they would be entitled to $10.

Mr. FORD of Mississippi. That is right.

Mr. COLMER. And the amount goes up on a graduated scale to where the aged needy in the gentleman's State of Oklahoma would receive an increase of approximately $10.

Mr. FORD of Mississippi. That is right, and I call my colleague's attention to page 2490 of the Appendix to the CONGRESSIONAL RECORD. At that page of the RECORD you will find a table inserted by my colleague the gentleman from Mississippi [Mr. COLMER]. The information contained therein was furnished by the Social Security Board, and, speaking for the State of Oklahoma, we find that the aged in that State received an average pension for the month of April of $19.79, and if this amendment should be adopted they would receive an increase up to $29.90. Take the State of Connecticut. The aged there received for April $25.88, whereas if this amendment should be adopted they would receive $32.94 without any further action on the part of the State legislatures of those respective States. Then take California, the only State of the Union that is matching the $15 under the present law, there they would receive about $37 if this amendment should be adopted.

The law we have today requiring the State to match dollar for dollar is nothing in the world but a farce, because the agricultural States and the poorer States of this Union are unable financially to put up on a dollar-for-dollar basis.

We have in my State every kind of tax imaginable, and those taxes do not yield enough to match the Federal funds under the present law. The Federal Government is committed to this proposition and this Congress should liberalize this bill whereby the aged living in the poor States will be put on an equal basis with the ones living in the rich States. I hope the proposed amendment will be adopted. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment close in 25 minutes.

Mr. PATMAN. Mr. Chairman, reserving the right to object——

Mr. O'CONNOR. I object, Mr. Chairman.

Mr. HINSHAW. Mr. Chairman, I move to strike out the last four words.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment close in 1 hour.

Mr. O'CONNOR. I object, Mr. Chairman.

Mr. DOUGHTON. Mr. Chairman, I move that all debate on this amendment close in 1 hour.

Mr. RANKIN. Mr. Chairman, I offer an amendment to the motion of the gentleman from North Carolina to make it one hour and a half.

The CHAIRMAN. The question is on the amendment of the gentleman from Mississippi to the motion of the gentleman from North Carolina that debate close in one hour and a half.

The amendment to the motion was rejected.

The CHAIRMAN. The question now recurs on the motion of the gentleman from North Carolina that all debate on this amendment close in 1 hour.

The question was taken; and on a division (demanded by Mr. O'CONNOR) there were—ayes 147, noes 44.

So the motion was agreed to.

Mr. HINSHAW. Mr. Chairman, I think we find ourselves in a rather anomalous position at the present time, and one which cannot be sustained. In the first place, under the present act, as I understand it, something like one-third of the people of the United States engaged in remunerative employment are covered for old-age benefits. In order to support those payments, there is a 1-percent tax paid upon their wages by themselves, and 1-percent tax paid by the employer. The people who drafted the bill choose to call it an excise tax, or something of that sort, to get away from the expression, a gross-income tax. However, it is, nevertheless, a tax on the gross income of those who earn the wages. It is said that the first 1 percent only can be so considered, but I call attention to the fact that in all probability the additional 1 percent paid by the employer can be considered as a 1-percent increase in salary, and then deducted from their total wages. The other day some of us stood some rather vituperative talk on the part of the members of the committee and others because we voted for the Townsend bill. I am not an adherent of the Townsend plan—in fact, the Townsend people not only did not endorse me, they put a candidate in the field against me; but I voted for that bill partly because of the following particular reason: It supplies a tax to support the payment of benefits. I have gone into this bill before us, and I find that the old-age assistance program under the Social Security Act has no basis of tax to support it whatever, and I believe that the committee missed a big bet, a splendid opportunity, to go into that other bill, and place a tax on the books, not only by consent of, but by the strong urging of these groups, in order to support the old-age assistance program. I think they missed a big opportunity, and I said at the time that if the committee had exercised its collective genius and considered that measure in committee and perfected it, they could have had a tax to support that old-age assistance program. At the present time there is talk also in this House about increasing the benefits to certain aged people, and some Members are hollering because there is no tax to support it. I think the committee made a big mistake in not taking on that proposed tax, or something like it.

The gentleman from Mississippi [Mr. COLMER] talks about the wealthier States. The State of California is not any wealthier than any other State, and if you will increase the payments to the people in your own States and keep them out of our State, then the people paying the $20 tax in California will be so much better off and better able to support the aged people we have now.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. Yes; I yield.

Mr. RANKIN. This amendment would be a relief to the State of California?

Mr. HINSHAW. It would in a way, but some such plan as the one brought up the other day would be a much greater relief.

Mr. RANKIN. I am not criticizing the gentleman's attitude the other day, but his attitude today would load this burden onto the people of California and not tend to relieve them.

Mr. HINSHAW. Of the $20 contributed by the people of California, $10 is paid by the real-estate taxpayers, largely home owners and farmers, and $10 comes out of the State general taxation. It is a burden greater than our people can afford, and the Social Security Act to that extent is ruining our State.

Mr. RANKIN. The present act?

Mr. HINSHAW. The old-age assistance program and some other features.

Mr. RANKIN. And the present bill without this amendment is not helping the State of California.

Mr. HINSHAW. Not at all, insofar as old-age assistance is concerned.

Mr. RANKIN. This amendment would help the State of California?

Mr. HINSHAW. Yes; by encouraging the aged in other States to stay home.

Mr. RANKIN. Then the gentleman is for the amendment?

Mr. HINSHAW. I am.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. JOHNSON] for 2 minutes.

Mr. JOHNSON of Oklahoma. Mr. Chairman, I rise in support of the pending Colmer amendment. Let me say in the outset that I regret to find myself in disagreement at this time with my able and distinguished colleague from Oklahoma [Mr. DISNEY], for whom I have much respect. The fact is that I was rather surprised and somewhat disappointed that he should refer to this amendment as sheer madness. I do not believe that my colleague really intended to use such strong language. When the vote is taken it is my guess that at least seven, or possibly eight of the nine Members of Congress from Oklahoma will support the Colmer amendment as the most practical and humane proposal yet presented. Oh, no, this is not sheer madness, but it proposes a long-delayed justice to our deserving and impoverished old people. [Applause.]

The pending amendment not only would liberalize the Federal Government's contribution but it proposes also to more nearly equalize the benefits to our old people, irrespective of where they may happen to reside. When the Social Security Act was first considered and debated in this body I took the position that a uniform Federal pension should be paid all old people who could qualify under the act, regardless of whether they resided in a wealthy State or a poor one. I have not changed my position.

Mention has been made several times today of the overwhelming defeat in this House recently of the so-called Townsend bill. Many of us recall the speech of the able chairman of the committee when the late Townsend bill was under consideration. I was much impressed with the statement of the chairman that it was the rankest kind of hypocrisy for anyone to lead our old people to believe that there was the remotest possibility of them receiving a Federal pension of $200 a month. To that statement I fully agreed.

Yet it is significant that the Ways and Means Committee has brought in a bill here proposing to raise the Federal contribution to $20 a month, when every Member knows full well that it will be impossible for a vast majority of the States to match such a proposal on a 50-50 basis. It is conceded that as the bill stands now, it is a gesture. I shall not call that provision "sheer madness." Nor will I refer to such action on the part of this great committee as rank hypocrisy. But certainly I am not unduly critical when I say that such action by the committee is, at best, but an empty gesture. This amendment offered by the gentleman from Mississippi [Mr. COLMER], as has heretofore been pointed out, simply proposes to assist the so-called poorer States which are absolutely unable to match the Federal Government even under the present law. This will do more to help the aged and take care of the old people now in dire distress than any other proposal yet made. [Applause.]

Mr. Chairman, I am supporting the so-called Colmer amendment, believing it to be a just and forward step in solving the perplexing problem of assistance to our deserving and needy old people. The announcement of the committee that it has raised Federal participation from $15 to $20 per month would seem at first blush to be important liberalization of the present law, but it is conceded that not more than six States in the Union would find it possible to pay a $40 pension on a 50-50 basis at this time. This act on the part of the Ways and Means Committee, instead of helping our aged people generally, would have the effect of working a hardship on them. Especially is this true in States like Oklahoma and 46 or 47 others that to date have not been able to match the Federal Government's participation of $15. It is doubtful if this gesture on the part of the Ways and Means Committee would add one dollar of Federal participation.

Under the Colmer amendment it is proposed that the Federal Government pay four-fifths of pensions to all people qualifying who have reached the age of 65 years, up to $20, which is the maximum amount of Federal participation recommended by the Ways and Means Committee. The wealthier States that desire and are able to pay more could, of course, do so. In fact, there is no limit to the amount that the State might pay. The State of Oklahoma, so I am advised, is at this time paying an average of about $9 per month. That would mean, if the Colmer amendment were adopted, that the average old-age pension would be $29 per month. Surely no one will rise in his seat and say any old person can live decently on less. This amendment should be adopted. If agreed to, it would not only make the lives of our deserving old people much easier but it would have the effect of eliminating some pension rackets of those who are chasing rainbows with impossible and fantastic dreams. It would ring down the curtain on those who are playing on the heartstrings of our old people and robbing them of nickels, dimes, and quarters that are needed for food.

Mr. Chairman, there is another amendment that I am vitally interested in. That is one that will be offered by the gentleman from California [Mr. VOORHIS] to specify with a yardstick the "needs clause" for old-age pensions. One of the most unsatisfactory things connected with the administering of the Social Security Act has been the different yardsticks used in different localities.

An old person who works and makes an effort to earn a few dollars is penalized under the present system. The present set-up is not encouraging industry and thrift, but on the other hand it is very definitely enccouraging idleness. I do not profess to know what the yardstick should be. The amendment of the gentleman from California simply proposes that those having an income of $360 or less will be able to participate in old-age pensions. I do not know whether that is the correct figure or not but certainly it is the duty of the Federal Government to place a limit somewhere. Of course it is nonsense and absurd to say that a person with a ten thousand or a hundred thousand dollar income should receive old-age benefits from the Government. But on the other hand, it is just as absurd to deprive a needy old person of a pension to which he is justly entitled because he makes a few dollars a week or month in an effort to help himself and his aged and perhaps helpless spouse. Certainly it should not be the policy of this Government to make anyone sign a pauper's oath in order to become a beneficiary of old-age assistance.

Again I say that this or a similar amendment ought, by all means, be adopted. But it seems that the die is cast, and that word has gone down the line to defeat any and all amendments. If such a program is carried out and this Congress adjourns without liberalizing and more evenly equalizing old-age pensions, I do not hesitate to predict that the people will elect a Congress that will enact just, reasonable, and humane legislation for the needy and deserving old people of the Nation. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Washington [Mr. LEAVY] for 2 minutes.

Mr. LEAVY. Mr. Chairman, there are two approaches to the subject of old-age pensions. It appears the Ways and Means Committee has approached it with the viewpoint of the monetary cost. There is the other approach, and that is as to what poverty is doing to American citizens. That is the primary approach. I am frank to say to you that the nearer we come in this Congress to making the pension program, whatever the amount may be, a strictly Federal program, the nearer we will come to ultimate justice toward the senior people of this country. [Applause.]

Of course, if the States of the Union all met this matching, under the present amendment it would cost more money than it is costing now, but I am satisfied, and the members of the Ways and Means Committee would have to grant that they knew when they offered this bill that no possibility existed for the various States to match to $20 per person.

I secured figures yesterday from the Social Security Board—there are 1,836,636 persons now on old-age assistance, and the cost to the Federal Government to pay each one $20 from Federal funds would cost $440,793,000, or just a little more than double what it is now. But that would be offset by probably an equal amount on W. P. A. appropriations or appropriations of that type. What is more, it would go just a little further along the line of doing justice to people who have been shamefully treated by this Congress ever since the depression began in 1929. I am heartsick when I note what needs to be done in fairness to our senior citizens, and when I see how ungrateful we are as a nation. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. RANKIN] for 2 minutes.

Mr. RANKIN. Mr. Chairman, the amendment to have the Federal Government pay a larger portion of the old-age pension should be adopted by all means. Personally, I should like to see the Federal Government pay it all, for I realize that the poorer States are unable to meet their part of the responsibility.

If the Congress is unwilling to have the Federal Government pay the entire amount of $30 per month, then by all means we should support the amendment to have the Federal Government pay two-thirds, or three-fourths of the amount while the State pays the balance—or let the Federal Government pay its part, $15 a month, regardless of State contribution.

The provisions of the present bill, without such an amendment, is worse than useless, so far as the vast majority of the old people of this country are concerned. To raise the amount from $30 per month to $40 per month and still require the States to pay 50 percent of it will be worth absolutely nothing to the old people in a majority of the agricultural States. The only thing they will get out of it will be the privilege of helping to pay their pro rata of that part of this pension contributed by the Federal Government to old people in the wealthier States.

There is only one State in the Union now that pays the full amount of $30 per month, and that is California. For the information of the House and others who read the RECORD I insert at this point a table showing the amount of old-age pension received by the old people of the various States under the present law.

The table is as follows:

Average old-age assistance payment per recipient (title I), December 1938

United States	$19.55
California	32.43
Colorado	29.99
Massachusetts	28.56
Connecticut	26.66
Nevada	26.46
Arizona	26.10
New York	24.18
New Hampshire	23.08
Ohio	23.01
Washington	22.10
Wyoming	21.62
Idaho	21.55
Oregon	21.30
Pennsylvania	21.19
Wisconsin	20.78
Maine	20.71
Montana	20.48
Utah	20.45
Minnesota	20.42
South Dakota	20.04
Oklahoma	19.94
Iowa	19.82
Kansas	19.62
New Jersey	19.32
Rhode Island	18.78
Illinois	18.52
Missouri	18.48

Average old-age assistance payment per recipient (title I), December 1938—Continued

Maryland	$17.51
North Dakota	17.38
Nebraska	17.12
Michigan	17.11
Indiana	16.53
Vermont	14.47
Texas	13.84
Florida	13.84
West Virginia	13.79
Tennessee	13.23
New Mexico	11.15
Delaware	10.84
Louisiana	10.26
Virginia	9.54
Alabama	9.51
North Carolina	9.36
Georgia	8.76
Kentucky	8.73
South Carolina	7.40
Mississippi	6.92
Arkansas	6.15

You will note that the agricultural States that have been burdened for 75 years with a high protective tariff that levies a tax upon everything the people buy are unable to meet even the present limit of $15 a month. It is simply an outrage to pay the old people of some States $15 out of the Federal Treasury and at the same time pay the old people of Mississippi only $3.46, merely because the people of that State cannot match a higher figure.

These States that pay exorbitant freight rates now imposed for the benefit of the richer States, into whose coffers the wealth of the Nation has been poured by high tariffs, discriminatory freight rates, and utility rates, exorbitant interest rates and insurance charges—these poorer States supported usually by the toiling farmers of the Nation, are unable to meet their half of this $30 per month.

Therefore their old people, who toil in the fields and in the factories, and who struggle along in small business establishments, are shunted off with small amounts ranging as low as $6.92 a month in the State of Mississippi, or $6.15 a month in the State of Arkansas.

Yet that part of the Federal Government's contribution to the richer States is taken from the people of the poorer States through these indirect and hidden taxes.

I have always favored an old-age pension, but I believe it should be paid by the Federal Government, so that the people in every State would be treated alike.

Let me call attention to the fact that the social-security law as it now stands is of no benefit to the farmers of this country—the agricultural people who make the living for the rest of us, as a rule, get nothing out of it. This bill not only does not take care of them but it further penalizes the people in the agricultural States. If this amendment is adopted to raise the Federal Government's contribution to two-thirds or three-fourths, it will give them some relief and will not hurt the rest of you. I cannot understand why you men object to relieving a burden on the people of your States for fear we will do at least partial, if belated, justice to the people in the agricultural States.

This bill in its present form will not pass the Senate. The Senators from the agricultural States are not going to let it pass. If this is merely a gesture to kill off help for the old people throughout the agricultural belt, get up here and say so and let us fight it out on that ground. But if it is done by subterfuge, then the old people may say, in the words of Shakespeare:

> And be these juggling "men" no more believed
> That palter with us in a double sense;
> That keep the word of promise to our ear,
> And break it to our hope.

They promised us just the other day that they would bring in a bill to correct the injustices in the old-age pension law. Now what have they brought in? A measure that at very best will only increase the old-age pensions in those States where they do not need it, keeping the word of promise to the ear and breaking it to the hope. Our old people asked for a fish and you offered them a serpent; they asked for bread and you offered them a stone. They asked for a

change that will help to keep the wolf from the door and you bring them one that will further penalize the old people in a majority of the States and only benefit a few in those States that are already well cared for.

The present social-security law, as I pointed out, leaves out the farmer entirely except as he may be permitted to participate in these old-age pension provisions which so violently discriminate against the agricultural States.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. RANKIN. Yes.

Mr. BUCK. Did you or anybody else appear before the Ways and Means Committee and ask that agricultural labor be included in this provision?

Mr. RANKIN. Oh, the gentleman from California [Mr. BUCK] is now referring to day laborers, or hired help on the farm. Of course, the farmers do not ask, nor do their friends ask, to have them included and forced to pay a tax to guarantee a pension to others that is denied to them. He barely makes enough to pay the wages of his hired help, much less an extra tax to take care of his hired man after he leaves him or becomes too old to work.

Every intelligent man knows that the farmer who cultivates his own land does not participate, and cannot participate, in the provisions of the Social Security Act except insofar as he is compelled to pay indirect taxes to meet the burden. His only chance for any compensation at all is through the old-age pension, that would keep the wolf away from his door when he passes the age of his earning power. And yet, while you wring indirect taxes from him to take care of other people, in the richer States, you leave him to the mercy of fate with only such meager assistance as his State is able to match, which the above table shows, runs as low as $6.15 per month. Then you wonder why the old people of this Nation are grasping at every straw in their struggle to secure some measure of economic justice.

Let me warn you now, that you are going to wipe out these inequalities, and do justice to the old people of the agricultural States or you are going to have some such measure as the Townsend bill before you from now on. It would at least treat all old people alike.

This measure, as it now stands, is not only a flagrant injustice but it will be a terrible disappointment to the old people in a majority of the States of this Union. These inequalities must be corrected, and the sooner that is done the better it will be for all concerned. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Georgia [Mr. PACE].

Mr. PACE. Mr. Chairman, the gentleman from Oklahoma has referred to this amendment as "madness." I am wondering if there is not a greater tempest behind the amendment. If you check the roll call on the vote on the Townsend plan, you will find there were only nine votes out of the entire agricultural South for the Townsend plan. Our people are usually reasonable; they are patient and long-suffering, but I do not believe our people, who try to be good Americans, are always going to endure such discriminations as now exist. If those 9 Representatives should suddenly become 90 Representatives, I am wondering if the Ways and Means Committee would have proved itself of real service to this Nation in opposing amendments of this kind. I do not say that the present membership from those States would vote for the Townsend plan, but if such inequalities as now exist are continued the people may send Representatives here who will vote for it.

Personally I am fundamentally opposed to matching. I think it brings about a system of Federal control over the States that is endangering our form of government. If the Federal Government is going to contribute to the support of the aged and needy, it should do so in a direct manner, without conditions or reservations. If the committee believes that $20 per month is the proper amount which the Federal Government should pay, then that amount should be paid direct to the beneficiary, and let it be left up to the States to handle their own affairs, without force from the Federal Government, and increase or supplement that amount in such manner and to such an extent as it desires and as its condition permits.

The present matching system is unfair; it results in old-age assistance grants to States, particularly the rich and prosperous States, rather than to the aged and needy. An aged and needy person in Georgia is entitled to the same assistance from his or her Government as an aged and needy person living in any other State of the Union. How unfair the present system is, and the changes sought to be made by this amendment are shown by the following table:

Average amount of old-age assistance per aged needy individual for April 1939, by States, compared with maximum possible average amount under a revised plan of four-fifths Federal matching on $25 per month per aged individual

[Based upon assumption that States continue to expend as much as they now expend and use all the additional Federal funds for increased grants to the aged]

	Average amount paid for April 1939	Maximum possible amount payable under revised four-fifths plan
Region I:		
Connecticut	$25.88	$32.94
Maine	20.54	30.27
Massachusetts	28.57	34.29
New Hampshire	23.54	31.77
Rhode Island	18.85	29.43
Vermont	15.04	27.52
Region II: New York	24.20	32.10
Region III:		
Delaware	10.89	25.45
New Jersey	19.52	29.76
Pennsylvania	17.65	28.53
Region IV:		
District of Columbia	25.62	32.81
Maryland	17.28	28.64
North Carolina	9.55	23.90
Virginia	9.64	24.10
West Virginia	13.69	26.95
Region V:		
Kentucky	8.67	21.70
Michigan	16.64	28.32
Ohio	22.55	31.28
Region VI:		
Illinois	18.97	29.49
Indiana	17.01	28.51
Wisconsin	21.09	30.55
Region VII:		
Alabama	9.38	18.76
Florida	13.93	26.92
Georgia	8.55	21.40
Mississippi	7.22	18.05
South Carolina	7.79	19.50
Tennessee	13.22	26.61
Region VIII:		
Iowa	19.85	29.93
Minnesota	20.65	30.33
Nebraska	15.72	27.86
North Dakota	17.66	28.83
South Dakota	18.98	29.49
Region IX:		
Arkansas	6.05	15.15
Kansas	18.71	29.36
Missouri	18.67	29.34
Oklahoma	19.79	29.90
Region X:		
Louisiana	10.46	25.23
New Mexico	11.80	25.90
Texas	14.02	27.01
Region XI:		
Arizona	26.26	33.13
Colorado	28.12	34.06
Idaho	21.31	30.66
Montana	16.99	28.50
Utah	20.66	30.33
Wyoming	21.55	30.93
Region XII:		
California	32.46	36.23
Nevada	26.57	33.29
Oregon	21.32	30.66
Washington	22.16	31.08
Territories:		
Alaska	27.50	38.75
Hawaii	12.69	26.35

NOTE.—The average payments shown for the revised plan are made on the assumption that each State maintains the number of recipients as at present and uses all the additional Federal funds for increased grants to the aged. Those States which wish to put additional individuals on the rolls and also raise the payment somewhat would have different averages than shown above.

The CHAIRMAN. The gentleman from Oregon [Mr. MOTT] is recognized for 2 minutes.

Mr. MOTT. Mr. Chairman, most of the argument in favor of this amendment so far has come from the Members of what has been referred to as the poorer States. So far as

providing for old-age pensions under the present law is concerned, the State of Oregon, which I represent, cannot be classed as one of the poorer States, because we pay one of the highest average old-age pensions of any State in the Union; the average is something more than $21 per month. But as one who believes in substantial old-age pensions and as one who is thoroughly convinced that old-age security is a Federal rather than a State responsibility, I intend to support this amendment.

The people of this country have been led by the present administration to expect, and they do expect, from the bill now before us some real liberalization in the amount of old-age pensions. But as the bill stands now there is no liberalization whatever in it. The alleged liberalization is nothing but an empty gesture. In fact, in my opinion, it is a joker. Those who opposed the Townsend legislation in the House a few days ago criticized the sponsors of that proposal because it mentioned a maximum amount of $200 beyond which a pension could not be paid in any event. It was contended that the sponsors were hypocritical because they knew the bill would not furnish that amount and that the advocates of the bill therefore were trying to fool the old people. The Ways and Means Committee, in reporting this bill, can with much greater accuracy be accused of being hypocritical, because they know that the States which are not able now to furnish even $15 and to match the Federal Government's contribution of $15 will certainly not be able to match a contribution by the Federal Government of $20 on a 50–50 basis. The people of those States, therefore, will get no larger pension under the proposed bill than they have been receiving under existing law. The Colmer amendment requires only a 25-percent contribution by the State, and it will therefore enable every State which wishes to do so to receive the full benefit of the Government's contribution of $20 per month. I propose, therefore, to support the Colmer amendment as a step in the right direction. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN] for 2 minutes.

COLMER AMENDMENT

Mr. PATMAN. Mr. Chairman, if 2,000,000 people received old-age pensions under the committee's proposal, the amount will be $480,000,000—$480,000,000 by the Federal Government and $480,000,000 by the States. Under the Colmer amendment the cost will be exactly the same to the Federal Government—not be a penny's difference. It would cost just as much under the committee's proposal, if all States take advantage of the opportunity given by the committee, as under the Colmer amendment. The only answer that can be offered to that is that we know when we offer it to them that they cannot get it. We are offering something in the committee amendment that we know they cannot get. Only two or three States can take advantage of that opportunity. We will penalize the other people because they live in the other 45 States of the Union.

Is this the way to legislate? Do you not think, since taxes are collected from all the people alike according to income, according to the number of gallons of gasoline they use, according to the different articles they use on which the Federal Government levies a tax, that we should distribute it on a fair and equal basis for old-age security purposes? You know and I know that this bill is not going to become a law as the House passes it. We know that the bill must go to another body and that amendments will be offered and adopted.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I cannot yield; I have only 2 minutes. The gentleman and his committee had 8 hours.

Then this bill will be written in the conference committee. So let us adopt the Colmer amendment. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The gentleman from New York [Mr. REED] is recognized for 3 minutes.

Mr. REED of New York. Mr. Chairman, in the State of New York, considered one of the wealthy States of the Union, we have very gradually been raising the pension for the aged. I think we have raised it too slowly in view of the capacity of the State to pay. I have felt that the legislature in my State could have exercised a little more vision when it came to the question of pensions, because it is perfectly apparent they are not matching the amount the Federal Government is prepared to pay.

If you want to destroy the impulses such as they are in our State and other States, to take care of the old people, then all you have to do is to pass this amendment. Our State was left with a terrific debt some years ago. The people are struggling, even though the State may be rich in resources, struggling to pay off that debt, to balance its budget, trying to pare down the expenses of the State. At the present time the average pension paid in New York State is $24.27, of which the State contributes $12.13½ and the Federal Government a like amount. Under the provisions of this amendment what would happen? The New York State Legislature could reduce expenses simply by reducing the amount it is now paying the aged and still pay a pension larger than it is paying today; that is, it can save by reducing its contribution to the average old-age pension by putting up only $5, and thus make a saving of $7.13½ on every pension paid. You will find, if you pass this amendment, that every one of those States instead of raising the pension to the aged is going to reduce its share and still pay a pension as large or a little bit larger than they are paying now. So if you adopt this amendment, you are going to destroy the gradually growing feeling that something more should be done for the old people in these States; and I say to you that it would be an absolute calamity for Pennsylvania, Illinois, New York, and many of these States that are gradually edging up their pensions to have such a bill as this passed, for they will reduce the amount they now contribute while the result will be that the old people will receive no greater and possibly a smaller pension than they are receiving today.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. GREEN] for 2 minutes.

Mr. GREEN. Mr. Chairman and my colleagues, I voted for the Townsend plan bill and I am supporting the Colmer amendment. The care and assistance to the aged is a Federal responsibility. Such amount as is paid to the aged as pensions should be paid by the Government directly to the aged and without the requirement of any local or State matching or contribution. Under the present set-up, the aged of our country are receiving different amounts in the different States of the Nation. The old-age assistance benefits range from $6.05 per person in Arkansas to $32.46 in California. These figures are the average amounts of old-age pension or assistance now being received in these States by the needy aged.

In the State of Florida, I believe, the average there received per person is $13.83, and this, of course, is about the average amount received throughout the United States. Of course, it is obvious that any such system as this is wrong. A person in Florida, Mississippi, California, Arkansas, and New York should have exactly the same amount of old-age assistance. It should be equal and the Federal responsibility is equal and should be equally met by Federal appropriation and Federal administration.

I would prefer to see the Government pay even a small amount and let it be paid directly by the Government to the individual without State contribution, Even the Federal amounts which are now paid should be blanketed throughout the country equally in this manner. An aged person can be in hunger and want to the same degree in one State as in another. Dependency, hunger, need, and responsibility know no State lines. Under the present plan, the people in Arkansas, where a low pension is paid, are helping to pay the pensions in California, where a high pension is paid. Direct and indirect Federal taxes collected throughout the United States make up the funds to pay Federal benefits to the aged; therefore similar tax contributions are made from all parts of the country to make up the old-age pension Federal fund. It

should undoubtedly be disbursed to the individual in like amount, regardless of where he resides within the United States, of course assuming he is a citizen of the United States for the required statutory period.

The Colmer amendment would direct the Federal Government to pay 80 percent and the State government to pay 20 percent. This, of course, will go a long way toward equalizing the amount received by the aged in the various States. I strongly favor payment of Federal pensions to all of the aged of our country. If some of my colleagues differ with me concerning the word "all," then I am willing to meet them halfway and vote for a bill to pay pensions to all aged persons in the country who do not pay a Federal income tax. If an aged person who has a reasonable amount of property draws the pension and does not particularly need it, he can and will use it to pay his taxes.

If legislation is finally passed at this session compelling State contributions to match Federal old-age pension funds, then the administration of the fund should be authorized and directed to be carried on by local State agencies. In the State of Florida we have in each county five county district officers known as county commissioners. They levy the tax in the various counties and are, in fact, the county financiers. They are the ones in Florida to administer benefits to the aged. They know personally, in almost every case, each aged person in their respective districts and know the needs of each aged individual. Under the bill now before us a provision should be written—and I hope it will be—enabling and directing this local control and administration. It will save millions of dollars in administration expense annually and will supply pensions to additional thousands of aged. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY] for 2 minutes.

Mr. COOLEY. Mr. Chairman, I think that the $20 provision in this bill is nothing but a grand gesture and a false hope. Something has been said about holding out false hopes to the aged people of this Nation. The fact is this committee is dangling before the eyes of the aged people of this Nation the hope of receiving $20 Federal contribution which they know in their hearts the aged people will never receive.

I believe not only in liberalizing pensions but in equalizing the pensions to the aged people of the Nation and I believe the Colmer amendment will place emphasis upon the equalization idea which I have in mind.

I want to call attention to the fact that the Eskimos in Alaska receive now three times the amount in pensions per person than do the people of my State of North Carolina, from which the distinguished chairman of the Ways and Means Committee comes. If there is any reason why this committee should be willing to increase the Federal contribution to $20 a month and at the same time oppose the Colmer amendment I would like to know that reason, and I would like to have somebody on the Ways and Means Committee tell me just how the present provision in the bill will help the people of North Carolina when they must know that we are not now taking advantage of the $15 Federal contribution which has been made available.

In North Carolina we realized long ago the necessity of the strong aiding the weak and we provided an equalization fund in connection with our educational system by which the strong counties help the weak counties of the State. The Colmer amendment will put that sort of principle into the social-security bill.

May I call attention to the fact that according to information I have received from the Social Security Board, 31,193 recipients in North Carolina receive an average pension of $9.26 per month, and I am advised that more than 8,000 applications are now pending. No doubt practically all of the 8,000 applicants who have not yet received any pension whatever are just as worthy, just as dependent, and just as much entitled to the relief provded by the socal-securty law as those now drawing pensions. I understand that in my own county the State made its calculations upon a basis of 400 eligibles. I am advised by the welfare officer of Nash County that there are more than 1,500 eligibles in the county. Funds were provided on a basis of 400 eligibles, and the funds provided have been actually divided between 600 aged persons, which means that the 600 now receiving a pension on an average of approximately $8 per month are receiving only about two-thirds of the amount which the State intended for the 400 considered in its original calculations to have. Even though 600 citizens of the county are now receiving a meager pension, the fact remains that according to the record approximately 900 aged and qualified citizens are not receiving any pension whatever.

In the State of South Carolina the average pension is $7.19 per month, in Mississippi $6.47 per month, in the State of Arkansas only $4.22 per month, and I would have you also remember that the Eskimos in Alaska are receiving an average pension of $27.32 per month. In California the average pension is $32.39 per month. If the present system continues, it is perfectly plain to see that the old people of North Carolina, South Carolina, Mississippi, Arkansas, and other Southern States will be much better off if they give up the State of their nativity and thumb rides to California or even to far-away Alaska.

When it comes to paying money into the Federal Treasury, North Carolina ranks at or near the top in the list of States. When it comes to receiving assistance from the Federal Government, our State ranks at or near the bottom of the list of States. The Federal Government, if it owes any duty at all to the aged people of the Nation, owes exactly the same duty to the aged people living in the poor States that it does to those who live in States where wealth abounds. The $20 provision in the present bill will only make possible higher and better pensions in wealthy States. The fact that North Carolina and many other States in the Union have not taken advantage of the full $15, which has been available since the enactment of the original Social Security Act, certainly indicates that they will not take advantage of the increase provided in the bill under consideration. If any member of the committee can do so, I would appreciate it very much if he will point out to me just how this $20 provision will help the old people of my State.

I believe that the Colmer amendment will mean much to the old people of North Carolina, and I certainly hope that it may be adopted. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. BUCK] for 3 minutes.

Mr. BUCK. Mr. Chairman, the trouble with the Colmer amendment is that it abandons the principle of equal matching of Federal grants-in-aid for old-age assistance at tremendous cost to the Federal Government. Last year the Ways and Means Committee brought in and the Congress enacted a bill that repealed $30,000,000 of excise taxes such as those on furs, phonographic records, sporting goods, camera lenses, chewing gum, matches, hot oil, mouth washes, and various other things. If the Colmer amendment is agreed to, the Ways and Means Committee will be under the painful necessity of putting back into the tax laws not only this $30,000,000 but over 10 times as much in order to pay the $407,000,000 that the Colmer amendment will cost. I think that is a sufficient reason why we should think twice before adopting the amendment. Moreover, may I say that the reason for equal matching is based upon the principle that a State is in a position to determine by the light of its own resources, its habits, and its customs what should be granted to these aged people and under what circumstances. So we continue as we have now, a flexible system, for in a country of our size with its various conditions it is essential that any equitable and adequate treatment of the problem of need, which is the basis for relief under title II of the Social Security Act, should be granted in accordance with the variation of the individual's circumstances. These circumstances certainly vary with the geographical location—that is, the State location in which the pensioner finds himself. That is a sound principle. A Federal pension

based upon a uniform amendment and applied universally is not sound, as I believe we have demonstrated to you in the general debate.

I am in deep sympathy with some of the States that complain that they have not the funds to match the Government fully to the $15 granted heretofore by the Federal Government; $20 hereafter. Perhaps they do not want to.

Let me call attention to the State of Mississippi in connection with its road projects. From 1935, according to the Bureau of Roads, to the present time, road projects amounting to $41,617,000 have been put into effect in Mississippi, of which sum Mississippi received over $18,000,000 from Federal grants, leaving $23,000,000 that was borne by the State. Mississippi sold bonds, put on a sales tax, and otherwise raised the money for this when it wanted to. But in 1938 Mississippi spent for old-age pensions only one-half million dollars.

It seems to me when those are the actual figures—and there are other similar cases—that we might well consider whether these States actually want to take care of their aged with their own resources or whether they are merely looking to the Federal Treasury—in other words, Uncle Sam—to pay vastly more than he has been doing, so the home folks shall not be burdened by the cost of caring for their own.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Montana [Mr. O'CONNOR].

Mr. O'CONNOR. Mr. Chairman, in my State the people have been able to advance $10 and the Federal Government aid is the same amount. The needy people of our State are now being paid a pension of $20.56. If the Colmer amendment is adopted, for which I am going to vote, and assuming that my State continues to pay $10 as it has in the past, the aged people of my State will receive a pension of $30. Under the bill as written Montana would not be benefited, as we are unable to match the $15 provided for under the present law.

I want to ask the membership of this House how in the name of God we can expect people in the high altitudes, where an enormous amount of fuel is required, to pay their coal bill, pay their rent, pay for their clothing, and pay for their food out of the sum of $20.56 a month? Each of us is drawing a salary of $10,000 a year. I ask, how are we going to look in the faces of the needy old people of this country and keep that money and deny them enough, if you please, to get even some of the common necessaries of life?

It seems to me to be no less than outrageous for us to stand here this afternoon quibbling over a few dollars; a few dollars for whom? For the aged people of this country, who, in my section of the country, built our schoolhouses, our churches, our courthouses, and other public improvements, and improved our farms and irrigated our lands, many of whom are today in their declining years and in want. These are the people we are trying to legislate for here today. The Colmer amendment is not a long step forward, but is some improvement over the present situation. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from New Mexico [Mr. DEMPSEY] for 2 minutes.

Mr. DEMPSEY. Mr. Chairman, I propose to support the Colmer amendment because I believe it is a disgraceful thing for this great, wealthy Nation to see aged people with but a few more years to live lacking the bare necessities of life. I further regret that frequent promises have been made to the people of this Nation, largely by persons of my political faith, telling them that no man or woman will want for food, and that we now say to the people of the States, "If your State cannot contribute anything to the pension fund, the Federal Government has no interest whatever in whether you live or die."

Much has been said here today about taxes. What do you think of a State such as New Mexico, where the Federal Government owns 55 percent of the total lands of the State and pays not a dime of tax to the people of our State? The 45 percent remaining provides the money for old-age assistance and the various activities we have to carry on. I believe that coming here with a bill and saying: "We are going to liberalize the assistance to the aged," and then saying, "We will give you $20 a month if your State will do the same thing," is not a joke, because it is a very serious matter. It is fooling the old people of this country who should expect more from the Congress of the United States than that. For one I do not propose to do it. I believe if a person in one State is entitled to a certain amount from the Federal Government a person in another State is entitled to the same amount. Most certainly the obligation of the Federal Government to all needy aged persons is the same, whether they reside in New Mexico or New York, yet the opponents of this amendment would force the Congress to practice discrimination in violation of the very fundamental principle of our American Government.

To my mind it is deceit of a vicious form to seek to lead the aged citizens of this country, who are in dire want, to believe that we are liberalizing our old-age assistance policy, when in reality we are doing nothing of the kind. I do not want to be, nor will I wittingly be, a party to that sort of subterfuge.

To refuse to adopt this amendment is not economy; it is parsimony of the type that justifies embittered criticism of this Congress by those whom we have led to believe we would help. When we appropriate lavishly for those who are able-bodied and able to withstand life's vicissitudes, how can we justify our failure to do likewise for those who become enfeebled and dependent through declining years? Are we to revert to the cruel practices of paganism and savagery and destroy those now aged whose fortitude and courage once provided the bulwark upon which our Nation has grown and prospered?

The merit and the justice of this amendment is beyond question; it should be adopted. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Michigan [Mr. DINGELL] is recognized for 3 minutes.

Mr. DINGELL. Mr. Chairman, I for one would hate to come before you hat in hand and constantly plead poverty on behalf of my State. I do not think there is a material distinction between the State of Mississippi and the State of Michigan. It is just a question of whether the State of Michigan will pay a pension and whether the State of Mississippi declines to pay one. I believe the reflection is upon the State which refuses to take care of its own problems. My State levies taxes upon the property and wealth of the State and Mississippi will not tap its tax reservoirs and for that reason appropriates about one-half million dollars for pensions.

They would be pleased to come in here and get four-fifths of, say, three or four or five million dollars of Federal money, and they would pay this out in a pension to their needy citizens. It has even been admitted on this floor that if the Federal grant is increased they would even reduce the stringency of the needs test in the poor States in order to spread these pensions wider and thicker. But they will not do it of themselves. Why not? Do not try to tell me that the State of Mississippi is so poverty stricken that it cannot pay a decent and reasonable pension. This reflection upon the $40 gross payment which is provided in the present bill, that it is a hoax or a false gesture, is entirely wrong. I resent such demagoguery and such inferences.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I am sorry.

That $40 amendment was offered in good faith. It will produce the desired effect if the States will show their sincerity, their honesty, and their willingness to meet the Federal Government on a dollar-for-dollar basis. It will do just exactly what it was intended to do, that is, it will pay up to $40 a month to every eligible pensioner in your State, or pay an aged couple as high as $80 a month. That is $960 per year in cold rolled American money, and you cannot discount or laugh that off.

Mr. GEYER of California. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I am sorry; I have only 3 minutes.

I have heard a gentleman trying to tell this House—and I do not know his method of calculation or what kind of arithmetic he learned during his early years—that this amendment will not cost the Government any more than the Federal Government is paying now. It is sheer bunk and nonsense and an insult to a man's intelligence to try to get away with a statement of that kind. If the total amount involved is half a billion dollars, on a 50-50 basis the Federal Government is called upon to pay $250,000,000, and on a four-fifths maximum basis the Federal Government would pay $400,000,000 out of $500,000,000. Is there a difference? I will say there is a difference! One hundred and fifty million dollars, or 60 percent.

This proposal would shift the burden from the derelict States and place it upon the Federal Government without increasing pensions, certainly not in my State. Moreover, it would freeze the pension base at the lowest level paid by the so-called poor States. Remember, the Federal Government must match payments, not in one State or in the poor States but in all States. [Applause]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. CRAWFORD] for 2 minutes.

Mr. CRAWFORD. Mr. Chairman, this proposed amendment strikes me from four different angles. First, we confuse dollars with what you might call frugal living. Anyone who has lived in the North as well as in the South knows that you can enjoy a frugal living in the South with fewer dollars than you can in the North. The dollar cost of living is not so great in a mild climate as in a cold climate.

Second, the adoption of the amendment would further dislocate and destroy industry as it is now operating and that would in turn add to the insecurity of the present structure.

Third, as the committee recommends, the people can now act on old-age assistance and pensions by increasing the amount of the State appropriation in accordance with the needs, as pointed out by the distinguished gentleman from California, who is a member of the committee.

Fourth, if you adopt an amendment which moves in the direction of destroying friendliness toward the social-security program by imposing on the so-called northern industrial States a greater burden than they can possibly carry, in order to give financial relief, we will say, to the States that are not so blessed with industry, that in turn would undermine the entire social-security structure and eventually lead to a break-down of the program and destroy the Social Security Act through a demand for its repeal.

For these reasons, as well as others that could be enumerated, I shall vote against the amendment, and, of course, I hope it will be defeated. [Applause.]

[Here the gavel fell.]

The CHAIRMAN (Mr. THOMASON). The Chair recognizes the gentleman from California [Mr. LELAND M. FORD] for 2 minutes.

Mr. LELAND M. FORD. Mr. Chairman, I have heard many remarks made here today about some poor States. I have heard the remark made that California is the only State that is paying the $15. I have heard something about the matter of gestures, but let me tell you men that, as far as California is concerned, it is no gesture on the part of California, because California will be benefited by this amendment.

You people may or may not know, but you ought to know, that California is carrying the load, or at least part of the load, of some 47 other States that either cannot or will not raise the money to take care of their needy aged. Therefore I think it is proper that this load should be equalized and the Federal responsibility recognized. I do not think there is any question but what there should be a uniform amount that the Federal Government should contribute, and regardless of what my colleague who preceded me a few moments ago said, that all States are equal in purchasing power, any man who has helped to make up a tax roll knows that States have different amounts of taxable wealth.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. LELAND M. FORD. I cannot yield.

With reference to my friend the gentleman from California [Mr. BUCK], he comes from a part of California somewhat removed, some 400 or 500 miles away from this load in southern California. We have 111,000 indigents in Los Angeles County. We have 132,000 on aged aid in the State, of which half are in Los Angeles County. My colleague the gentleman from California [Mr. BUCK] may not know what the pressure of this means, but in Los Angeles County alone $8,000,000 goes on the taxes of the homes of all the people to pay this money. This means about 40 cents in the tax rate.

If this amount is made uniform and the Federal Government will assume its proper and honorable responsibility by assisting the respective States to take care of their just proportion of this load, this action will keep these aged people from going to California and placing on that State a disproportionate and unjust burden. It will also permit these aged people to remain in their respective States, which are actually their real homes, and retain these ties of kinship and friendship that may be dear to them.

These elderly people must be taken care of. If they actually are in need, they will either be taken care of here or on the indigent rolls. I appeal to each Representative of each one of the States to do his duty by these old people, to his own State, and to the other States, who are doing their duty, particularly California, to vote for this amendment on the further ground of common justice.

California is paying relief and aged aid benefits for many of the 47 States. It cannot much longer continue to do this, and I therefore appeal to you for this support to which we are eminently entitled.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. MITCHELL] for 2 minutes.

Mr. MITCHELL. Mr. Chairman, 4 years ago I stood on the floor of this House when we were considering this legislation and I said then that if it is the duty of the Congress of the United States to provide a pension for old people, it is not providing that pension when we base it upon the wealth of any particular State, and I stand here to ask you this question: Are we pensioning the wealthy States of our great Government or are we pensioning the poor people, the aged people of this Government that we say we are pensioning? I think it is well for us to stop and think of this.

I am in favor of this amendment because it comes closer to the remarks I made 4 years ago than anything I have heard offered on this floor for the relief of the aged of this Nation.

I take no stock in the statement that we have no poor States and no rich States. I heard a member of the Committee say a moment ago that Mississippi is as wealthy as the State of Michigan. I am wondering if he has any poor counties in the State of Michigan that are not quite as wealthy as the county in which Detroit is situated. We do have poor counties and poor States, we do have rich people and poor people, and if this Congress owes the old people of this Nation a duty to pension them, we ought to do it without regard to State lines.

I am going to vote for the amendment. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana [Mr. ALLEN] for 2 minutes.

Mr. ALLEN of Louisiana. Mr. Chairman, by the great committee of this House, the Ways and Means Committee, we have been led upon the mountain top, we have been shown the promised land, and now, by their mandate of 50-50, we must return to wander in the wilderness. [Laughter.]

I want to present these facts to you gentlemen who come from the great industrial sections. The gentleman from Michigan a moment ago made a comparison between the Southern States and the great State of Michigan. Did it ever occur to you gentlemen from the industrial sections that every dime we get gravitates right back to you? Do you know that every tool that we use in every walk of life comes from you people? It is made by your workmen. Do you not know that you will be the recipients indirectly of every dime that is paid to the southern agricultural sections?

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. ALLEN of Louisiana. I am sorry, but I do not have time to yield.

Mr. Chairman, I present this to you as an industrial problem. What this country is suffering with is a lack of distribution of money, a lack of buying power in the hands of the great poorer sections of the country. If you want to rehabilitate this country, then make it possible for the poor people in the farming sections, the farming South and the farming West, to buy your industrial goods, and this country will be better off.

Your greatest market is not abroad, but at home. Countless millions do not have the purchasing power to secure the things they need. The wealth has been accumulating in our large centers in the North and East so that now the great mass of humanity in the less-favored sections are without purchasing power. I say to you who represent the financial centers that, in my opinion, you are pursuing a short-sighted course. You have the factories and you have the funds with which to operate them. Many of your people need the work. Our people, an agricultural people, need to buy your goods. We have agricultural products that you need. You have it within your power to bring about a redistribution of these elements. I say to you who represent industrial sections that your welfare and the welfare of your constituents, in my humble opinion, will be best served by recognizing the need of the whole Nation and that the Nation cannot be healthy as long as we have submerged millions in our land.

Now, the amendment proposed by the gentleman from Mississippi [Mr. COLMER] will go a long way to bring about this redistribution of the goods of the land. Under this amendment every old person who qualifies for this assistance would receive a minimum of $25 per month, $20 of which would be paid by the Federal Government and $5 by the State. If a State puts up more than $5, of course, the amount would be more than $25.

Frankly, Mr. Chairman, I would like to see our aged get more than this minimum of $25, but this would be such an improvement over what we have now that it would be a God-send. Personally I would like to see the Federal Government pay not less than $30 monthly direct to our aged. This was the proposal of my great and lamented friend, Senator Huey P. Long. He introduced a bill to do that and I have a bill pending which embodies his principles. I do want to see the principle of greater Federal contributions established, preferably a direct Federal pension, because this is one of the best ways I can think of to bring about a more just equalization of the goods of the land and the opportunities for making a living. I am wholeheartedly supporting this amendment, and I sincerely hope that it will pass. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. MASSINGALE] for 2 minutes.

Mr. MASSINGALE. Mr. Chairman, I call attention to one matter that appears to me to be somewhat unfair, and that is this: When some gentleman was speaking in behalf of this amendment two or three of the members of the committee having charge of the bill asked in unison how he had any assurance that the States were going to participate. I will tell you how you get it. You get it from the language of your own bill, from your own words. There is no change in anything in the wording of this bill except in the percentage quota. It is simply changed from one-half to 80 percent in one place, and that is the only change there is in it, so that if you have the authority now, or have any assurance now, you will have it when the Colmer amendment is put into the bill.

My distinguished colleague from Oklahoma [Mr. DISNEY]—and he is a dear friend of mine—is uneasy about the $417,000,000 that he says this bill will cost more than the committee bill will cost. The gentleman got his information from Mr. Altmeyer. Mr. Altmeyer is the Chairman of the Security Board, and he consulted the index of the dead Indians on the rolls in Oklahoma. That is the way he got it. [Applause.] Mr. Altmeyer is an excellent administrator, but I fear his experience with social security in Oklahoma gave him an enlarged photograph of the activities of those Indians. This committee bill without such amendment as the Colmer amendment means nothing to the aged poor of Oklahoma or any other State unable to match with further or additional State contributions the mentioned increase. It is deceptive to pass this bill and it cannot possibly do any good for the poor of the States that have been unable to match the Federal Government up to $15. I support the Colmer amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Chairman, I am opposed to the Colmer amendment. I think the amendment brought in by the Ways and Means Committee, matching 50-50 up to $40, is the proper manner to handle this subject. This is no idle gesture, as many Members have stated. What we want to accomplish is to bring home to the Representatives of the various States their duty to their own people. That is the real object. There is too much effort to put the whole burden of old-age pensions on the Federal Government. When one speaks of increasing the cost, which is about $175,000,000 at the present time, by $407,000,000 additional, you simply are burdening the Federal Government with a tax that the people cannot stand. There is no reason in the world why States should not come forward and do their share toward aiding the old people. The State legislatures should meet the Congress halfway in providing decent old-age pensions. They must be made pension-conscious. That is the problem that now faces us. The Federal Government initiated to a large extent this aid to the aged, and the State legislatures should realize their duty toward the people.

The Federal Government cannot afford this additional burden anywhere near as well as the States can afford to bring up their contributions to match the Federal Government's allotment, so that the aged people will be getting the $40 that they are entitled to. That is the question the Members of this House have to settle here in a few minutes. It is as to whether we want to aid the aged people or remove from certain States the burden and put it onto other States. I repeat, the Federal Government is in no position to add $407,000,000 to its expenditures without finding a way in which to raise that sum from the taxable incomes of the people of the country. If you are going to spend more money, you ought to show where we can secure the money. The people will object to raising their taxes; and where is the money to come from other than through taxation or through adding to the public debt, neither of which we are in any condition to do?

Any increase in the contribution above 50 percent is a step in the direction of an eventual 100-percent Federal contribution.

The gentleman from Oklahoma [Mr. DISNEY] made a powerful speech in this House yesterday, in which he opposed any Federal contribution in excess of 50 percent. I refer Members to that speech for the reasons why the proposals for increasing the Federal share of old-age pension payments should be defeated. The reasons he advanced are unanswerable, and I agree with them.

The outstanding argument which is made in favor of increasing the Federal share is that many of the States cannot afford to match the full $15 payment which the Federal Government stands willing to make.

But let me ask this question: Is the Federal Government in any better shape than the States to assume an increased expense for old-age pensions?

Does any State have a bonded indebtedness equal in proportion to the Federal debt which now approaches forty-five billions?

Have the States pushed their taxing powers to the limit as has the Federal Government?

We must not forget that every cent we appropriate here must come from the people in taxes of one form or another, imposed at one time or another. These taxes must come from the people, whether they are imposed by the Federal Government or by the States, and what the States individually cannot afford the Federal Government cannot afford.

The amendment to the present act which is proposed by the committee is sound and reasonable. The amendments which are proposed here by individual Members are unsound and unreasonable. In many instances they would not increase the amount of pension which the individual receives, but would simply shift a part of the cost of old-age pensions from the States to the Federal Government.

Under the bill as recommended to the House by the committee, a pension of $40 can be provided if the States meet the Federal Government half way in the amount to be contributed. If the States are relieved of their responsibility in the matter, the tendency will be to put anyone and everyone on the rolls and the cost of old-age pensions will mount skyward.

I hope and trust that the House will uphold the committee in its recommendation and vote down the various amendments proposed by individual Members.

This amendment should be defeated for the best interests of the aged people of the country.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired. The Chair recognizes the gentleman from Ohio [Mr. BENDER] for 1 minute.

Mr. BENDER. Mr. Chairman, anyone who examines the amendments proposed to the Social Security Act must be aware of the many grave difficulties implicit in these proposals. We are confronted with the knowledge that under present economic circumstances, only two or three States at most will find it possible to match a Federal appropriation amounting to $20 per month for each pensioner. We are certainly conscious of the increased burden which the passage of this measure will impose upon the Federal Government itself.

Nevertheless, despite the imperfections which are always inherent in the work of human beings, I am convinced that this bill merits the support of the Nation.

Its undeniable improvements over the existing law, in my opinion, outweigh the arguments of those who oppose its passage.

First, and foremost, this legislation makes it evident that our Nation is vitally concerned with the welfare of its aged citizens; that we recognize the hopeless inadequacy of the pension system now in operation in most of our States; that we are determined to correct this situation if it is possible.

I am confident that the coming of 1940 and a change in the political leadership of our Nation will bring about such economic improvement throughout the country that those States which now find it impossible to match a $20 pension contribution will become increasingly able to bear their share of the responsibility.

This legislation will bring new hope to the men and women who have been treated so heartlessly by our Nation. I feel that the rebirth of that hope is important to the morale of our people.

But this series of amendments acts as more than a mere moral stimulant. By advancing the date when old-age insurance payments will become payable from 1942 to 1940, we are performing a service recognized as necessary by most of our economists.

The inclusion of maritime workers within the terms of the Act makes the law more effective in meeting the needs of our people, and I look forward to the day provision may be made to care for all our needy citizens, whatever may be their occupation.

Each of these changes in the law is desirable, but I am particularly proud of the part played by the Republican Party in correcting the most unfortunate provision of the existing law, the indefensible gigantic "reserve fund," which would have opened the path to a spending policy of even more incredible proportions than the one in which we are now floundering. The elimination of this reserve and the placing of our funds in a true trust fund on a pay-as-you-go basis are among the outstanding legislative achievements of this session of Congress. The Republican members of the Ways and Means Committee deserve the thanks of the Nation for their part in establishing this change.

Every Congressman who votes for this measure does so with a complete awareness of its many shortcomings. Despite these failings, I favor its passage in the interests of our deserving needy and the fulfillment of our obligations to them.

You gentlemen from Georgia, Alabama, and Mississippi whine that your States cannot pay their just share of old-age pensions. If your people would start voting the Republican ticket they perhaps would not be in such dire need and your States would be able to pay the taxes of some northern Republican States.

The CHAIRMAN. The Chair recognizes the gentleman from South Dakota [Mr. MUNDT] for 1 minute.

Mr. MUNDT. Mr. Chairman, it seems to me that the proposal of the Ways and Means Committee to increase the benefits to $40 per month for those States which can afford to match dollar for dollar the Federal contribution of $20 puts us in a rather unique position. We must decide in short order whether or not we will vote for a measure which will enable the poor States to help the rich States meet their benefit payments or whether the rich States will help the poor meet theirs. Rather than to have the rich get richer and the poor get poorer, it seems to me that, inasmuch as we cannot have complete equity, we should adopt the proposed amendment and have the rich States help the poor States meet their old-age problems.

And my friends there is more of genuine equity in such a policy than might appear at first thought, and the proposed amendment does not penalize the richer States unfairly. Let us keep in mind a fact which is frequently overlooked by those listing the taxes paid the Federal Government by the various States. Let us realize clearly here and now that the taxes paid to the Federal Government by industrial States are paid from profits earned from sales made throughout America; therefore, the taxes which corporations forward to the Federal Government are actually paid by the citizens of all the States in which these corporations do business—they are simply reported from the States which happen to grant the charters to these corporations. Consequently, it is no more than right and fair that this fact be kept in mind whenever the hoary old delusion is aired, as it has been today by certain speakers, to the effect that the rural States pay little Federal tax and are therefore in poor position to ask for increased consideration from Government funds.

DIFFERENCE BETWEEN REPORTING AND PAYING TAXES

If I do nothing else in this talk, I want to make it crystal clear that the States reporting large Federal taxes paid by corporations engaged in Nation-wide business are not, in fact, paying this tax; they collect it from the profitable operations undertaken in 47 other States and simply report to Washington the tax from the home address of the corporation. The fact that the envelope carrying the tax check to Washington is postmarked New Jersey or New York or Rhode Island does not mean that these States have made a disproportionately big contribution to the Federal tax collector and are therefore in position to resent equitable treatment on a per capita basis of the people of the rural and nonindustrialized States.

While we are on this subject let us not overlook one further fact, since it has an important bearing on this amendment, which, after all, is simply a proposal to permit all States to share equally on a per capita basis in whatever old-age assistance the Federal Government provides, whether it be fifteen, twenty, or twenty-five dollars per month as the share of the Federal Government. That fact is that these rich, industrialized, corporation-housing States also find money raising by taxation easier by virtue of the fact that these corporations "bring home to Rome" the profits garnered in the 47 other States and use these profits to expand plant equipment, build new buildings, increase capital holdings, and expand income statements, all of which are in turn taxable by the States themselves. Thus, from the profits earned by operations in the rural States, these industrial States reap rich State tax receipts and are in a correspondingly better position to pay taxes for old-age assistance, for poor relief, and

for other social legislation. Consequently it is not blue-sky economy or prejudicial legislation which comes before us, as the Colmer amendment does, asking that at least insofar as the Federal contribution to old-age benefits is concerned all States should share and share alike regardless of their ability to match these payments on a dollar-for-dollar basis.

Unless some such amendment as that now before us is adopted the myth of $40-a-month pensions, made possible by the States' matching dollar for dollar the Federal Government's $20 contribution, will be exactly that and nothing more for about 40 States of the Union, and New York and a few more States will be the only ones benefited by the proposals of liberalization by the Ways and Means Committee. Worse than that, the poorer States in rural areas will actually be taxed to help bring greater benefits to the richer States, because we all recognize, I am sure, that the increased cost of old-age assistance is shared by all States.

Thus we find coming into being the matter I spoke about on May 31 in discussing H. R. 6466, and the discriminations which the present Social Security Act make against the rural areas are either deliberately or unwittingly aggravated. As this act now operates, we find rural States discriminated against by virtue of the fact that many of its unemployment and old-age benefits are barred to it by occupational exemptions which exclude farmers and small-business men from its provisions and awards and we find that rural States are not now able in many cases to match on a dollar-for-dollar basis the Federal contributions to old-age benefits which are now available. To expand these Federal contributions to $20 per month without repealing or modifying the dollar-for-dollar matching requirements is simply to increase the discrimination against the "have not" States in favor of the "took it from us" States and does not correct the present inequalities.

BENEFITS FOR SOME—COSTS FOR OTHERS

My colleagues, it was to protest against these inequalities and to correct the accident of geography which now plays such an important part in our security program that many of us from rural districts voted for H. R. 6466 on June 1. An important principle is at stake in all these deliberations about old-age pensions and social security—that principle is the question of whether this country is to continue a program of sectional security with benefits for some and just the costs thereof for others, or whether we are to work out a program of uniform benefits for citizens of a certain age and condition throughout the country. Thus far, social security as presently practiced is not conforming with this second principle. Most of us voting for H. R. 6466 did so with the realization that the Senate would have to eliminate certain undesirable provisions before putting it into practice but also with the realization that if we permit the present program to become too well set in its policies before eliminating its discriminatory features we shall then be unable to adopt a proper pension and social-security program for America.

The influence of the 97 Members voting for H. R. 6466 is already making itself felt in this House by the amendments and changes proposed in the Social Security Act which would reduce the hazard of the present contemplated $47,000,000,000 trust fund and which would reduce the discrimination against certain sections and groups. I urge those 97 Members and all others believing in fairness and justice to the aged of this country regardless of place of residence or pursuit of occupation to join in voting for the Colmer amendment to permit all States to share equally on a per capita basis in the Federal old-age benefits contributed by your Government and mine.

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. VOORHIS] for 1 minute.

Mr. VOORHIS of California. Mr. Chairman, I am for this amendment because I believe it is a truly national amendment; because the interests of my section of the country are best served by giving a better chance, a better degree of purchasing power to those sections of the country that have the lowest purchasing power. I believe that for the same reason that I believe our main concern should be the groups of people who have the lowest purchasing power. It has been well said by the gentleman from Louisiana [Mr. ALLEN] that every dollar of purchasing power that goes into the poorer States that will benefit from this amendment returns again to those great financial centers, when the people of those poorer States make purchases of goods which they have to buy from those centers or pay interest on the debts.

So I believe that in the interest of general justice and fairness, to make more of a national program out of this, this amendment should be adopted. The nearer we get to a national program in this matter the better off we are going to be. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. HOOK] for 1 minute.

Mr. HOOK. Mr. Chairman, I believe that old-age pensions and assistance for the aged is a Federal program. There have been some remarks made here about the State of Michigan today. Let me say to you that the State of Michigan has not matched the $15 that has been offered to them by the Federal Government. This Congress made an offer that, if accepted by the States, would give the old people $30 apiece. The State legislatures have avoided their share of the duty to old people up to this time. The only thing the Legislature of the State of Michigan did was to fail to match the $15, and then send a memorial to Congress to pass the Townsend bill. In other words, they just passed the buck. It is about time that we did make this a Federal old-age pension and see that the old people are paid a fair amount, and forget about asking some of the State legislatures to handle this problem. We furnish most of the money; why not furnish all the money and make it a direct Federal aid.

I am for this amendment because I think it comes the closer to a Federal old-age pension, which will avoid any passing the buck by the State legislatures. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. DOUGHTON] for 5 minutes. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the Colmer amendment.

In the brief time allotted to me, of course, I cannot state the many objections which to my mind are valid against this amendment. In my judgment, its adoption would be a serious, regrettable, and major blunder.

A few days ago this House reflected great credit upon itself, and, in my judgment, rendered outstanding service to the country by defeating an unreasonable, impractical old-age pension plan. The Colmer amendment is a long step in the direction that is proposed to be traveled by the Townsend bill. You will find that practically every Townsendite in this House will be for this amendment, because he believes ultimately that that will be the destination at which we will arrive.

There has been a great deal said about the poorer States. If there is any one desire in my heart above another it is to see justice done to dependent aged, needy, and destitute people. Mr. Chairman, I vigorously oppose, in carrying out this worthy purpose, that the States shall unload upon the Federal Government their own duty and their own responsibility. Prior to the adoption of the present social-security law the States had this entire burden to carry. This was their recognized and realized responsibility, and as far as I know, no one in the so-called poorer States was starving and destitute of clothing. The Federal Government, believing that what was being done for the old people was not adequate, generously came in and said, "We will carry half the load." If Mississippi or any other State cannot give three or four or five dollars to help its needy, destitute old people, how can it educate its people? How can it spend millions and millions in building roads? According to my good friend Mr. COLLINS the load will soon be lightened. Mississippi's load will be very much lightened if so many migrate to New York and Washington and other places.

Mr. BATES of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. BATES of Massachusetts. Does it not appear to the Committee that this is an attempt on the part of many States of the Union to get away from the proper taxing of their own people and drive that burden on the other States of the Union? Is it not a fact that in the case of Louisiana, about which the gentleman spoke here today, not because I say it, but because the Governor says it, it is the most prosperous State in the Union? Let me quote:

If you come to Louisiana as a home seeker, Louisiana today is the most prosperous State in the Union. There is a thousand dollars exemption on homesteads. There is a livestock exemption. New homes are tax exempt for 3 years and new industries for 10 years.

[Laughter.]

Then let me read again what they say about tax exemption or tax-free homes in Mississippi:

If Mississippi continues on, they have gone a long way toward providing tax-free homes.

Mr. DOUGHTON. Well, my good friend from North Carolina challenged me to know what this would do for North Carolina. I speak for the Federal-tax payers of North Carolina the same as I do for the State-tax payers. I will say to my friend that North Carolina is balancing her budget and able to meet her obligations, while the Federal Government is short of this desired goal. The gentleman would not dare stand up here and say to this House that North Carolina could not match the Federal contribution.

Mr. COOLEY. Will the gentleman yield?

Mr. DOUGHTON. If you want to say that North Carolina is not able to match 50-50 the Federal contribution to take care of her dependent old people, I will yield.

Mr. COOLEY. I want to say to the gentleman that he knows that North Carolina has not yet met the Federal contribution of $15 and will never meet the $20 contribution.

Mr. DOUGHTON. Yes; and that is a tribute in one sense, and in another it might be a criticism; but I do assert that our State is able to match on a 50-50 basis any contribution made by the Federal Government that is necessary for our aged needy people, and I challenge my good friend from North Carolina [Mr. COOLEY] to deny that statement.

Mr. COOLEY. My question was one asking the gentleman to explain to the House how this bill would help North Carolina.

Mr. DOUGHTON. I cannot answer the gentleman's question in the brief time at my disposal.

[Here the gavel fell.]

The CHAIRMAN (Mr. WARREN). The time of the gentleman from North Carolina has expired. All time on this amendment has expired.

The question is on the amendment offered by the gentleman from Mississippi.

The question was taken; and on a division (demanded by Mr. COLMER) there were—ayes 88, noes 162.

Mr. COLMER. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. COLMER and Mr. DOUGHTON.

The Committee again divided; and the tellers reported that there were—ayes 97, noes 174.

So the amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Arkansas [Mr. TERRY].

Mr. TERRY. Mr. Chairman, I have an amendment similar to that offered by the gentleman from Oklahoma [Mr. FERGUSON].

Mr. WOODRUFF of Michigan. Mr. Chairman——

The CHAIRMAN. For what purpose does the gentleman from Michigan, a member of the committee, rise?

Mr. WOODRUFF of Michigan. To offer an amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan, a member of the committee, to offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WOODRUFF of Michigan: Page 3, line 4, amend section 3 (a) of title I of the Social Security Act to read as follows:

"PAYMENTS 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, 1939, (1) an amount, which shall be used exclusively as old-age assistance, equal to two-thirds of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $45, and (2) 4 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose: *Provided*, That the Federal contribution shall not exceed 50 percent in those States which reduce expenditures for old-age assistance under the provisions of this section."

Mr. WOODRUFF of Michigan. Mr. Chairman, I think there is no Member of this House who for more years has been interested in giving to our old people a pension, or an annuity or whatever you care to call it, that will keep the needy aged in at least some degree of comfort.

An inspection of the records of the Social Security Board discloses the fact that there is but one State in the Union which today pays the maximum, or has averaged the maximum amount that can be paid under the provisions of section 1, paragraph 3, of the Social Security Act. It is perfectly apparent to me that the 280,000 old people in this country who many months ago qualified for an old-age pension, but who today have never received a penny, can never know the security to which they are entitled until something more is done to enable the States to meet their obligations, which in my opinion are primarily State obligations.

It occurs to me that if by an increase in the proportion of the money expended for old-age pensions we could step up the amount the Federal Government contributes we could in this way bring relief to those who have not up to this time been able to secure a pension. We could also bring additional relief to those who are already on the pension rolls.

I think there is not a man in this House who will rise in his place and say that a pension of $5 a month is an adequate pension to pay an old person.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield.

Mr. LEAVY. The gentleman referred to the fact that there were a substantial number of persons not on the rolls. I have those figures. For the purpose of making it clear let me give them to the gentleman. There are now 280,873 persons who are qualified to receive pensions in States which are unable to pay them.

One other question, if the gentleman will permit, does the gentleman's amendment mean that it will be a 2 to 1 matching, that the Federal Government will give $2 each time the State raises $1?

Mr. WOODRUFF of Michigan. That is correct up to a maximum of $45 per month. I say further, and I want to make it perfectly clear, that under my amendment it will be possible for an old person providing his necessities demand such an amount to draw as much as $45 per month. Let me call attention also to the fact that the maximum provided will enable an old person to be hospitalized if necessary.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. Gladly.

Mr. MARTIN of Colorado. Is there anything in the gentleman's amendment to assure these 280,000 persons getting some pension? They still might not get any pension, any more than they do now.

Mr. WOODRUFF of Michigan. It has been stated by those in opposition to the Colmer amendment that we have no assurance that the increased amount paid by the Federal Government would go into the pockets of the old people.

I call the attention of the committee to the proviso I attached to my original amendment. I will read it. The proviso reads:

Provided, That the Federal Government's contribution shall not exceed 50 percent in those States which reduce expenditures for old-age assistance under the provisions of this section.

Mr. BUCK. Will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield to the gentleman from California.

Mr. BUCK. I am anxious to know what that proviso means. Does it mean if the States reduce their total expenditures to the individuals or the total amount of the expenditures those States will not participate in the benefits of the gentleman's amendment?

Mr. WOODRUFF of Michigan. Exactly.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Michigan [Mr. WOODRUFF].

Mr. Chairman, before voting on this amendment each Member should realize just what it does. The amendment increases the Federal contribution a straight two-thirds. The Colmer amendment was a mild one in comparison with this one. Any one who voted against the Colmer amendment should certainly vote against this one, and most of those who supported the Colmer amendment should also vote against this amendment.

Mr. WOODRUFF of Michigan. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Michigan.

Mr. WOODRUFF of Michigan. Did the gentleman say my amendment would cost more than the Colmer amendment?

Mr. McCORMACK. Wait until I get through. I may not satisfy my friend from Michigan.

Mr. WOODRUFF of Michigan. I ask the gentleman, do I understand him correctly?

Mr. McCORMACK. Yes.

Mr. WOODRUFF of Michigan. Then he is as mistaken as he can possibly be.

Mr. McCORMACK. The gentleman from Massachusetts has been mistaken many times, but whether the gentleman from Massachusetts or the gentleman from Michigan is mistaken is for each individual Member of the House to determine.

Mr. WOODRUFF of Michigan. My authority is the Chairman of the Social Security Board and it is to the effect those figures the gentleman has in mind are not correct.

Mr. McCORMACK. Was the gentleman's information from the Chairman of the Social Security Board based upon two-thirds being paid on need or is it based on the gentleman's amendment where need is eliminated and where anybody 65 years of age or over can get it?

Mr. WOODRUFF of Michigan. If my amendment is adopted, the section under which these allotments are paid would be administered exactly as it is today. Every penny would be based on need and nothing else.

Mr. McCORMACK. The gentleman's amendment certainly does not carry out that thought.

Mr. WOODRUFF of Michigan. Oh, it does. It carries the phraseology of the act itself.

Mr. McCORMACK. The present bill contains the following language:

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—

And so forth—

with respect to each needy individual.

The gentleman's amendment eliminates "need." Why did he leave the word "need" out? What is the significance of the word "need" in this present bill and why did the gentleman leave that out?

Mr. KLEBERG. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Texas.

Mr. KLEBERG. I did not get the gentleman's first statement clearly, but I got enough of it to arrive at the impression that what the gentleman is trying to tell the House is that the amendment we now have before us is just as much of a racket as the amendment we just voted down. Is that correct?

Mr. McCORMACK. The characterization of the amendment I will leave to the gentleman from Texas. I probably would characterize it a little more mildly.

Mr. RANKIN. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Mississippi.

Mr. RANKIN. I just want to ask the gentleman from Texas [Mr. KLEBERG] if he would apply that same epithet to the bill as a whole.

Mr. McCORMACK. I think we can take that remark as impersonal. None of us need get excited in debate. Of course, we say things extemporaneously in debate that we do not always mean.

Mr. McKEOUGH. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Illinois.

Mr. McKEOUGH. May I call the gentleman's attention to line 6 of the amendment offered by the gentleman from Michigan? He still leaves it in the language that calls for an approved plan, which absolutely nullifies the whole business.

Mr. WOODRUFF of Michigan. Will the gentleman yield? I wish to apologize to the gentleman if he will permit me.

Mr. McCORMACK. I yield to the gentleman from Michigan.

Mr. WOODRUFF of Michigan. May I say to the gentleman and to the Committee that the word "needy" was left out of the amendment inadvertently.

Mr. McCORMACK. Does the gentleman want to put the word "needy" back?

Mr. WOODRUFF of Michigan. I certainly do.

Mr. McCORMACK. All right. I am glad any misunderstanding between my friend and myself is cleared up. I yield to the gentleman to submit a unanimous-consent request.

Mr. WOODRUFF of Michigan. Mr. Chairman, I ask unanimous consent that my amendment may be amended by including the word "needy."

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan [Mr. WOODRUFF]?

There was no objection.

Mr. WOODRUFF of Michigan. I thank my friend from Massachusetts. May I say one more word? May I say to the gentleman and to the Committee that so long as I am a Member of this House I will vote for no pension that is not based upon the "need" of the individual? I will not vote to tax the poor people of this country to pay a pension to those who have more of the world's goods than those taxed.

Mr. McCORMACK. Mr. Chairman, the gentleman having amended his amendment, he thereby admits, at least by implication, that my criticism, so far as the elimination of the word "needy," was correct. I will proceed to present my views upon his amended amendment. As between this and the Colmer amendment, the Colmer amendment is still far more preferable. The Colmer amendment undertook to take care of the weaker States. It went too far. Something along the line of the Colmer amendment I believe in, but this amendment is just as objectionable and more so in its present form. It should be rejected.

[Here the gavel fell.]

Mr. TERRY. Mr. Chairman, I have an amendment on the desk that I offer as a substitute for the amendment offered by the gentleman from Michigan [Mr. WOODRUFF].

The Clerk read as follows:

Amendment offered by Mr. TERRY as a substitute for the amendment offered by Mr. WOODRUFF of Michigan: On page 3, strike out lines 3 to 18 and insert in lieu thereof the following:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the amounts expended during such quarter as old-age assistance under the State plan with respect to

each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution:

"(A) Two-thirds of such expenditures, not counting so much thereof with respect to any individual for any month as exceeds $15, plus

"(B) One-half of the amount by which such expenditures exceed the amount which may be counted under paragraph (A), not counting so much thereof with respect to any individual for any month as exceeds $40, plus.

"(2) 5 percent of the amount of the payment under clause (1) of this subsection, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

On page 4, line 6, strike out "one-half" and insert in lieu thereof "the State's proportionate share."

Mr. TERRY. Mr. Chairman, the amendment I propose to substitute for that of the gentleman from Michigan is very simple. It merely divides payments for old-age assistance into two brackets. In the first bracket the Federal Government provides two-thirds of the first $15. In the second bracket the State and the Federal Government match equally up to the maximum amount of $40, which is permitted in the bill under consideration.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from Mississippi.

Mr. COLMER. If I understand the gentleman's amendment correctly, it would do the same thing as the amendment which was defeated except upon a smaller scale; in other words, the ratio would be two for one rather than four for one, as in the amendment we proposed.

Mr. TERRY. Yes; that is correct. The Federal Government would match in the first bracket two for one, and after that equally with the States, up to the $40 maximum.

Mr. COLMER. I just wanted to say to the gentleman I am going to support his amendment.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from California.

Mr. BUCK. Has the gentleman any estimate of the cost?

Mr. TERRY. I understand the cost would be somewhere between $45,000,000 and $110,000,000.

Mr. BUCK. Per year.

Mr. TERRY. That is the information that has been given me.

Mr. BUCK. I just wanted to determine the cost so the members of the Committee could understand what the cost involved was.

Mr. FERGUSON. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from Oklahoma.

Mr. FERGUSON. In answer to the question of the gentleman from California, may I say that an exactly similar amendment was referred to the Social Security Board, which has given us the following information:

The probable additional cost of this change is $45,000,000 to $110,000,000 per year.

I have here the original letter from Mr. Altmeyer, Chairman of the Social Security Board.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. The purpose of the gentleman's amendment is to increase the Federal contribution to the ratio of 2 to 1 up to $15, and after that carry out the provision of the existing bill which calls for a 50-percent contribution?

Mr. TERRY. The gentleman is correct.

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield.

Mr. MASSINGALE. I am not clear on just what this amendment will cost, according to Mr. Altmeyer.

Mr. TERRY. According to Mr. Altmeyer, as has been stated, the cost will be from $45,000,000 to $110,000,000.

Mr. MASSINGALE. Above what the present bill will cost?

Mr. TERRY. No; above what the present law now in effect costs.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. The gentleman's substitute amendment proposes to increase the Federal contribution to two-thirds, up to $15. Would the gentleman then favor the law's being administered by the Federal Government, rather than by the State, since the Federal Government would be putting up the money?

Mr. TERRY. I believe the Federal Government can very well afford to pay two for one in the first $15 bracket, and it would not be putting up all of the money in any event.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield.

Mr. MURDOCK of Arizona. Does the gentleman not believe that what I will call the machinery of this law and the operation of it ought to be in the hands of the States, the expense of it ought to be largely on the Federal Government; in other words, Federal contribution without Federal control? In schooling work I favor Federal contribution to equalize educational opportunity, and in this matter I want to equalize social security.

Mr. TERRY. I believe we should have a basic minimum amount that is equal all over the United States and then let the individual States add to that such further amounts as they feel they can afford. It does not seem fair to me that the people in the poorer States should get only $4 or $5 a month while those in the richer States get from $20 to $32, as in California.

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield.

Mr. DINGELL. May I ask the gentleman whether he can assure me that the State of Arkansas will pay a little above that first $15 bracket, because if it will not, then I am absolutely opposed to any such amendment at this time.

Mr. TERRY. At the present time Arkansas is paying $6.15 per month to the old people. California, which pays the largest pension, is paying $32.46. Of this amount, of course, the Federal Government pays $15. In other words, the United States is paying California five times as much as it is paying Arkansas.

As stated in the remarks I made on this subject yesterday in the general debate, the great disparity that exists between the amounts paid for old-age assistance by the poorer States and their more fortunate sister States is not because the poorer States desire to give their old people inadequate assistance, it is because the poorer States have not the taxable wealth on which to base a larger proportion of contribution. In my State we have tapped all sources of revenue and still we compare unfavorably with the national average. We have a State income tax, a privilege tax, a sales tax, a personal-property tax—tangible and intangible—and many others. Our real-estate tax rate is nearly three times that of the District of Columbia. Our cigarette and gas taxes are among the highest in the country.

No; it is not because we are unwilling to tax ourselves to provide social services for our people. The wealth is not there. The per capita income of the United States is $432. That of the District of Columbia is $962—the highest in the country. That of New York, I am informed, is over $700. The per capita of Arkansas is $182. That tells the story.

Arkansas is not the only State that cannot compare with the national average in the amount it provides for old-age assistance. There are nine States that provide below $10.50. The national average of all the States is $19.27. Of what avail does it do the old people of the country for the Ways and Means Committee to raise the old-age assistance from $30 to $40, when the States, with all the pressure that is on them, cannot come within $10 of averaging up to the $30 now set by the social-security law? It is truly an empty gesture.

The adoption of my amendment only means that of the first $15 the Government will pay $2 for $1 put up by the State. It is a very small increase, but it will be a godsend to those old people who are receiving a miserable pittance of $4 or $5 or $6 a month.

It has been suggested by those opposed to this amendment that its adoption will cause the Townsend plan advocates to redouble their efforts. I say to you that unless you do liberalize the present assistance to some degree, at least, you are giving aid and encouragement to those persons who have made a very lucrative living by dangling before the eyes of the old people of our country the will-o'-the-wisp of the $200 per month plan.

I urge the adoption of my amendment. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I ask unanimous consent to revise and extend the remarks I am about to make and the other statement I made.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, this amendment is equally as objectionable in its major point as the Colmer amendment, because it abandons the 50–50 ratio of contribution for old-age pensions. If you can go from 50–50 to two-thirds, by the Federal Government paying two-thirds of the pension, then why will they not come back and say, "Take over three-fourths of the load"? And you can take it as a fact that if you assume three-fourths of the burden you will have the same argument to take over the entire burden, and that is exactly where we would be heading. It is admitted that this amendment will place an additional burden on the Treasury of somewhere between $45,000,000 and $100,000,000 a year.

Mr. ELLIS. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. No; I regret I do not have the time.

If you keep piling up authorizations, while I have no threat from the President of the United States, I know exactly how he feels about this. He believes, first, that it should not be made, but if it is made, it is incumbent on the Congress to provide the increased revenue that will be necessary to defray the expense. We go on here day after day and month after month creating authorizations and providing no tax whereby we can take care of these authorizations. Then we criticize the administration for throwing the Budget out of balance when we are responsible ourselves for its being out of balance.

Mr. Chairman, if we vote for this amendment, there is one thing it is our duty to do and that is to remain here and write a tax bill, or increase the tax bill we will soon bring out, sufficient to raise the amount of money that this will authorize, and where would the gentleman from Mississippi or the gentleman from Arkansas propose we get this money? Would you favor a sales tax?

Mr. TERRY. If the gentleman will yield to me, I will tell him. I would just cut off about one-half of one of these $100,000,000 battleships, and then you would have the money.

Mr. DOUGHTON. The gentleman well knows that the Congress would not do that, and therefore the gentleman is suggesting an impossible remedy. The gentleman knows the House would not do it; the Congress would not do it, and the President would not stand for it.

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I am sorry I have not the time to yield.

Mr. Chairman, somebody should speak for the Federal taxpayers. We are now called upon to write a revenue bill whereby we will lighten taxes on business in order that employment may be increased and the unemployment burden lightened, and yet we come in here and propose amendments that would increase the burden of taxation.

Another thing is that when we freeze the pay-roll taxes at 1 percent for 3 years and try to save the business taxpayers of the country money in order to promote business, then it is proposed to add to the burdens of the Treasury a large additional amount without making any provision whatever to take care of it.

There is one of two things you may expect, if we add to this bill enormously, as this proposed amendment would do, that is to raise additional revenue and increase our taxes or you may expect to see the bill vetoed. I do not speak for the President, but knowing his feelings as I do, I have no doubt but what that would happen, and there is also no doubt that if we increase the tax burden we have got to do something to take care of that burden, because it is our duty and our responsibility. Under the present bill the Federal Government has gone a long way, considering its fiscal condition, in assisting States in providing for aged needy people, and if this is not reasonably done, it will be the fault of the States and not the Federal Government. Also please remember the liberal aid given by the Federal Government to needy crippled children, the blind, and other generous and liberal provisions of the bill which I do not now have time to mention.

Mr. Chairman, I move that all debate on the pending amendment and the substitute therefor close in 20 minutes.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from Kentucky [Mr. ROBSION] for 4 minutes.

Mr. ROBSION of Kentucky. Mr. Chairman, we have before us H. R. 6635, which proposes to amend in a number of respects the Social Security Act of 1935. Under the present Social Security Act the Federal Government matches dollar for dollar the amount put up by the States to pay needy persons 65 years of age and over up to a maximum of $15 paid by the Federal Government; that is to say, if any State puts up as much as $15 the Federal Government will match the State's money with $15 and enable any needy person 65 years of age or over to receive $30 per month, but if a State puts up only $4 the Federal Government will put up only $4, making a total of $8 per month.

Section 3 of title I of the bill before us provides that the Federal Government will increase its maximum from $15 to $20 per month, providing, of course, the State will put up as much as $20 per month. The State of California up until this time is the only State of the 48 States that has matched the Federal Government's maximum of $15 and paid $30 a month pensions to needy people 65 years of age or over. All the other States have failed to match the full amount of $15, the maximum contribution by the Federal Government. According to the records of the Social Security Board, Kentucky has paid an average of $8.69; one-half of this was paid by the Federal Government. Georgia has paid $8.62, Mississippi $7.02, South Carolina $7.61, and Arkansas $6.11.

Under the social-security law it is up to the legislature of each State to fix the terms and conditions, the maximum age, and the maximum amount that the State will match of Federal funds. The Kentucky Legislature fixed the maximum that Kentucky would put up for any needy old person 65 years of age and over at the sum of $7.50 a month. If Kentucky should pay the maximum amount of $7.50 a month, the Federal Government would then pay only $7.50 a month, making a total of $15 per month in all, but as we have pointed out on an average the needy old people of Kentucky have been receiving and are receiving only $8.69 a month.

This is not all of the sad story of the needy old people of Kentucky. Nearly 90,000 of needy old people have made application for pensions, but only about 45,000 have been granted pensions, and these have received on an average only $8.69 a month. Those in charge of the old-age pensions in Kentucky have advised me, as well as others, that they are unable to pay many needy old persons any pension because sufficient funds have not been provided by the State of Kentucky for that purpose. We have had and still have a Democratic administration in Kentucky with a large majority of the State legislature made up of Democrats ever since the Federal Social Security Act was passed in 1935. It was the Democratic legislature and Democratic administration in Kentucky that fixed the maximum Kentucky contribution at not more than $7.50 per month and made it impossible for any needy old person in Kentucky to receive in all from the State and Federal Government more than $15 per month. The Republicans in the House and Senate of the Kentucky Legislature offered amendments fixing the maximum to be put up

by the State of Kentucky at $15 instead of $7.50 per month, and if this amendment had been adopted, it then would have been possible for the needy old people of Kentucky 65 years of age or over to receive a pension of $30 a month. Each and every Republican in the House and Senate voted for this amendment, but the Democrats with their big majority defeated this salutary amendment. With the Kentucky law as it is, the amendment in the bill before us increasing the Federal contribution from $15 to $20 a month will mean absolutely nothing except a snare and illusion to needy old people of Kentucky and practically every State in the Union except California. Kentucky is in the small group of States paying the smallest amount of old-age pensions.

The President and his administration have stated time and again during the last year or so that old-age pensions throughout the Nation should be and would be liberalized at this session of Congress. The President and his administration were opposed to the Townsend plan. They insisted an adequate old-age pension would be met by liberalization of the Social Security Act that would come up in a few days and which is now before us, and they insisted that this act would be amended so that the needy old people of the country would receive pensions more in keeping with their needs.

The needy old people of America will find that this amendment will not add one dime to their old-age pensions unless it is in a State like California that has already matched the maximum amount of $15 now being put up by the Federal Government.

I FAVOR THE WOODRUFF AMENDMENT

We now have before us for our immediate consideration the amendment offered to this bill by our colleague, Mr. WOODRUFF of Michigan. He is one of the ablest men on the Ways and Means Committee and is chairman of the Republican caucus of the House. He comes from one of the so-called rich States of the Union. I am very much in favor of his amendment, because it provides—

First. That the Federal Government will match two for one to provide assistance and pensions for needy old people 60 years of age or over. The Government now puts up dollar for dollar. Under the Woodruff amendment the Federal Government is authorized to put up as much as $30 if the States put up as much as $15, making $45 in all.

This amendment would benefit the needy old people in each and all of the States of the Union. Under the Woodruff amendment, if Kentucky did not change its maximum of $7.50 a month and would put up $7.50 the Federal Government would meet the $7.50 with $15, making $22.50 in all, and if the State of Kentucky would put up $10 it would be necessary for the Federal Government to put up $20, making $30 in all for each needy person 60 years of age or over. In other words, the Federal Government would match two for 1 instead of 1 for 1 for old-age pensions in each and all of the 48 States. I do not believe that we can claim we are making adequate provisions for the needy old people unless they are allowed at least $30 per month.

When the President's social-security bill was up for consideration in the House in 1935, I offered an amendment that provided that the Federal Government would pay an adequate old-age pension to each and every person 60 years of age or over, to each and every needy person and to each and every permanently and totally disabled person.

I am very happy to have an opportunity to speak and vote for the Woodruff amendment. The administration and its leaders, as well as some of the Members from the so-called rich States of the Union, are opposed to the Woodruff amendment, and, because of the big majority that the administration has in the House, they may be able to defeat it. It is claimed by them that the Woodruff amendment would impose hardships on the rich States to aid the poor States. We must bear in mind that the so-called poor States produce the raw materials in the way of timber, coal, farm products, and so forth. These go to the so-called rich States for processing and distribution. The producers of raw materials as a rule have far less income than those who process and distribute the finished product and sell them to the so-called poor States at a great profit.

I introduced and had charge of the Federal Aid Road Act of November 9, 1921. The so-called rich States opposed the Federal aid road bill. They claimed it would impose a burden on the rich States in favor of the so-called poor States. The Federal aid road bill provided for the distribution of money to the States on a basis to area, population, and road mileage. The Members of the House from the rich States insisted that another element should be considered—wealth—and that the road money should be distributed on the basis of wealth, population, area, and mileage. Congress refused to accept wealth in the distribution of the road money. The trouble then with the country was that roads were being built in the rich States and in the rich communities of the poor States while the road building lagged in the poor States and in less-favored communities. Under the Federal aid road law roads were built through the poor States and through the poor communities of the poor States, and all of this proved to be a great blessing to the Nation as a whole. In a few years the Members of the House and Senate from the rich States ceased their opposition to the road-bill program and now no one insists that wealth should be one of the elements in the distribution of the Federal aid road money.

Whatever money is spent for old-age pensions in the poor States will increase the purchasing power of the people in those States and it will return to the rich States in increased business. The rich States absorb most of the money and income of the poor States. In the end it will prove to be a blessing as did the Federal aid road law. The old-age pension matter will never be settled until it is settled right, and in my opinion, some day if not now the principle embodied in the Woodruff amendment will be adopted. The failure to meet this problem and the failure to provide adequate pensions for needy old people of the Nation will increase the chances for such proposals such as the Townsend plan and other plans. If we are going to have old-age pensions let them be adequate, fair, just, and reasonable.

RURAL SECTIONS DISCRIMINATED AGAINST

Under the Social Security Act providing for an old-age insurance annuity we will begin in 1940 to pay old-age annuities to persons 65 years of age or over. I refer to persons who have been employed and whose wages as well as the employers have been taxed to provide a fund for this old-age insurance. These people will not receive old-age pensions. They will receive old-age annuities. About 45,000,000 workers in the United States had issued to them Social Security cards and they pay a tax out of their wages and their employers pay a like tax to provide a fund out of which to pay these annuities after the person has reached 65 years of age and over. These persons are largely employed in the so-called rich States in the various branches of industry, commerce, processing agricultural products and other raw materials. These taxes paid by the workers and their employers are added to the cost of the products and all of us must pay these taxes to a large extent. The people in the rural sections, the farm workers, domestic workers, and so forth, living in the rural sections, do not come under this old-age insurance provision of the Social Security Act. Their only hope of relief is under the so-called old-age pension.

The wife as well as the widow and children in case of the death of the husband will secure a pension under these old-age annuities, and they will receive a much larger pension and up to $85 per month under these old-age annuities. And Congress must provide a reasonable, fair, and adequate pension for the needy old people who do not and cannot come under the old-age insurance. Old-age insurance would not begin until 1942, but this bill amends the act of 1935 and authorized these payments to begin 2 years earlier, January 1, 1940, and it greatly increases the annuities that will be received by these workers who have reached the age of 65 and provides annuities for the wife after she reaches 65 and provides annuities for the children on the death of the parent, but in my opinion this bill will not benefit the needy old people who do not come under the old-age

insurance plan. If they are to receive more liberal pensions, we must adopt something like the Woodruff amendment and let the Government put up two for one as provided in the Woodruff amendment.

I am sure if the Woodruff amendment was adopted a great majority of the States would soon put up at least $10 a month and enable each needy old person to receive at least $30 per month and, of course, some States would put up $15 and this would give the needy old people of such States $45 per month.

DESIRABLE PROVISIONS

I shall vote for the bill as a whole. It has a number of very desirable features. The tax on the employee and employer would remain at 1 percent under this bill. That will mean a great saving to the workers and their employers. There have been collected by the Government from these pay-roll taxes from the workers and employers many more times in dollars than have been paid out in benefits. These pay-roll taxes should be used for the purposes for which they were intended and that is to provide annuities or pensions for workers who retire after they are 65 years of age and for their wives, widows, and children.

This bill also provides that the payment of old-age annuities begin on January 1, 1940, instead of 1942, as provided in the act of 1935. This bill also provides for an increase of the Federal contribution to aid the States in taking care of their needy blind, but, of course, the States would have to match this money. Kentucky has not yet matched the amount set up for needy widows and their children and needy blind people provided in the act of 1935, and I am afraid the increase in this measure will not help the needy widows and the needy blind in Kentucky.

The needy crippled people of the Nation must not be overlooked by the Federal Government or by the States. The Federal Government and the States should see to it that the needy old people, the needy blind, the needy disabled, and needy widows and their orphan children are given just, adequate, and fair consideration; and then the Federal Government and the States should encourage those who are younger and able to work to start things moving in this country in agriculture, industry, and commerce so that we may have pay rolls to take the place of relief rolls.

THE TOWNSEND PLAN

A few days ago the Townsend plan was before us for consideration. I did not feel that the Townsend plan was feasible. Dr. Townsend in his own testimony before the committee recently stated that need or necessity should not be considered. In other words, every person 60 years of age or over, rich or poor, in need or in plenty, should receive the pension, and under his plan 12,000,000 people in the United States would be eligible for the pension. His idea was that we should start with $200 a month for each person 60 years of age and over and this sum would likely go to $300 a month within 5 years. His plan would mean that a husband and wife over 60 years of age, whether poor or rich, could and would receive $400 to $600 a month if they applied for same. If 12,000,000 who would be eligible applied for this pension it would cost the Government each year over $28,000,000,000, and if it were increased to $300 a month, as Dr. Townsend planned, it would cost the Federal Government over $43,000,000,000 annually, and at $200 a month there would have to be raised annually in the State of Kentucky $532,000,000.

Last year the Federal Government collected in all in the ways of revenues and taxes from the American people about $6,000,000,000, and we collected in taxes for all purposes to operate the State government of Kentucky—salaries, schools, roads, and for every other purpose—about $25,000,000. Under the Townsend plan we would have increased the taxes for old-age pensions alone by the Federal Government nearly five times, and the taxes paid by the people of Kentucky more than 20 times.

Dr. Townsend's plan to raise these enormous sums in taxes was to levy income, consumers', and sales taxes. I should like to see the old people of this Nation receive that sum of money. It would soon enable me to retire and quit work.

But it seems to me to be impracticable and unworkable. I then favored, and still favor a pension that is fair, just, and reasonable, and one that the taxpayers are able to meet. The American Federation of Labor, the railroad brotherhoods and other labor organizations, and the farm organizations of the country strongly opposed the Townsend plan because the big part of these consumers' taxes and sales taxes would be paid by the working people and the common people. I think it would take at least 20 percent of their income and wages to meet these taxes. I believe, however, that the Woodruff amendment is feasible and workable and will insure a fair, adequate, and reasonable old-age pension.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. FERGUSON].

Mr. FERGUSON. Mr. Chairman, during the debate under the 5-minute rule we often vote on amendments that we do not understand. So I am taking the liberty of suggesting to the membership of the House that they turn to page 2419 of the Appendix of the RECORD of June 6, if they are interested in knowing the exact wording of the Terry amendment, which is now up for a vote. It is printed there in the Appendix of the RECORD at page 2419. The amendment, in simple language, does this: The Federal Government contributes $2 to the State's $1 for the first $15. After that the matching is on a 50–50 basis. If the State puts up $5, the Federal Government would put up $10, making the total pension $15. If the State puts up $10, the Federal Government would put up $15, making the total $25 up to $40, the maximum pension provided under the bill as favored by the committee. If $40 were paid, the State would pay $17.50 and the Federal Government $22.50. This would change the contribution on the maximum pension only 10 percent and reduce it from a 50-50 matching proposition to a 60-40 on the maximum, and here is what it would accomplish. We have 12 States now paying a pension of $10 or less. That is the combined pension. These States say that they cannot raise more money. At the same time they are Southern States, where the standard of living and the cost of living may not be so high. So the adoption of this two-for-one proposition up to $15 would mean that these States that are now suffering from these wholly inadequate pensions would be able to make a payment of $15 to their pensioners. As I read to the House during the remarks of the gentleman from Arkansas [Mr. TERRY], the cost of this amendment would be between $45,000,000 and $110,000,000. This is the opinion of the Social Security Board in writing to me on this certain amendment. Forty-five million dollars would be the cost if the present rules were not increased. That is not a tremendous burden on the Budget of the United States. The present Budget for old-age pensions is $225,000,000. This amendment when put into effect would raise the Federal Budget on old-age pensions to $275,000,000.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. DISNEY. The gentleman means that the immediate rise in the cost would be from $45,000,000 to $110,000,000, does he not? He does not mean to tell the House that would be the final cost of this amendment?

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

The Chair recognizes the gentleman from Massachusetts [Mr. BATES] for 4 minutes.

Mr. BATES of Massachusetts. Mr. Chairman, those of us who have for some years given thought and study to questions of taxation, particularly in our own States, are somewhat surprised at the effort being made this afternoon to attempt to load unto other States of the Union already suffering from tremendous tax burdens, a responsibility that is entirely their own.

A short time ago the chairman of the Ways and Means Committee yielded to me for a few moments so I could give information to its members relative to the devious ways that some of our States of the Union are tax-exempting their own residents, their industrial establishments, and other kinds of property. It is particularly of interest to know that only a few days ago I cut this article from a magazine advertising

the State of Louisiana, that very State some of whose Members were today advocating a larger percentage of national contribution in order, evidently, to evade their just share of the cost of this burden.

Among other things, the Governor says in this article:

Louisiana today is the most prosperous State of the Union. If you come as a home seeker you know already that our lands are fertile, that there is a $1,000 exemption on homesteads from all property taxes; that all livestock in the State is tax free; that new homes are tax exempt for 3 years, and new industries for 10 years.

So much for the State of Louisiana. Let us go to Arkansas, the State from which come some of the Members advocating higher Federal contributions. We find in the report that I have here, entitled "Homestead Valuation Survey," by the commissioner of education in the State of Arkansas, pertinent comments about the exemption of homesteads from local taxation. Among other things, he said in this report that:

The exemption of homesteads up to $1,000 will mean a loss in revenue to the State of Arkansas of $528,000.

May I quote again from the National Municipal Review, in the case of Mississippi, whose Representatives also advocate this legislation, and where it went on to say:

MISSISSIPPI PROVIDES TAX-FREE HOMES—150,000 HOME OWNERS CLAIM EXEMPTION UNDER NEW HOMESTEAD LAWS; PROGRAM TO COST STATE OVER THREE AND A HALF MILLION DOLLARS ANNUALLY

Although the legislature did not adopt the entire program of the Governor, it passed 10 bills relating to homestead exemptions, and as a result of this legislation Mississippi has gone a long way toward providing tax-free homes.

It is very obvious that these States are attempting by such exemptions on homesteads and manufacturing plants as well to shift their own burden to other States of the Union. Not only have many industries left parts of the country to go into tax-exempt areas, but many of the wealthiest taxpayers have taken up domicile in States where there are no income-tax laws. This is purely for the purpose of evading their just share of the cost of government.

Representatives of these States are today pleading for the adoption of this amendment seeking a larger Federal contribution toward the cost of their old-age assistance, and it is of special interest to note that in these very States the legislatures have refused to enact sufficient tax laws that would raise needed revenue sufficient to pay higher old-age pensions. Only 13 States now have no income-tax laws.

There is rapidly growing up in this country a group of tax-dodging States, States that are trying to shift the burden which is rightfully theirs onto other States.

The argument made for this proposal is that there are certain States which are unable to make old-age assistance payments. I enclose two tables showing the old-age assistance payments in the States as compared with the per capita income by States. This indicates that it is not so much a question of inability to pay as it is unwillingness to pay.

(All figures from Social Security Board)

Average old-age assistance payment per recipient (title I) December 1938

United States	$19.55
California	32.43
Colorado	29.99
Massachusetts	28.56
Connecticut	26.66
Nevada	26.46
Arizona	26.10
New York	24.18
New Hampshire	23.03
Ohio	23.01
Washington	22.10
Wyoming	21.62
Idaho	21.55
Oregon	21.30
Pennsylvania	21.19
Wisconsin	20.78
Maine	20.71
Montana	20.48
Utah	20.45
Minnesota	20.42
South Dakota	20.04

Average old-age assistance payment per recipient (title I) December 1938—Continued

Oklahoma	$19.94
Iowa	19.82
Kansas	19.62
New Jersey	19.32
Rhode Island	18.78
Illinois	18.52
Missouri	18.48
Maryland	17.51
North Dakota	17.38
Nebraska	17.12
Michigan	17.11
Indiana	16.53
Vermont	14.47
Texas	13.84
Florida	13.84
West Virginia	13.79
Tennessee	13.23
New Mexico	11.15
Delaware	10.81
Louisiana	10.26
Virginia	9.54
Alabama	9.51
North Carolina	9.36
Georgia	8.76
Kentucky	8.73
South Carolina	7.40
Mississippi	6.92
Arkansas	6.15

Per capita income by States, 1935

United States	432
New York	700
Connecticut	607
California	605
Delaware	590
Rhode Island	561
Nevada	545
Massachusetts	539
Wyoming	526
New Jersey	517
Illinois	500
Montana	482
Pennsylvania	478
Michigan	473
Maryland	473
Wisconsin	467
Ohio	460
New Hampshire	438
Washington	434
Minnesota	416
Maine	414
Colorado	406
Indiana	402
Arizona	401
Oregon	394
Iowa	370
Missouri	366
Vermont	366
Kansas	365
Nebraska	361
Florida	353
Utah	348
Idaho	344
New Mexico	322
West Virginia	318
Texas	316
Virginia	305
Louisiana	300
South Dakota	275
North Dakota	260
Oklahoma	259
North Carolina	253
Georgia	253
Kentucky	240
Tennessee	232
South Carolina	224
Alabama	189
Arkansas	182
Mississippi	170
District of Columbia	966

In the interest of those States from which have migrated a large number of industries to these tax-exempt areas, and who are finding the tax burden and unemployment problem so pronounced, I feel in the interest of justice and equity that the amendment should be defeated. Surely these States that have tax-exempt provisions can well afford to shoulder their just share of the cost of old-age assistance. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. MARCANTONIO] for 3 minutes.

Mr. MARCANTONIO. Mr. Chairman, I do not believe any Member of this House can accuse me of being illiberal. However, I do not propose to vote for any reactionary measure simply because its proponents, who have never been on the liberal side of any fence, call it liberal. I do think the time has come when we must pause and recognize that this type of an amendment places on the more humanitarian and progressive States a greater burden and permits the landed aristocracy and the new industrialism of other States to dodge their responsibility toward the aged of those States.

A great deal has been said here about New York by the gentleman from Kentucky [Mr. ROBSION]. Does the gentleman realize that in New York we are almost taxed to death? Aside from a real-estate tax and a Federal and State income tax, in various cities we have personal-property taxes, sales taxes of every kind; taxes on every single article. New York cares not only for the unemployables but for many unemployed employables because of Congressmen who voted to cut appropriations for W. P. A. New York is engaged in many aspects of welfare legislation. Pass amendments of this type and you add an additional burden on New York and other States like it. I say that in this matter of pensions, the States must assume their responsibility. I say it is grossly unfair and unjust to load on us an extra load so that various States can get out from under. The several States can put up their required share. They do not tax in order to bring down to their States industries which seek cheap labor and seek to dodge the taxes necessary to carry the benefits of social welfare legislation to the people of our States. Let the legislatures of those States whose Representatives here are sponsoring these 4-to-1 and 2-to-1 amendments assume their just responsibilities toward the people of their States; let them levy the necessary taxes and let them cease making their States havens for tax dodgers and industrialists who seek to escape their social obligations.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. MARCANTONIO. Excuse me; not just now.

When it is said that this bill is a snare and a delusion, that the old people are not going to get an additional penny, I say that the responsibility for the old people not getting an additional penny rests entirely on the States in which they reside. Let those States be fair with the United States Government, let them raise their required share, and their old people will get additional pensions. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. HINSHAW] for 2 minutes.

Mr. HINSHAW. Mr. Chairman, I have made bold to criticize this act. I have done so partly because it does not provide taxes to support the aged assistance program that is authorized in the act. I am amazed that of all committees, the Ways and Means Committee should bring out a bill that is not self-supporting.

The able chairman of the committee has even asked someone to suggest a tax to support this portion of the bill. I humbly offer to him and to the members of the committee that if they will put much the same kind of tax that is here levied against the one-third of the people covered by title II on the balance of the people, they will more than adequately support the old-age assistance program contained in this bill. They had an opportunity to work out such a bill when they failed to perfect H. R. 6466, and the Rules Committee chose to send us that bill under a gag rule so that it could not be amended. I claim that some such tax program as that offered in H. R. 6466, with suitable amendments, or even the tax program that is offered in this bill for a certain one-third of the people, if applied to everyone equitably, would adequately support the old-age assistance section and permit of liberalization to boot.

Mr. Chairman, we are in a great confusion here. We talk about social-security taxes when we mean compulsory old-age insurance premiums. I see no essential difference between these payments and those payments many of us made for war-risk insurance. If the majority of our people believe that all of the people should be compelled to take out old-age risk insurance so that they will not become public charges if and when they reach old age, then the people have a right to so order in a democracy. We have already done so, but for one-third of our people only.

Furthermore, Mr. Chairman, this program of old-age risk insurance should be self-supporting and should not be considered as a part of the Federal Budget. Here we call it a tax for social security, but it is no more a tax than are the millions of insurance premiums that are regularly paid on the millions of ordinary life-insurance policies in force in this country. We fight against paying taxes, but we work to pay insurance premiums. This pending act would make princes of one-third of our people and paupers of all but a fortunate small percent of the other two-thirds. It contains some gross inequities and is ponderous and cumbersome in its administration. [Applause.]

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. COLMER] for 3 minutes.

Mr. COLMER. Mr. Chairman, I am just as much interested in this amendment as I was in the amendment that I sponsored a moment ago. In fact, I consider it my amendment and the amendment of those of us who are interested in liberalizing this pension.

Now, it has been pointed out repeatedly today that this bill that is brought here does not liberalize the pensions of these aged people, because there is only one State in the Union that is now matching the $15 that the Government offers. I just want to say in these 3 minutes you are either going to pass this liberalizing amendment or you are not going to pass anything. If you are not going to pass anything, let it be known to the aged needy people and the country at large, and say that this Congress is not in favor of increasing the pensions to the aged needy.

I was amazed that the gentleman from New York [Mr. MARCANTONIO], a man who would probably vote one hundred billions for the Workers Alliance, for the W. P. A., should get up here and oppose this proposition of 2 to 1 for these aged people.

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield?

Mr. COLMER. I am sorry, I have only a few minutes.

Mr. MARCANTONIO. The gentleman mentioned my name.

Mr. COLMER. Mr. Chairman, I decline to yield.

Mr. Chairman, either we are going to liberalize this bill with this amendment and give these people something, or we leave the question entirely unsettled and just put off the issue to a later time. I was not astonished at the action of the gentleman on the other side, he was running true to form; nor was I astonished when the minority defeated the amendment on the 4-to-1 proposal, but let me say to Republicans and Democrats alike that if you do not want to vote for this amendment, then you are in effect saying to the aged people that you are not going to give them anything. Oh, yes; there is another course, there is another body at the other end of the Capitol. When the bill gets over there it will be liberalized, but this is your test vote. We ask you to vote for it.

Mr. Chairman, we have made the best fight that we knew how to make in an effort to get a more liberal pension for the aged needy. I regret that many who had signified their desire to support this amendment are not here. I regret that under the rules of the House we are unable to get a record vote on this amendment and on the amendment which I offered and which was defeated on a teller vote. I was particularly disappointed in our colleagues on the Republican side of the aisle. There is no question but that, with few exceptions, they voted against the liberalizing amendment which we offered a few minutes ago. There is also no question but that the majority of the Democrats voted for it. Had our Republican friends come through as we expected them to do, this amendment would have been adopted. I hope that those who oppose these efforts which we are making to liberalize these pensions will not go before the country

next year and tell the people that they favor an adequate old-age pension.

Let me say in conclusion to my colleagues that this is the last stand. If you really favor a liberalization of the bill which the committee has reported, and which we have pointed out repeatedly means nothing because only one State is now matching the $15 provision, then this is your opportunity to liberalize it. We have reason to believe that the Senate will liberalize the bill if we do not. Why should we not do so in the first instance? I appeal to you in the name of the thousands of the aged needy throughout the country, and particularly in our section, to support this amendment and no longer turn a deaf ear to the pleas of these aged needy people.

[Here the gavel fell.]

The CHAIRMAN. The time of the gentleman from Mississippi has expired, all time on this amendment has expired.

Mr. TERRY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. TERRY. As I understand it the first vote will be on my amendment as a substitute for the amendment offered by the gentleman from Michigan, will it not?

The CHAIRMAN. The gentleman is correct. The Chair was about to put the question.

The question is on the substitute amendment offered by the gentleman from Arkansas to the amendment offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. TERRY) there were—ayes 65, noes 131.

So the substitute amendment was rejected.

The CHAIRMAN. The qucstion recurs on the amendment offered by the gentleman from Michigan [Mr. WOODRUFF].

The question was taken; and on a division (demanded by Mr. WOODRUFF) there were—ayes 79, noes 142.

So the amendment was rejected.

Mr. KELLER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KELLER: On page 3, in line 9, strike out "one-half" and insert "two-thirds"; in line 15, strike out "5 percent" and insert "4 percent."

Mr. BUCK. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. BUCK. Mr. Chairman, I make the point of order that this is practically the same amendment we just voted on.

The CHAIRMAN. In order for the point of order to be sustained the amendment would have to be identical to one which has already been voted on. This amendment is not identical.

The point of order is overruled.

The gentleman from Illinois is recognized for 5 minutes.

Mr. KELLER. Mr. Chairman, I call the attention of the Committee to the fact that we are going from one extreme to another. At the present time we ought to make progress slowly but surely. There is a great deal of merit in the 4-to-1 proposed which was rejected. The idea behind it was not wrong, but the extent of the proportion was wrong.

When the proposal of Federal old-age pensions first came up it was my great pleasure and honor to have introduced the original bill, which was the basis of the old-age assistance features of our social-security law. The present old-age assistance feature was put into the social-security law at that time. First I proposed a national old-age pension. On rewriting the bill I proposed that the contribution as between the Federal Government and the State governments should be 3 to 1, 3 parts being contributed by the Federal Government and 1 part by the States. That is exactly the proportion in Canada between the contribution of the Dominion Government and the provinces. After arguing the question with the President he finally insisted that we ought to start out on an even basis. I was, of course, compelled to give in to that, although I still held to my own opinion that there ought to be a difference.

We have tried out the 50–50 plan and we have found that the 50-50 plan does not give the relief we had a right to expect and which we hoped it would give when we wrote it into the law. Our own experience should teach us that there is a way of doing this. In foreign countries what happened was that they started at a certain rate of pension and a certain age, almost invariably 65, the same as we did. Little by little the pension was increased to what each country considered a normal amount. As time ran along they began to reduce the age limit from 65 to 62, and 60, and finally to 58 years. That is exactly the process that we probably will go through in this country.

That is the rational process, but we ought not to overlook the fact that we ought to be ready at the present time for the Federal Government to assume a larger proportion than one-half, for the simple reason that when this Government was first instituted the amount of money raised through real-estate taxes amounted to about 90 percent of the entire revenues of Government. At the present time it amounts to less than 15 percent; in other words, it has become a matter of taxing income. In Illinois as well as in other States the people are suffering from this mistake. For the purpose of providing our half of the old-age assistance we are taxing our property, the homes of people who are not able to pay these taxes. When you do that you are not going to get the right kind and the right distribution on the old-age pension. It is for this reason, in my judgment, that we ought to pass a 2-to-1 provision at the present time; then profit by that experience and see where we can go. Because the figures presently indicate that we should ultimately arrive at $50 a month instead of $40; but the $40 is a step forward. We ought to make it 2 to 1 instead of 1 to 1, as at present.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Illinois [Mr. KELLER].

This amendment is substantially the same as the one just voted down.

Mr. Chairman, I move that all debate on this amendment do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. KELLER].

The amendment was rejected.

Mr. DIRKSEN. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 2, line 20, after the word "assistance", strike out the semicolon, insert a colon and the following: "*Provided*, That the term 'resources' shall not be deemed to include any sum or amount which, in the opinion of the State or any instrumentality thereof, might be obtained from children or relatives."

Mr. BUCK. Will the gentleman yield before he starts?

Mr. DIRKSEN. I yield to the gentleman from California.

Mr. BUCK. Does the gentleman's amendment read "shall not be deemed to include any sum or amounts received from children"?

Mr. DIRKSEN. It reads "That the term 'resources' shall not be deemed to include any sum or amount which in the opinion of the State or any instrumentality thereof might be obtained from children or relatives."

Mr. BUCK. Suppose allowances were made under other titles of this act?

Mr. DIRKSEN. They would have to be amended if this is adopted, in accordance with the substance of my amendment. Let me explain it first before my time is exhausted.

Mr. BUCK. I am trying to really understand what the gentleman has in mind.

Mr. DIRKSEN. If the gentleman will permit, I will explain it.

Mr. Chairman, let me take a hypothetical case. Let us assume that under the old-age assistance act of the State of Illinois one makes written application for old-age assistance. Normally he might be entitled to $30 a month. That application goes to an investigator or to a social worker. That social worker calls on the applicant and after going into the matter of income and resources will say: "Have you any

children?" "Yes, two." "Sons or daughters?" "Two sons." "Who are they and where do they work? Are they married or are they single?" "Both of them are married. Both have families. Both have children." "Where do they work?" "One works in a canning factory, the other works in a shoe factory." "How much money do they earn in a week?" "Each one of them receives approximately $25 per week." Now, then, if in the judgment of that investigator, which is affirmed by the old-age assistance division, the State decides that each one of these married sons should or could contribute $2, $3, or $5 per month out of the pay check, that amount of money is going to be taken from the potential old-age assistance which will be given to the aged person. It is what is known in the State of Illinois as the relative clause. They have it also in New York and other States.

Mr. Chairman, it is one of those griping and distasteful things to the aged people of the country that sometimes makes this seem like bitter charity. There are many aged fathers and mothers who do not want to depend upon their sons and daughters, who have their own families and who have gone through lean years since 1929; yet, if in the opinion of the States and if in the opinion of the Attorney General, or if the old-age assistance division said that such son or daughter could contribute, then the amount of pension is going to be diminished by the sum total of that contribution.

The eligibility provision in our law in Illinois has a qualification for old-age assistance:

> Has no children who in the opinion of the State department or the attorney general are legally responsible for the applicant's support.

Are we asking families to take care of the old-age assistance, or are we making this a matter for the States and for the Federal Government? I say it is a very unhappy provision that has crept into many State laws, and it has caused distaste everywhere among the aged. It seems to me one of the things we can do is to make certain that the word "resource" is qualified so that no case worker, no investigator, no attorney general, will be able to say that this son or daughter, whether they can afford it or not, could contribute $2 or $3 or $5 toward the assistance of an aged person and then reduce the proposed amount by that much.

Mr. COOPER. Will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from Tennessee.

Mr. COOPER. Does not the gentleman think that his own State, if it wants to have a provision of that kind in its law with respect to money that that State pays out, ought to have a right to have it?

Mr. DIRKSEN. I may say to the gentleman from Tennessee that it is stated in the act:

> Effective July 1, 1941, the State act must provide * * * that the State agency in determining need shall take into consideration income and resources.

What is a resource? Is it something that a son or daughter can contribute? Are you going to leave it as vague as that? We ought to have it stated definitely. It ought to be clarified. The amendment I have offered should be adopted.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Illinois.

May I call to the attention of the Committee that the other income and resources that are to be taken into consideration are specifically stated to be those of the individual claiming old-age assistance, and that does not include, in my opinion, any resources that his son or daughter or anyone else might have. If this statement will clarify the record for the benefit of the Illinois officials who administer their old-age law, I am very happy to make it.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Illinois.

Mr. DIRKSEN. I may say to the gentleman it is going to be a matter of administrative interpretation, and how does the gentleman know or how do I know what they will say down in Springfield, Ill., or what they will say down in the Social Security Board as to what constitutes a resource?

Mr. BUCK. How can they go back of the language in this bill, if it becomes law, which states that the State agency shall take into consideration—I quote:

> Any other income and resources of an individual claiming old-age assistance.

His children are certainly not claiming old-age assistance.

Mr. DIRKSEN. The fact is that this was not in the original law. Why should it be put in now?

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Tennessee.

Mr. COOPER. The gentleman from Illinois entirely misses the point involved in this provision in the bill. Under the present law old-age benefits under title II do not come into effect until 1942. Under these amendments those benefits are moved up and come into effect in 1940. Could the gentleman from Illinois or anybody else take the position that a person receiving an old-age benefit or annuity should also be entitled to an old-age pension or old-age assistance? The gentleman entirely misses the point with respect to the provision of the bill about which he is speaking.

Mr. DIRKSEN. If the gentleman will yield, the gentleman from Illinois has not missed the point. Do not be misled on that.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. POAGE. May I say to the gentleman that this is the point I was raising yesterday, and that while clearly the point stated by the gentleman from Tennessee is well taken, the experience of my State, which had in its statute almost exactly word for word the provision this bill has in it, was that the investigators and supervisors from the Social Security Board at Washington enforced on our State the interpretation of a statute almost word for word like this that kept every person off the roll who had a child who had any means of self-support whatever.

Mr. BUCK. Yes; but I may say to the gentleman from Texas that here we are laying down a standard for the State to live up to, and in very definite words. The Social Security Board is not going to be involved in a question of interpretation of a State law. The "resources" are those of the old-age individual claiming assistance. If he can draw a benefit under title II, we propose it be taken into consideration.

Mr. POAGE. The State statute was almost exactly word for word what you are attempting to lay down here, and the Social Security Board has already interpreted that provision; it has done it already in the State of Texas, and I am sure it has in other States.

Mr. MAGNUSON. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. MAGNUSON. May I say to the gentleman and the Committee that this exact question arose in the State of Washington last January.

Mr. BUCK. Yes; but it arose not under a Federal statute.

Mr. MAGNUSON. I was going to sustain the gentleman's point. The Supreme Court knocked out all our old-age pension laws. The Social Security Board ruled that the question of what resources should be taken into consideration was entirely a matter for the State and that it was not mandatory to receive the Federal grant that children support the aged people.

Mr. BUCK. I thank the gentleman for the contribution. It was very valuable.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I move that all debate on the pending amendment do now close.

The motion was agreed to.

Mr. DIRKSEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN (Mr. PATMAN). The gentleman will state it.

Mr. DIRKSEN. Are we voting on the amendment or the motion to close debate?

Mr. HOOK. Mr. Chairman, are we voting on the motion to close debate?

The CHAIRMAN. The question was on the motion of the gentleman from North Carolina to close debate on the pending amendment. The Chair put the question, and the motion was agreed to.

The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The amendment was rejected.

Mr. BRADLEY of Pennsylvania. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BRADLEY of Pennsylvania: On page 2, line 9, after the word "administration", strike out "other than those relating to selections, tenure of office, and compensation of personnel" and insert "including a civil-service merit system for employees, who shall be dismissed for cause only, and who shall have the right of appeal to the court or courts having jurisdiction in their respective States: *Provided also*, That in the event of a necessary curtailment of personnel no new employees shall be engaged in a similar classification until after those dismissed under such curtailment order shall be restored to duty, or shall have, in writing, declined such reinstatement."

Mr. BRADLEY of Pennsylvania. Mr. Chairman, when this Congress enacted the social-security law it inaugurated a great humanitarian experiment. I think everyone concedes that that legislation and this new legislation are desirable, but I feel that every man in this House should wish to place safeguards around the administration of such legislation, not only by the Federal Government but by the States, to the end that we will have an efficient and a just administration of the law.

We have heard on the floor of the House many statements regarding the introduction of politics into the administration of the W. P. A. We know that throughout the country in the local administrative forces there has been politics with regard to relief. I think these men and women who receive old-age pensions should be absolutely safeguarded so that they may not be submitted to exploitation on the part of any political machine, no matter of what party.

The Federal Government has established civil service for the employees engaged under the Federal Government. There may be those who say we have no right to interfere with the machinery of the States, but, after all, the Federal Government is contributing up to $20 for every grant that is made by every State and if we do not establish the most rigid safeguards, sooner or later, regardless of what the political aspect may be in any State, we are going to see investigators and supervisors actively engaged in politics, and the social security legislation is going to be brought into discredit.

I hope that everyone who is sincerely interested in the matter of old-age pensions and social security will support this amendment so that we can be sure that the Congress of the United States has provided safeguards, not only in Federal administration, but in the States, because that is where you probably will need it more than you do here in Washington, and I hope the committee will support this amendment to insure an efficient civil service administration that will be free of politics no matter who might wish to bring pressure.

Mr. RAMSPECK. Mr. Chairman, will the gentleman yield?

Mr. BRADLEY of Pennsylvania. I shall be pleased to yield to the gentleman.

Mr. RAMSPECK. I may say to the gentleman that I think his amendment is very fine. We know that in the State of Kentucky last year and in the gentleman's own State and in the State of Ohio, as well as in many other States, these employees were used by State political machines, and we ought to prohibit that, because we are paying part of the cost and we ought to make the States put them under a merit system.

Mr. BRADLEY of Pennsylvania. I thank the gentleman from Georgia and I am very glad he has made that statement, because I know that everyone in this House knows that, above all others, he is sincerely interested in the civil-service system, and when he feels that this is a desirable amendment I think that should create a good impression upon the other members of the committee. [Applause.]

Mr. COOPER. Mr. Chairman, I am going to take just a moment or two to speak in opposition to the pending amendment.

This matter was thoroughly considered by your committee, not only during the consideration of the pending bill but in 1935, during the consideration of the present act. All in the world this means is that the Federal Government will say to the sovereign States of this Union whom they have to employ under their State program. As long as the States put up half of the money to provide these benefits and this assistance, they certainly should have a right to select the personnel and to handle the program in those States.

Mr. RAMSPECK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman.

Mr. RAMSPECK. I know the gentleman does not want to wrongly state the amendment. It does not interfere with the right of the State to select the persons, but simply provides that they must be selected under a system of merit rather than political patronage.

Mr. COOPER. Certainly, the Federal Government says the State may select its personnel, but the State has to select it under a system prescribed or approved by the Federal Government. So what difference or distinction is there in the matter?

This amendment was voted down unanimously by the committee by members on both sides of the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. BRADLEY].

The amendment was rejected.

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: On page 2, line 20, after the word "assistance", insert "*Provided*, That whenever such other cash income is less than $360 per year, such fact shall be prima facie proof of need."

Mr. VOORHIS of California. Mr. Chairman, the purpose of this amendment is to take a step in the direction of making it possible for such pensions as are paid under this act to be paid to people without compelling those people to go through a virtual pauperism test in order to qualify. In effect the amendment says that if an individual's cash income is less than $360 a year, which certainly is little enough, then that person shall be deemed by the State agency to be eligible.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes.

Mr. BUCK. This provides that if an individual has less than $360 a year income he shall be eligible?

Mr. VOORHIS of California. Yes.

Mr. BUCK. Suppose he owns $100,000 worth of land from which he does not get any income at all.

Mr. VOORHIS of California. If he has no income, he would not be in very good shape would he? This amendment does not say that the State must under all circumstances make payment to an individual under those circumstances, but it does say that if that person is in receipt of less than $360 income in a year that shall be regarded as prima facie evidence of eligibility on the part of that person. That means really and practically, without quibbling, that a person is not going to be compelled to give a lien on a little home to the county before he can qualify. It means that his sons and daughters, as pointed out previously by the gentleman from Illinois, are not going to be compelled to make a contribution, when they themselves are hard pressed, to the support of this particular individual. It means, in other words, that we are taking a step in the direction of making this what we claim it to be, namely, a payment made because it ought to be made and without the humiliating experience through which people now in many cases are compelled to go.

I feel very strongly on this point because of the experiences that we have had in our own State and in my own congressional district. I feel strongly on it because of what I know

has happened in so many cases. For example, I could point to cases where a man and wife, both together, each of whom draws a full pension, are living next door to a person who is holding onto a little home, but who has to give a lien against that home before he can qualify. My State tried to correct that particular situation and now permits real property up to $3,000, I believe, to be owned by an individual without his being made ineligible; but it left a loophole, and that loophole was that it was provided that anybody who was a relative of an individual past 65 might be held responsible for their support, and through that method it has been possible for the same injustice to take place as between two individuals, one of whom receives the pension, while the other is denied on the ground that he has, for illustration, a son in Montana, with four or five children, making a very meager income, who can be asked to contribute——

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes.

Mr. POAGE. My State has corrected that, but if this bill goes through without the gentleman's amendment I am sure all the efforts of our legislatures will go for nothing.

Mr. VOORHIS of California. I think it will. In regard to people in receipt of payments under title II, it seems to me that if those same people will become eligible to payments under title II in 1940 it is all the more necessary for an amendment of this kind to be adopted. I do not believe that the members of the Ways and Means Committee themselves would want to see a person who had contributed under title II and was getting payment as a result of those contributions receive less than a person who had not contributed and who was receiving old-age assistance. Under this amendment that would be corrected, at least to a certain extent; and if the person received, say, $10 under title II, he would not thereby be disbarred, as they might well be now under certain State laws, from the receipt of any other further consideration under title I.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. BUCK. Mr. Chairman, I move that all debate upon the pending amendment be now closed.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The question was taken; and on a division (demanded by Mr. VOORHIS of California) there were—ayes 58, noes 109.

So the amendment was rejected.

Mr. TAYLOR of Tennessee. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TAYLOR of Tennessee: On page 3, line 18, after the word "purpose", strike out the period, insert a colon and the following: "*Provided*, That no State will require any beneficiary under this section as a condition precedent, to convey by deed or otherwise, any property said recipient may possess."

Mr. TAYLOR of Tennessee. Mr. Chairman, I recognize that up until now this afternoon this Committee has had open season on amendments, but I believe this amendment possesses such outstanding merit that the majority of this body will support it.

In a number of the States, not in all of them by any means, before an old person is granted old-age assistance he is required to convey to the State whatever property he may possess, regardless of the insignificance of the value of such property. That proved to be a very serious deterrent to the old people. I know in my State it has been a deterrent to applicants for old-age assistance. When they come before the welfare board and find that before they can be considered for old-age assistance they must give a lien on the property or convey by deed their little home, in many instances a little hovel with an acre of garden, they simply walk away.

Mr. Chairman, I think it is beneath the dignity of a sovereign State to require, as a condition precedent, that those little homes, those little tracts of land that are worth from $100 to $200, should be conveyed to the State before application for old-age assistance will be granted.

Mr. LEAVY. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. LEAVY. I am in full accord with what the gentleman has said. To show you how varying the States are now, and how unfair it is, I have the figures for the various States. Twenty-seven States have no provision for recovery; 9 States have permissible recovery; and 15 States absolutely require a recovery.

Mr. TAYLOR of Tennessee. That is merely an argument in support of the amendment which I have offered.

Mr. LEAVY. Your amendment would put an end to this sort of thing?

Mr. TAYLOR of Tennessee. It would put an end to that sort of racket.

Mr. PITTENGER. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. PITTENGER. Is your amendment retroactive? In Minnesota they have a law that puts a lien on the homestead now.

Mr. TAYLOR of Tennessee. I think, if my amendment is adopted, it would cancel all of the liens that have been given as a condition for the granting of old-age assistance.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. STEFAN. I am in full accord with your amendment. You will recall that yesterday I asked the chairman of the committee the question whether or not we could do anything to eliminate that terrible situation where an old man or an old lady had a little home and they could not get a pension unless they gave a lien on that little home to the State, but our chairman of our committee tells us we cannot do anything about it; that that is a matter for the States to determine.

Mr. TAYLOR of Tennessee. We certainly can legislate.

Mr. STEFAN. I am going to vote for your amendment.

Mr. TAYLOR of Tennessee. I appreciate the support of the gentleman.

I want to conclude, Mr. Chairman, by saying that I think it is a melancholy commentary that a sovereign State, before it will grant this old-age aid to indigent persons, must require the conveyance of a little home, in many instances perhaps not worth more than $50 or $75. But those old people have a sentimental attachment to their homes, and before they will comply with any such requirement they will walk away and refuse to pursue their application.

Mr. COOPER. Will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. COOPER. Is that not a much more pertinent question to ask in the State legislature than it is here?

Mr. TAYLOR of Tennessee. Well, I think we ought to do it here. We have an opportunity to do it now. It is a matter that ought not be referred to the States.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. BUCK. Suppose we adopt your amendment and the State could not obtain a lien on the property, then would not the State pass a law saying that those people are not needy, and they never would get any relief?

Mr. TAYLOR of Tennessee. But they get no income whatever from these little homes.

Mr. BUCK. But you would not accomplish the purpose you are aiming at, in my opinion.

Mr. TAYLOR of Tennessee. If you will adopt my amendment, I will take the consequences.

Mr. MILLS of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. MILLS of Louisiana. Will it not make the old people more content if your amendment is adopted?

Mr. TAYLOR of Tennessee. Of course. Naturally, the States would not grant pensions to people who have homes in the nature of mansions. It is only the small homes of practically no value that such an amendment as mine would cover. [Applause.]

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the amendment.

The amendment of the gentleman from Tennessee has a very sentimental appeal. The gentleman says it is a "melancholy commentary" upon a State that would do that. Well, I do not want to characterize the great sovereign State of Tennessee as doing something on this occasion which constitutes "a melancholy commentary," but I will agree with the gentleman that I would dislike very much to see such a condition existing in Massachusetts. But we are sitting here as Members of the Congress of the United States. My friend from Tennessee is in effect asking us as Members of Congress to compel his State to do something that his State legislature will not do. His job rests with Tennessee, as I see it, and not with the Congress of the United States.

Mr. TAYLOR of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield gladly.

Mr. TAYLOR of Tennessee. I have repeatedly appealed to the Legislature of Tennessee to repeal this requirement. I will say to the gentleman that as a Tennessean I am sorry that my State has written into its laws, in pursuance of this act of Congress, any such unfortunate provision as that.

Mr. McCORMACK. Will not my friend admit that it is a Tennessee problem?

Mr. TAYLOR of Tennessee. No; I think it is not.

Mr. McCORMACK. Let us keep in mind the fact, Mr. Chairman, that we have tried to make this law as broad as possible, giving to the States as broad jurisdiction as it is possible to give them to meet the old-age problem payable out of public funds in accordance with their own State conditions. If we start putting this condition in and that condition in, there is no reason in the world why we should not put in every condition that is not attractive or agreeable to every Member of Congress from every one of the 48 States of the Union. I join with my friend in his opinion that the Tennessee law should be changed, but I submit in all reason that we should not change the Tennessee law, or the Massachusetts law, or the New York law, or the Alabama law in Congress; this should be done by the legislatures of the respective States; it is a matter for the several States. My friend should go into Tennessee and mold public opinion, because public opinion is the controlling factor in a democracy.

Mr. TAYLOR of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield. I would not oppose the gentleman's amendment if I were a member of the Tennessee Legislature, and if a bill along the lines he desired was pending before that body.

Mr. TAYLOR of Tennessee. I do not see how the gentleman can vote against my amendment after the eloquent appeal he has made in behalf of States' rights.

Mr. McCORMACK. As a Member of Congress, I say it is wrong for Congress to put into this law a basic requirement simply to meet a situation which exists in Tennessee. That is a question for the State of Tennessee to solve through its legislature. The Legislature of Tennessee should meet the problem instead of passing the buck to the Congress of the United States. [Applause.]

[Here the gavel fell.]

Mr. JONES of Ohio. Mr. Chairman, I had prepared an amendment similar to the one offered by the gentleman from Tennessee now under consideration. I rise in support of the amendment of the gentleman from Tennessee because I know that the time is about to be limited for further amendments to title I of the bill. My amendment addresses itself to the same evil that the amendment under consideration attempts to meet.

The amendment I have prepared is as follows:

Page 2, line 20, after semicolon, strike out the word "and", and on line 24, after the word "assistance", strike out the period and quotation marks and insert a semicolon and the following:

and (9) provide that the State, after January 1, 1940, for assistance furnished him under the plan, shall not require security, pledge, or encumbrance by mortgage, trust deed, or deposit of recipient's personal or real property for the repayment of any amounts for old-age assistance.

Briefly, the effect of my amendment would change the claim of the State and the Federal Government from a secured lien mortgage, or pledge upon the property of the old-age pensioner to a general claim against his estate.

The gentleman from Massachusetts has just said that the amendment attempts to direct the way the State shall legislate. In answer to his argument I believe the Federal Government owes a definite responsibility to all of the States because the Federal Government gave birth to this legislation, and in paragraph 7 of the original act I quote:

That if the State or any of its political subdivisions collects from the estate of a recipient of old-age assistance any amount with respect to the old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States."

We have given birth to the thought, and we have accepted from the respective States one-half of the moneys collected from the estates of old-age recipients.

Let us examine the figures for the State of Ohio. Since February 11, 1936, $36,648,000 has been paid by the Federal Government to the State of Ohio. During the same term the State of Ohio has paid to the Federal Government the sum of $135,629 as the Federal Government's share of moneys realized from the estates of old-age recipients. One hundred thirty-five thousand six hundred and twenty-nine dollars is one-half of the net amount collected from the estates of old-age pensioners out of the proceeds of their life-insurance policies, bank deposits, and homesteads. The State has realized a net of an equal $135,629. The Federal $135,629 and the State $135,629 gives us a total net sum of $271,258. This is the net amount after court costs, receivers' fees, trustees' fees, and attorneys' fees have been deducted from the gross proceeds of the sale price of old-age pensioners' estates.

I am sure if we knew the total gross sale price of the properties of the old-age pensioners, there would not be one vote cast against this amendment. I am sure if we knew the total gross proceeds of old-age pensioners' estates before attorneys' fees, court costs, receivers' fees, and trustees' fees are deducted to give us the net amount collected, we would never let another day pass until we had enacted this amendment.

One hundred and thirty-five thousand six hundred and twenty-nine dollars recovered in comparison to $36,648,000 paid to my State in old-age pensions in itself shows that the law is of no real benefit to the Government.

The States and the Federal Government can save these attorneys' fees, court costs, receivers' fees, and trustees' fees by passing this amendment and leaving the matter up to the States to legislate on the subject whether they will make the claim for old-age assistance a general claim against the estates of old-age recipients, or completely forbear any recovery for amounts advanced.

So long as the Federal Government encourages the States to put a lien upon the property of old-age recipients by accepting one-half of the net collected from their estates, just that long will old-age pensioners be compelled to give a blanket mortgage, a trust deed, or pledge of every bit of property that they own before they can get their pension. Many of these people have worked all of their lives to complete a contract of purchase of a homestead, or to pay out a small life-insurance policy, only to find when they reach the age of 65 without funds through no fault of their own perhaps, that the arm of their State says, "Before we will give you a pension you must give a mortgage on your property, deliver your insurance policy to secure the State and the Federal Government." Were the mortgage only for $30 or $20 or $10, whatever the pension is for 1 month, and the average in my State is $22 a month, giving a mortgage or delivering an insurance policy would not be so serious, but when an old-age pensioner gives a trust deed or delivers an insurance policy, he parts with a possession for future installments so long as he lives.

You can say to me that the State does not touch the old-age pensioner's property until he is dead, but the effect is just the same as if it were sold at the moment the mortgage was given, or the possession of the policy was parted with. From a practical standpoint a cloud is on the title to the homestead, indefinite in amount because the grocer,

the doctor, the hospital, the druggist does not know any more than you and I how long the old-age pensioner will live, and from the moment that the trust deed is delivered and the policy surrendered the old-age pensioner's credit is seriously harmed or completely gone.

No wonder there is dissatisfaction among the old people when they are compelled to part with their dearest possessions in order to receive a sum of money each month that will not keep and maintain them. When sickness strikes, when ill-health raps at the door, when a severe winter comes, when the roof leaks overhead, when clothing and shoes wear out, when teeth need fixing, and eyes fail, it is then that a clear title to a little home, possession of a small insurance policy would give more mental health to our dear friends on the pension rolls, who deserve your consideration and mine, than any empty promises in the future.

Do you want to enact a law that will make it possible for old-age pensioners to maintain their self-respect and self-reliance by handling their own property in their last days? They deserve a better answer from this Government who fathered this alleged humanitarian legislation, than the direction to go to the county pension director.

Somebody has suggested that this would give children an opportunity to avoid their obligation to the parents and later reap the benefit. That observation is made without consideration to this amendment, or the amendment that I have drafted, because the general creditor of an estate stands between the unfaithful son and daughter and his or her inheritance.

I urge that all of you support the amendment of the gentleman from Tennessee to give mental hope and a small portion of the more abundant life which this humanitarian law was recommended to be when passed. Remove the cloud on the title of the pensioners' properties, turn from the doors of these old-age pensioners those who would collect trustees' fees, attorneys' fees, court costs, and receivers' fees, because this group of people are the least able to pay them. Let the States collect, if they will, as general creditors for amounts advanced under this law.

Let us put the defenseless widow and her claim for widow's allowance and year's support and other exemptions ahead of the trustee, the receiver, and the foreclosure suit.

Mr. DOUGHTON. Mr. Chairman, I move that all debate on the pending amendment and all amendments to this title do now close.

The question was taken; and on a division (demanded by Mr. SCHAFER of Wisconsin) there were—ayes 102, noes 35.

So the motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee.

The question was taken; and on a division (demanded by Mr. TAYLOR of Tennessee) there were—ayes 42, noes 91.

So the amendment was rejected.

Mr. MAAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MAAS: On page 3, line 9, after the word "to", strike out "one-half" and insert "two-thirds for each one-third paid by any State, not to exceed $30, to be paid by the Federal Government"; line 13, after the word "institution", insert a period and strike out the comma and the words "not count-"; on line 14, strike out all the words; on line 15, strike out the words "individual for any month as exceeds $40, and" and add *"Provided, however,* That the total payment to any couple shall not exceed $75 in any one month."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The amendment was rejected.

Mr. MAAS. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD and to include a table of payments in the various States.

The CHAIRMAN. The gentleman's request for inclusion of the table referred to will have to be secured in the House. Without objection, the gentleman's request to extend his own remarks in the RECORD at this point will be granted.

There was no objection.

Mr. MAAS. Mr. Chairman, this amendment provides that the Federal Government shall match State funds for old-age assistance on the basis of two dollars for one, up to a total of $30 for the Federal Government contribution. This would make possible a payment of $45 a month as the maximum, as against the present $30 or the $40 proposed in the committee bill. The committee proposal is really useless, because $15 is the practical limit that States can afford to contribute. Only about seven or eight States are now paying even the full $15. The average for both State and Federal contributions is about $19. In Minnesota, where $15 can be paid, very few get the full amount. The average total there is about $20 per month.

This is not security for old age, nor will it induce the older employed people to retire and make way for younger people to get their jobs.

Yet only seven States and Alaska could take advantage of the $20 proposal, because the rest of the States cannot contribute over $15, and therefore the increase could not be matched. In reality the committee bill's so-called increase is no increase at all, since practically no States can obtain it; certainly not until their legislatures meet again and increase the various States' limits.

My amendment will make it possible to increase the old-age assistance in every State without any change in State laws anywhere.

The 2-for-1 proposal will make possible a practical and reasonable old-age payment which would provide security and would permit older employed people to give up their jobs. This would create a considerable relief in the unemployment situation for younger workers.

Incomes are on a national basis today. They are no longer local. The local communities are drained financially into a few large centers. Therefore the Federal Government should and must contribute on the basis of 2 to 1.

It is possible to live upon $45 per month, where it is not upon $30. A couple could draw up to $90, where the State took full advantage of the maximum.

We must either have a reasonable old-age assistance system or none.

We have voted large increases for the Army and Navy. They are essential for national defense. Congress voted hundreds of millions for farm parity. We must also vote adequate pensions to the older people.

This does not mean fantastic schemes, but my proposal is a sound, liberal, workable plan.

I am attaching hereto a list showing payments made in each State under the present social-security system and payments which automatically would be made under my plan:

Maximum amount authorized	Average amount being paid at present	Average amount under my amendment	States affected by $5 increase, committee bill
Alabama, $30	$9.51	$14.26	
Arizona, $30	26.10	39.15	
Arkansas, no limit	6.15	9.23	
California, $35	32.53	47.53	California.
Colorado, $45	29.99	44.99	Colorado.
Connecticut, $7 per week	26.66	39.99	
Delaware, $25	10.84	16.26	
Florida, $30	13.84	20.76	
Georgia, $30	8.76	13.24	
Idaho, $30	21.75	32.63	
Illinois, $30	18.52	27.78	
Indiana, $30	16.53	24.80	
Iowa, $25	19.82	29.73	
Kansas, no limit	19.62	29.43	Kansas.
Kentucky, $15	8.73	13.10	
Louisiana, no limit	10.26	15.39	Louisiana.
Maine, $30	20.71	31.09	
Maryland, $30	17.51	26.27	
Massachusetts, $30	28.56	42.84	
Michigan, $30	17.11	25.67	
Minnesota, $30	20.32	30.48	
Mississippi, $15	6.92	10.88	
Missouri, $30	18.48	27.72	
Montana, no limit	20.58	30.87	Montana.
Nebraska, $30	17.12	25.68	
Nevada, $30	26.46	39.69	
New Hampshire, $30	23.08	34.62	

Maximum amount authorized	Average amount being paid at present	Average amount under my amendment	States affected by $5 increase, committee bill
New Jersey, $30	$19.32	$28.98	
New Mexico, no limit	11.15	16.73	New Mexico.
New York, no limit	24.18	36.29	New York.
North Carolina, $30	9.36	14.04	
North Dakota, $30	17.38	26.09	
Ohio, $30	23.01	34.52	
Oklahoma, $30	19.94	29.91	
Oregon, $30	21.30	32.95	
Pennsylvania, $30	21.19	31.78	
Rhode Island, $30	18.78	28.17	
South Carolina, $240 per year	7.40	11.10	
South Dakota, $30	20.04	30.06	
Tennessee, $25	13.23	19.85	
Texas, $30	13.84	20.76	
Utah, $30	20.45	30.68	
Vermont, $30	14.47	21.71	
Virginia, $20	9.54	14.31	
Washington, $30	22.10	33.15	
West Virginia, $30	13.79	20.68	
Wisconsin, $1 per day	20.78	31.17	
Wyoming, $30	21.62	32.43	
Alaska, $45	27.51	41.26	Alaska.

8 States less than $10 per month, 8 States pay between $10 and $15, 12 States pay between $15 and $20, 14 States pay between $20 and $25, 6 States pay between $25 and $30, 1 State pays over $30, which is California. Largest average amount of $32.53.

Mr. HOOK. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HOOK: On page 3, in line 9, after the comma, insert "equal to $15 per month to each individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, and in addition thereto an amount."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. HOOK].

The amendment was rejected.

Mr. PITTENGER. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. PITTENGER: On page 3, line 12, strike out the word "sixty-five" and insert in lieu thereof "sixty."

On line 13, after the word "institution", strike out the comma and the words "not counting" and insert in lieu thereof a period and the words "Any married person having title under this section and the wife not having title the rate shall be increased 50 percent more than that of a single person, with an additional 10 percent of the base pension for each minor child not self-supporting."

On line 14, strike out all the language, and on line 15 strike out the following language: "individual for any amount as exceeds $40 and."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. PITTENGER].

The amendment was rejected.

Mr. PITTENGER. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota [Mr. PITTENGER]?

There was no objection.

Mr. PITTENGER. Mr. Chairman, the amendment that I have offered in connection with the pending bill, H. R. 6635, ought to be adopted because the amendment will strengthen the bill and make it more fair to people entitled to old-age assistance. The amendment makes people at the age of 60 years entitled to the benefits of the act. The present law requires a person to attain the age of 65 before becoming eligible for old-age assistance. I think the age limit should be lowered.

Then the amendment further provides that a married man, whose wife is not entitled to the benefits of the act, shall receive 50 percent more than a single person, and in addition 10 percent of his base pension for every minor child not self-supporting. It ought to require no argument to convince you that a married man should receive more than a single person, and this amendment would provide for that result.

Several other worth-while amendments have been offered today. I refer, for example, to the amendment by the gentleman from Tennessee [Mr. TAYLOR], which would forbid the States from putting liens upon the homesteads of aged persons who apply for assistance. That amendment should have been adopted. Likewise, other amendments should have had favorable consideration. Evidently those in control of this pending legislation do not want any amendments. I think that is a mistaken viewpoint.

I want to say to the Members of the House that the present social-security law is wholly inadequate, and in my opinion it is not working out satisfactorily. I believe that old-age assistance should be national and uniform in its scope. The present act is neither. The debate on the floor of the House today indicates clearly that in some States proper legislation is enacted so that the State set-up makes certain grants and these, of course, are matched by Federal contributions. On the other hand, some States fail to set up the necessary machinery or to make proper appropriations of money so as to get Federal aid.

I want to be fair, and I will admit that the present bill does liberalize the existing law. But it does not go far enough. It leaves too much discretion to the various States. If the States do not take advantage of the Federal law, then the aged people who need assistance will have to suffer.

The people who framed the original social-security law were well intentioned, but I do not believe that they realized that this was a national problem, and not one for solution by the States. I do not think old-age pensions should be based on State lines. Neither do I think that the States should be made the basis for determining the revenue or the disbursements to be made to those entitled to a pension.

I speak from observation when I say that in my district the payments are inadequate, and that there is real distress in spite of the small help that comes from the revenue provided by the present law.

I hope that the Ways and Means Committee will look with favor upon the amendment that I have proposed, as well as upon other worth-while amendments that have for their purpose the liberalization of the present bill to the end that the aged people of the United States may be given adequate assistance.

Mr. THILL. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. THILL: Page 3, line 15, after "exceeds", strike out "$40" and insert "$60."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. THILL].

The question was taken; and on a division (demanded by Mr. SCHAFER of Wisconsin) there were—ayes 13, noes 81.

So the amendment was rejected.

Mr. THILL. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin [Mr. THILL]?

There was no objection.

Mr. THILL. Mr. Chairman, debates and arguments have continued for some time on this section of the bill. My amendment simply provides for increasing the total amount of old-age assistance benefits from $30 to $60 per month. Some say that this amendment is innocuous; others contend that the adoption of my amendment will be an inducement to the States to take advantage of the greater financial aid to be provided by the Federal Government.

Many needy aged cannot possibly live decently on $30 a month. It is altogether proper and fitting that we take care of our old people and keep them in some semblance of comfort, providing them with needed food, clothing, and shelter.

It has been estimated that an increase in old-age assistance grants from $30 to $40 per month will cost between $5,000,000 and $10,000,000. Increasing the grants from $30 to $60 per month will, according to the estimates, cost less than $30,000,000. How can anyone interested in the plight of our old people have any objection to this amendment?

Mr. HOOK. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HOOK: On page 2, in line 8, after the semicolon, strike out all down to and including the semicolon in line 12 and insert "(5) Provide such methods of administration as are found by the Board to be necessary for the efficient

operation of the plan: *Provided, however,* That the selection, tenure of office, and compensation of personnel shall be approved by the Board."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. HOOK].

The amendment was rejected.

Mr. GEYER of California. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. GEYER of California: On page 3, line 12, strike out the words "sixty-five" and all the remainder of the paragraph, down to and including line 18 on the same page, and in lieu thereof insert the following: "60 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $60, except that such amount shall equal at least $15 for each month during such quarter with respect to each such individual receiving not less than $22.50 during such month, and (2) 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. GEYER].

The amendment was rejected.

Mr. GEYER of California. Mr. Chairman, I have but 5 minutes. These amendments would lower the age of the recipient from 65 to 60. Surely those of 60 who have been thrown on the scrap heap are entitled to care as a matter of right. I wish I had time to develop this point.

The plan I propose also allows the Federal Government to match the State below $7.50, but, above that, up to $15 contribution by the State, the Federal Government will contribute $15. This would allow the poor State, on paying $7.50, to get a pension of $22.50. Surely this is not too much.

This amendment also allows the State to contribute, if it cares to, $30, which the Federal Government will match, allowing the recipient to receive "60 at 60." Above that amount of $60 per month the State alone must pay the excess.

I am proud to offer this amendment. I am anxious to care for our senior citizens.

Some will say, "Where are we going to get the money?" To this I answer: The same place we get the money for battleships with which to destroy lives we will get the money to save precious lives. It will cost about the same amount as one of these giant instruments of death. This bill that we are considering allows my State but $5 more per month and keeps the age at 65 without my amendment. Of course, I will vote for this pittance, but I hope my amendment will pass, making our old-age feature of the Social Security Act really much better rather than a mockery.

Mr. HOBBS. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HOBBS: Page 3, line 15, after "(2)", insert "to each such State in which the total old-age assistance paid each recipient for any quarter heretofore did not exceed $30, a second or additional amount, which shall be used exclusively as old-age assistance, equal to one-half of such total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution; and (3)."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Alabama [Mr. HOBBS].

The amendment was rejected.

Mr. HOBBS. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama [Mr. HOBBS]?

There was no objection.

Mr. HOBBS. Mr. Chairman, this amendment will, if adopted, be of benefit to eight States only. Those prospective beneficiaries are North Carolina, Virginia, Kentucky, Alabama, Georgia, Mississippi, South Carolina, and Arkansas.

The reason upon which this proposal is based was set forth as best I could in the limited time allowed me in the general debate last Tuesday. It is, simply, the story of the widow's mite. They have each done their best, and, out of their meager revenues, have appropriated every cent they could, but still their needy aged eligibles have received as a monthly pension less than $10.

The President, the Social Security Board, and the Ways and Means Committee have repeatedly said that the minimum pension should be $15 a month.

Try to live on $15 a month and see if you think that too much.

Yet not one of these States has been able to reach even $10.

These States have strained themselves and exhausted every means at their command. The Social Security Board knows that this is true. Is it too much to ask of Uncle Sam, who created the hope and urged its reasonableness, that he help to satisfy that hope? His nieces and nephews live in these eight States as well as in the richer Commonwealths.

Two dollars of Federal money for every one of the first $5 paid by any one of these eight States will assure a pension of $15 a month, approximately.

This House has said by its vote on other amendments today that we should not do much more. Should we do nothing?

May I not plead with you to rise at least to this level of unselfishness and give the aged poor in these eight States these crumbs which should be allowed to fall from the Nation's table?

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. FISH: On page 3, strike out lines 3 to 18 and insert in lieu thereof the following:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the amounts expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution:

"(A) Five-eights of such expenditures, not counting so much thereof with respect to any individual for any month as exceeds $15, plus

"(B) One-half of the amount by which such expenditures exceed the amount which may be counted under paragraph (A), not counting so much thereof with respect to any individual for any month as exceeds $40, plus

"(2) Five percent of the amount of the payment under clause (1) of this subsection, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

On page 4, line 6, strike out "one-half" and insert in lieu thereof "the State's proportionate share."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. FISH].

The question was taken; and on a division (demanded by Mr. FISH) there were—ayes 21, noes 87.

So the amendment was rejected.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SCHAFER of Wisconsin: Page 3, line 15, strike out "$40" and insert "$75."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken; and on a division (demanded by Mr. THILL) there were—ayes 10, noes 117.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

"SEC. 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 Survivor Insurance Trust Fund' (hereinafter in this title called the 'trust fund'). The 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 trust fund, and, in addition, such amounts as may be appropriated to the trust fund as hereinafter provided. There is hereby appropriated to the trust fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 percent of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivor Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the trust fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the trust fund during the preceding fiscal year and on its expected operation and status during the next ensuing 5 fiscal years;

"(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the trust fund is unduly small."

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the trust fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the trust fund during each of the next ensuing 5 fiscal years, and a statement of the actuarial status of the trust fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the trust fund 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 special obligations exclusively to the trust fund. Such special obligations shall 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 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 percent, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 percent next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the trust fund (except special obligations issued exclusively to the trust fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the trust fund shall be credited to and form a part of the trust fund.

"(f) The Managing Trustee is directed to pay each month from the trust fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of title II and title VIII of this act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the trust fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

"Primary insurance benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of 65, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's insurance benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of 65, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's insurance benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of 18.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's insurance benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of 65, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's current insurance benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance benefits and ending with the month immediately preceding the first month

in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's insurance benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of 18, if such parent (A) has attained the age of 65, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within 2 years of such date of death, (C) has not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: Such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(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 16, or an adopting parent by whom an individual was adopted before he attained the age of 16.

"Lump-sum death payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 2 years after the date of death of such individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsections (b), (c), (d), (e), or (f) for any month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 percent of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount.

"(b) Whenever the benefit or total of benefits under section 202 (or as reduced under subsection (a)), payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit shall be proportionately decreased or increased, as the case may be.

"(d) Deductions shall be made from any payment under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under 18 and over 16 years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event occurs in any 1 month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted.

"(g) Any individual whose benefits are subject to deduction under subsection (d) or (e), because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and re-

ceive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made prior to the expiration of such fourth year, or within 60 days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

"(e) In the case of contumacy by, or refusal to obey a subpena 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 Board, 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 subpenaed 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 Board 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 60 days after the mailing to him of notice of such decision or within such further time as the Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence, if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to 3 months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board 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 Board, 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 1 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, 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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than 1 year, or both.

"DEFINITIONS

"SEC. 209. When used in this title--

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(4) Dismissal payments which the employer is not legally required to make; or

"(5) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to such date (except service performed by an individual after he attained the age of 65), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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 4-years' course in a medical school chartered or approved pursuant to State law.

"(c) 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 31 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 percent of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 percent of $50, plus 10 percent of the amount by which such average monthly wage exceeds $50, and

"(2) an amount equal to 1 percent of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by 12 times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of 22 during which he was paid less than $200 of wages; but in no case shall such total wages be divided by a number less than 36.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age 65 prior to 1940, and

"(B) he has not less than 2 years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–45, inclusive, he attained the age of 65 or died before attaining such age, and

"(B) he had not less than 1 year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of 65 or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than 1 year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of 21, whichever year is later, and up to and including the year in which he attained the age of 65 or died, whichever first occurred, plus an additional year of coverage, and in no case had less than 5 years of coverage; or

"(4) he had at least 15 years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than 6 of the 12 calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of 60.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died.

"(l) 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

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

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

Mr. DOUGHTON (interrupting the reading of title II). Mr. Chairman, I ask unanimous consent that the further reading of this title be dispensed with.

Mr. TREADWAY. Reserving the right to object, Mr. Chairman, this will not preclude anyone from offering an amendment to this title?

Mr. DOUGHTON. No; not at all.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. HAVENNER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 36, line 13, strike out beginning with the comma after the word "home" down through the word "sorority" in line 15.

Mr. HAVENNER. Mr. Chairman, this is one of a series of amendments to the pending bill which have been proposed by the American Federation of Labor in the belief that the coverage of old-age benefits and unemployment compensation should be extended rather than limited, as is the case in certain sections of the bill now before us.

The American Federation of Labor, in common with all other advocates of adequate social security in America, is convinced that certain provisions of this bill, which at first glance might appear relatively unimportant, as a matter of fact constitute a grave threat to the preservation of our newly established American system of social security.

We are apprehensive, in other words, that the exclusion of certain workers provided for by this bill is the first thrust of the camel's nose under the tent of social-security coverage which may eventually topple over that vitally important social structure.

In this belief we have the unqualified support of the Advisory Council on Social Security, a body of experts representing labor, employers, and the public, appointed by the United States Senate to study the advisability of amending the Social Security Act. In its report to the Senate, of December last, the Advisory Council urged in the strongest terms that the coverage of social-security benefits be extended and not diminished, and emphasized the fact that the Social Security Act was written primarily for the protection of the workers of America.

One of the effects of the definitions in sections 209, 1426, and 1607 is to exclude from coverage domestic workers employed in a local college club, or a local chapter of a fraternity or sorority. The amendment which I have submitted strikes

out these exemptions, but leaves domestic service in a private home still exempt.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. HAVENNER. I would prefer to complete my statement before yielding.

Mr. BUCK. I would like to know just how far the gentleman's amendment goes. I did not hear it read; I am very sorry.

Mr. HAVENNER. It merely strikes out everything in that exemption following the word "home."

Mr. BUCK. Is that subdivision (2)?

Mr. HAVENNER. It is on page 36, line 13. I am not sure about the number of the subdivision.

Mr. BUCK. I thank the gentleman. I wanted to find out what the gentleman is offering.

Mr. HAVENNER. I have been a member of a college fraternity for 35 years and am very much devoted to its ideals and associations, but I can think of no good reason why a domestic worker who earns his living as a cook, waiter, or house boy in a fraternity house should be deprived of the social-security credits to which he would be entitled if he were employed in a similar capacity in a hotel or public boarding house.

The persons who work for college clubs, fraternal and benefit associations, and students who work for schools or colleges while they are in attendance at such institutions should, even though their earnings are small and the employing unit not a profit-making organization, be entitled to the security of old age and unemployment insurance provided they meet the general eligibility tests established in respect to their total earnings or period of work and length of time employed. Each year of a person's working life should help contribute to the security of his old age. Coverage of the act when changed should be toward a larger inclusion. No backward steps should be taken which reduce the number of persons entitled to security.

The purpose of this amendment is to keep under the provisions of the Social Security Act workers who are now covered and who would be excluded under the provisions of this bill. Workers who have already contributed from their salaries for old-age insurance would hereafter be excluded under those provisions and would lose the security they had begun to build up.

If this amendment is adopted, as in justice to a large number of employees throughout the country I believe it should be, I shall offer a similar amendment to section 1426 and section 1607 so that the same exemptions may be stricken out of those sections.

I urge all those who are interested in preserving the integrity of our new social-security program for the benefit of our American workers to support this amendment. Its defeat would mean an initial encroachment upon the scope of social-security coverage in America, which we have fought so hard to establish. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I rise in opposition to the amendment.

If I understand the amendment offered by the gentleman from California, on page 36, he is referring to employment in a local college club or a local chapter of a college fraternity or sorority. He wants that item stricken out of the bill.

We had extensive hearings, Mr. Chairman, on the subject of employment of college students. It was the unanimous view at the hearings before the Committee on Ways and Means and of the committee itself that fraternity employment should be excluded from coverage under the Social Security Act. Under existing law there is a distinction between the employment of college students by the college, which was exempt, and employment by a fraternity, which was included. The idea of the committee was simply to put them on an equal basis. I believe it would be very detrimental to the well-being of college students and college fraternities if this subdivision were stricken out.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. McCORMACK. One of the main and compelling reasons was that most of these boys are working to get an education. If they cannot get work in these fraternity houses they will be unable to get an education. The work is purely incidental to the primary purpose of obtaining an education.

Mr. TREADWAY. The gentleman is absolutely correct. This is simply another method of support. The boys work not for the actual dollars and cents payment in cash but for their board or room.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. COOPER. I am sure the gentleman will also recall that the boys who are working their way through school by working for a dormitory operated by the school are exempt, but if they work for a fraternity they are not exempt. The purpose of this provision is to try to equalize the situation and make it fair to all the boys attending school.

Mr. TREADWAY. The purpose of the committee is to show no discrimination between students, whether they are working for the college or for a fraternity. The exemption of educational institutions takes care of the boys if they are working for the college, but not if they are working for a club or fraternity.

Mr. Chairman, I trust the amendment offered by the gentleman from California will be voted down. [Applause.]

[Here the gavel fell.]

Mr. SMITH of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, here is a piece of legislation with good in it and bad in it.

The relief which it gives to employees and employers in reducing their pay-roll taxes for the years 1940, 1941, and 1942 is most commendable. Likewise, the repeal of the provision for a large reserve fund, with the savings it makes and the additional benefits it permits, together with the limitation of pay-roll taxes on incomes not exceeding $3,000.

Nor shall I quarrel with the objectives sought in this bill under titles I and V. I do contend, however, that this is bad legislation, because there is no provision for raising the money to pay for these extra costs. No one in this House can honestly take exception to this view. I am certain the folks back home feel the same way about it.

Even the beneficiaries of this legislation would not expect us to provide an increase in their pension allowances without providing the taxes to pay for them.

This legislation is bad in other respects. No one in this House knows, or has any way of knowing, what the additional costs are going to be under title I, whether they will be $5,000,000, $100,000,000, or several hundred million. If no changes in State laws are made, we are told the extra cost will be only $5,000,000. The principal argument for the amendment to this title is that it increases the amount by that sum only.

Now, if no change is made in the Ohio law, our aged will receive no benefits from this legislation, while at the same time our State will be taxed to pay pension benefits to States that can take advantage of it. That obviously would be an injustice.

It is to be expected, of course, that some States will change their laws. This is, in my opinion, shortsighted and slipshod legislation, in that it does not contemplate this contingency.

Even if the additional cost were to be only $5,000,000, this legislation is defective in not providing taxes to meet this sum. But when the cost may conceivably run up to $100,000,000 or more, then its defectiveness becomes so clear that it should not be overlooked.

I cannot see any enduring social security in legislation of this sort. I can see in it only social insecurity if not economic chaos. It is one thing to provide public pensions for the aged on a pay-as-you-go basis but it is quite another to borrow money and add to an already dangerously excessive national debt to pay for them. In the end all social security must depend upon the economic health of our Nation, for which a highly solvent Government is one of the first essentials. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAVENNER].

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 38, strike out lines 4 to 26, inclusive, and on page 39, strike out lines 1 to 22, inclusive.

Mr. HAVENNER. Mr. Chairman, increasing the number of exclusions from the provisions of the Social Security Act is directly contrary to the recommendations of the Advisory Council on Social Security, the committee of experts appointed by the United States Senate to which I referred in my previous remarks. This committee, incidentally, included as far as labor is concerned representatives of both the American Federation of Labor and the C. I. O.

Mr. BUCK. Mr. Chairman, I ask unanimous consent that the amendment may be again reported without taking it out of the gentleman's time.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk again reported the Havenner amendment.

Mr. HAVENNER. The Advisory Council specifically recommended that employees of private nonprofit religious, charitable, and educational institutions should be brought under coverage immediately. The report of the Advisory Council contained an emphatic declaration that all changes in coverage should be in the direction of including more workers and that effort should be made toward that goal in the near future. I am authorized to say that the American Federation of Labor concurs in that recommendation.

In the amendment now before you, which has been prepared by the American Federation of Labor, the exemptions in section 209, subsection 10, would be stricken out. These include the following classes of service performed in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code:

Cases where the remuneration for service does not exceed $45 in any calendar quarter.

When the service is in connection with the collection of dues or premiums for a fraternal beneficiary society and is performed away from the home office, or is ritualistic service in connection with any such society.

When the service is performed by a student enrolled and regularly attending classes at a school, college, or university.

When the service is performed in the employ of an agricultural or horticultural organization.

When the service is performed in the employ of a voluntary employees beneficiary association.

When the service is performed in the employ of a school, college, or university not exempt from income tax when the student is enrolled and regularly attending classes and the remuneration does not exceed $45.

I quote to you now the recommendation of the Advisory Council on Social Security with respect to the exemptions which would be stricken out with this amendment:

The employees of private nonprofit religious, charitable, and educational institutions now excluded from coverage under titles II and VIII should immediately be brought into coverage under the same provisions of these titles as affect other covered groups. The council believes that there is no justification in social policy for the exclusion of the employees of such organizations from the protection afforded by the insurance program here recommended. Further, no special administrative difficulties exist in the coverage of the employees of such organizations under the system.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAVENNER].

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 40, line 15, strike out lines 15 to 22, inclusive.

Mr. HAVENNER. Mr. Chairman, one of the principal arguments against retaining student nurses within the coverage of this bill is that their earnings are so small that it is a nuisance to collect the tax and imposes an unjustifiable amount of work in compiling the records upon the Federal and State agencies and the employers. This argument entirely overlooks the fact that the law was written for the benefit of the workers and not primarily for the convenience of their employers. These young girls who work as student nurses are fully entitled to some credit in their youth for the long and arduous labor which they perform, and to deny them the right to build up a wage record during their service as students is an absolute injustice.

In my State of California this same argument was advanced and became the motif of a long, bitter fight in the State legislature years ago when the 8-hour law for women was under consideration. There humane considerations prevailed, and when the law was finally passed student nurses were given the protection of the 8-hour law limitation. The American Federation of Labor stands squarely behind this amendment, and I earnestly hope that Congress will give to these girl workers the recognition which they deserve.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 45, strike out lines 3 to 25, inclusive, and on page 46, strike out lines 1 to 6, inclusive, and insert in lieu thereof the following:

"(L) The term 'agricultural labor' means only the services of a farmhand employed by a farmer to do the ordinary work connected with a bona fide farm. It does not include services performed on farms whose scale or nature of operations makes them industrial in character. In no case does it include more than the first processing of products which is incidental to the farming operations."

Mr. HAVENNER. Mr. Chairman, the definition of the term "agricultural labor" proposed by H. R. 6635, is broader than that which has been used by the Bureau of Internal Revenue in determining coverage. Therefore workers who have already contributed to the old-age pension fund would not be protected in the future and many would be barred. The purpose of the exclusion of agricultural labor when the Social Security Act was passed was to avoid a difficult administrative problem of including hired hands on many small and separated farms. The difficulty was believed to be similar to that of covering domestic workers in private homes. However, the Advisory Council on Social Security and the Social Security Board have urged that coverage be extended to farm laborers as soon as administratively feasible. The whole purpose of social-security laws is to increase the security of workers of our Nation. Coverage should be made broader as administrative techniques function more smoothly. At no time should coverage be narrowed with the result that classes of people once included are later excluded.

Both the Advisory Council on Social Security and the American Federation of Labor believe that reduction in coverage is contrary to the public interest and that agricultural labor should continue to be defined narrowly until such date as all agricultural laborers are covered. To include as agricultural labor persons engaged in handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or market any agricultural and horticultural commodities, not even confining such operations to the first processing will remove security from many workers now covered. Large farms which carry on many such processes are really industrial in character and their employees should not suffer this discrimination.

I appreciate the efforts of the representatives of the agricultural districts to protect the small farmer from undue taxation, and in common with many other representatives of the urban population I have repeatedly voted to extend Federal aid to the farming communities. However, we who live in the cities cannot find any social or economic justification for exempting the farmer from taxation for skilled industrial work performed on his farm by carpenters, painters,

and so forth, when we city dwellers would be liable for taxation of work of an identical character if it were performed in our own home.

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment. I would not do so, and I do not desire to take up the time of the Committee unduly, but I feel it necessary to call the attention of the Committee to the fact that yesterday, in the remarks to be found on page 6864 of the RECORD, I discussed this proposed amendment somewhat extensively and showed why the committee unanimously had agreed upon the language submitted in the bill which the gentleman from California [Mr. HAVENNER] would strike out. All I desire to do is to add this statement. After the question came before the committee and when the committee had unanimously decided to continue the exclusion of agricultural labor, employees of religious and charitable institutions, and so forth, and the question was directly put to Dr. Altmeyer, he said, at page 2329 of the hearings:

I want to make it clear that the Board does not take issue with this committee on its decision on a matter of policy * * *. As a matter of public policy we agree with the committee it is unwise to legislate in advance of further study of the situation.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. KEAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KEAN: Page 8, line 10, after the word "acquired", strike out all following down through line 4, page 9, and substitute the following: "Only by purchase of outstanding obligations at the market price and may be acquired only on such terms as to provide an investment yield of not less than the average rate of interest, computed as of the end of the calendar month next preceding the acquisition, 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 percent, the rate of obligations purchased may be a multiple of one-eighth of 1 percent next lower than such average rate. If no such obligations can be purchased at such an investment yield, obligations of a less yield which have been outstanding for at least 1 year may be purchased and thereupon shall be exchanged for original issues at par of special obligations having an investment yield not less than the yield which would be required if obligations of the required yield were purchased in the open market. The purpose 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."

Mr. KEAN. Mr. Chairman, this amendment would compel the board of trustees created by this act to set up a real trust fund. There is no need of discussing the merits of the question now, as it has been fully discussed not only in the debates on the floor on the bill but also before the country during the last election campaign.

The amendment provides that investments can be made only in United States Government bonds which have been outstanding for at least 1 year, and that if the return on these bonds is too low, for the purposes of the fund, they may be exchanged at the Treasury for securities with a yield of not less than the average rate of interest borne by all interest-bearing obligations of the United States.

In my opinion only by the adoption of such an amendment can we prevent the present practice of using old-age taxes for current expenses.

The fact that such an amendment is needed seems to have been recognized by the committee in the proposed changes to this section; but to my mind these changes do not sufficiently restrict the authority of the trustees—as they allow the purchase of either original issues at par or special Treasury obligations, the purchase of either of which would result in the use of the funds for current expenses.

The amendment offered, permitting only the purchase of securities already outstanding, would make this impossible and provide a real trust fund.

Let us keep faith with the contributors to this fund.

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment. The provisions by which the investment of the money under the old-age reserve account at the present time held by the trustees and the future investment of funds to be of the proposed trust fund are quite similar. The procedure is standard and has been used for many years. It was adopted originally by Secretary Mellon in connection with the civil-service retirement fund and the adjusted-service certificate fund. I call attention to what Secretary Mellon said would follow the adoption of the policy suggested by the gentleman who last spoke. I quote from what Secretary Mellon said (annual report to Congress, 1926):

If the Treasury were in the Government bond market on the 1st of January in each year to buy $100,000,000 of its securities, the purchases could not be made in 1 day, nor could such a large order be filled without unduly increasing the market price which the fund would have to pay. If, also, the Treasury in the course of the year was required to sell securities to provide the fund with cash, the tendency would then be to depress Government securities on the market. So if the practice of buying and selling on the open market were used, the Treasury would be continually purchasing on a high market.

Mr. Chairman, the adoption of this amendment would entirely defeat the purpose of conserving and preserving the assets of the trust fund for its future beneficiaries. I ask that the amendment be defeated.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from New Jersey.

The amendment was rejected.

Mr. ALEXANDER. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CREAL. Mr. Chairman, I move to strike out the last two words. As gentlemen are well aware, this is the first time that I have addressed the House this year. It is to be presumed that the king is always right; when in a courthouse it is to be presumed that the court is always right. Likewise when the committee has a bill, and when the committee opposes amendments to that bill, it is the usual custom to presume that the committee is always right. But not always. One amendment here this afternoon was defeated that ought to have been adopted, and somewhere in this bill before we finish, at some proper place and time, it will come up again in a different form though practically it will be the same thing. I have reference to the amendment offered by the gentleman from Tennessee [Mr. TAYLOR]. A number of States which at first thought that old-age pensions were a bonanza and everybody was going to live forever and did not need any property, and those States passed laws immediately compeling the conveyance of homesteads to the State. We have such a law in Kentucky. The amendment that was defeated undertook to take care of that situation. The amendment will be offered somewhere, somehow, and will provide that the property shall be used and occupied as a homestead only.

Let me illustrate. Here is a man who is 65 years of age, who is drawing an old-age pension. He leaves a widow who is 49 years old. He deeds the property to the State, and after he is dead, and has been hauled away, where is the widow going to stay and what is she going to do? She is the widow of a pauper. What is she going to do? That home may have been worth $2,500 or $75, it may be just a half acre place, a place to raise chickens, a place to sleep in, a place in which to keep warm. What is that property worth to the State, where the party is going to be highly eligible for an old-age pension. What is it worth? Then again, that party needs something to bury him, and burial expenses in most States come in as preferred claims to the property before it can be passed out to the heirs.

My good friend the gentleman from Massachusetts [Mr. MCCORMACK] talked loud and long, and vociferously about the Federal Government legislating and telling the States what they could do and what they could not do. We have many laws, hundreds of them, where we have appropriated money, where we have attached conditions down to a gnat's capacity, of what to do and how to do it.

They will make you tear up a Federal road for a mile because it has something in it that does not belong to it, and do it all over again. On your educational grants the Smith-Hughes Act and others, all of your New Deal acts, where the town has to furnish the house, or a certain part of

the machinery—what is it that we have done, I ask you? It will reach 95 percent of all the money the Federal Government appropriates where you tell the States you have to do it this way in order to get the money. By telling the States, "In order to administer this old-age pension matter you cannot do it this way or that way," is perfectly fair. It is an oversight in taking over the homestead and it ought to be restored. [Applause.]

[Here the gavel fell.]

Mr. BATES of Massachusetts. Mr. Chairman, I ask unanimous consent to extend my own remarks and include some figures on social security.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CARLSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CARLSON: On page 36, line 4, strike out the words "irrespective of the citizenship."

Mr. CARLSON. Mr. Chairman, I want to call attention to some new language that is going into the Social Security Act; that is, if this amendment is adopted. The committee wrote into this bill that this act shall apply irrespective of the citizenship. That is not in the original act. Someone will ask why is it placed in this bill at the time when we are considering largely our American citizens? In other words, this bill is now open to aliens. Now, that is true of the present act, but this particular amendment is put in here for a specific reason, and that is to care for a new group.

I want to call your attention to page 41. We are going to analyze this and see what this amendment does. I do not believe the committee wants to do it after we get into it, and I do not believe the Congress should do this.

On page 41, line 13—I wish you would follow me, because when this is done you will hear some criticism. It deals with the inclusion of seamen, but it does not say "American seamen." It says "the term American vessel may mean any vessel documented or numbered under the laws of the United States"——

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. CARLSON. Yes; I yield.

Mr. BUCK. Will the gentleman go back, if he does not mind, and read, on page 36, the covering service on or in connection with an American vessel?

Mr. CARLSON. I will be glad to leave that to the gentleman from California. I would like to discuss the effect of this amendment to this section. I intend to discuss the other one later, because I intend to offer an amendment to strike it also.

A vessel does not need to be documented under the flag of the United States or any country. It can belong to a group of foreign citizens. It can be manned by a foreign crew, not an American sailor on it; and if we leave these words in that bill, we put them under this act, under the old-age insurance. I do not believe this House wants to do that.

Here is a concrete case of why this was written in:

We hire Greek ships, owned and manner by Greek citizens, for sponge fisheries off the coast of Florida.

I do not believe it is the intention of this Congress to cover Greek sailors who man that boat.

Now, we have heard a lot about the Japanese vessels fishing for salmon in the Northwest. Notice what this particular section says:

If its crew is employed solely by one or more citizens or residents of the United States or corporations.

Now, the crew on this boat need not be Americans. The boat need not be documented under any flag. The crew can be absolutely foreign. These Japanese fishing boats that fish for salmon can be hired by a corporation or an individual citizen of the United States, and we American citizens are going to put them under this act and give them old-age insurance.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. CARLSON. I yield.

Mr. JENKINS of Ohio. It would be entirely possible, would it not, for a Japanese boat, complemented with Japanese people, from the captain on down——

Mr. CARLSON. There need not be an American seaman on any of these boats. I, for one, am not going to let this amendment go through this House without giving you an opportunity to vote on removing it from this bill. The only reason these particular words were put in this bill was to care for this section and another section, and those words "irrespective of the citizenship" are not in this act.

I hope you will vote to take them out.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. BUCK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, at the present time seamen are not covered under the Social Security Act. It is proposed to put them under coverage as far as old-age insurance is concerned. Every employee in covered employment in the United States, whether he is a citizen or an alien, working, let us say for the Ford Motor Co. or any other manufacturing industry, is covered. He is also covered even though his employer be an alien.

What we want to do is to have the seamen covered on the same basis. On yesterday I put into the RECORD the actual figures which show that American maritime employment is 90.1 percent performed by American citizens at the present time. Most of the remainder of those employed on American vessels have already taken out their first papers, and it seems to me it is begging the question to say that a man working on land for the Ford Motor Co., for instance, may be an alien and receive all the protection of the Social Security Act but a similar man working in maritime employment may not.

There is no opposition from either employers or employees to the inclusion of seamen under this act.

The inclusion of the phrase "irrespective of citizenship" to which the gentleman from Kansas has objected is necessary in the case of seamen, for the reason that most of the services performed on maritime vessels with respect to which the social-security taxes will apply will be performed outside of the United States. The courts might consider the levying of such taxes to be beyond the normal, usual exercise of the taxing power and give the statute otherwise a narrower construction unless we express the intent specifically. In this connection I call attention to a quotation I put in the RECORD yesterday from the case of the *United States* v. *Goelet* (232 U. S. 293). In that case the Court held that the tax levied by the Federal Government did not apply to a citizen having a permanent residence and domicile abroad. The tax was an excise tax on yachts; the yacht was a foreign-built yacht.

In view of the statements that were contained in that decision of the Supreme Court, it seemed wise to us to include the phrase that we put in here in the definition of employment for purposes of old-age insurance provisions of the law since it is our intent to levy the taxes on services performed outside the United States on American vessels.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. JOHNSON of Oklahoma. I assume that the gentleman from California heard the statement of the gentleman from Kansas with reference to a Greek vessel or a Jap vessel that might be fishing off or near our American coasts, but actually operated by foreigners. Some of us have been waiting for the gentleman, who is a distinguished member of the committee, to answer that particular argument raised by the gentleman from Kansas. I am certain none of us wish to vote for anything that will permit such a condition. Will the gentleman elaborate on that at this time?

Mr. BUCK. The coverage, of course, as the gentleman from Oklahoma knows, provides only that the crew is covered if it is employed solely by one or more citizens of the

United States or residents of the United States, or corporations organized under the laws of the United States or of any State. As far as that is concerned, I think the laws of every State require that at least a majority of the stock of a corporation must be held by citizens of the United States.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. JENKINS of Ohio. I want to ask the gentleman a question. If I understood the gentleman's argument correctly, it was that in the case of an alien working for Henry Ford the alien was entitled to the benefit of our social-security laws—and he ought to be.

Mr. BUCK. The gentleman does not deny that, does he?

Mr. JENKINS of Ohio. No; for I have always maintained that when an alien is working right alongside of others on the same machine or similar machines, on similar lathes, and he ought not to have the same privileges as his fellow workers; but in that case the owner of the property, or the corporation owner, the factory owner is an American.

Mr. BUCK. Will the gentleman let me reply to his statement? If the employer were an alien, the employee would still be protected.

Mr. JENKINS of Ohio. Let us see if he would.

Mr. BUCK. That is apparent.

Mr. JENKINS of Ohio. Even if he were an alien operating in our country, he would be under the supervision of the local police forces, and all that, and he would be in a different category from some of those to which this language under discussion applies. Why would not the gentleman agree to this sort of amendment: Change the language on page 36 where it says "by an employer for the person employing him irrespective of citizenship of either," if we are going to let these sailors, these Japanese, and so on, come under the provisions of our law; why not take out the word "either"?

Mr. BUCK. Just a minute. I cannot yield all my time to the gentleman.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. BUCK. Mr. Chairman, I yield to the gentleman from Ohio to complete his statement.

Mr. JENKINS of Ohio. Instead of leaving the language on page 36, line 4, as it is, "by an employee for the person employing him, irrespective of the citizenship or residence of either," why does not the gentleman make some provision so that these Japanese sailors, Greek sailors, Chinese sailors, or whatever they may be, shall be employed by an American or an American company? Will not the gentleman go that far?

Mr. BUCK. Now, will the gentleman let me explain? If the gentleman will turn to page 41 he will find definitions. In the first place, let me say that the covered employment of a seaman must be in connection with an American vessel.

Then we define an American vessel, on page 41, to mean any vessel, documented or numbered under the laws of the United States, or not documented elsewhere, if its crew is employed solely by one or more citizens or residents of the United States. I think that answers the gentleman's objection.

Mr. JENKINS of Ohio. That does not cover the provision on page 36 and that is what I want to do. If you can make page 36 cover that then you have a good basis for your argument.

Mr. BUCK. If the gentleman does not want to take as sound the case of United States against Goelet, which I cited as the law, that might be all right, but we are up against a practical proposition. These services are performed outside the United States. The gentleman knows that has all been threshed out in the committee. The gentleman knows very well we had this up and discussed it thoroughly. This is the opinion of the majority, if not the unanimous opinion of the committee.

Mr. McCORMACK. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. And the services performed outside the United States are not for persons living in foreign countries. It is men employed by either American citizens or persons who are subject to the laws of the United States, who are within the United States. So that the situation of a Japanese vessel, which, of course, alarms some people, does not apply. It has no application to a vessel coming from Japan and going into the fishing trade. An inference is left with reference to some Greek vessel coming from Greece, but there is no justification for that. One has to be a citizen of the United States, employing others, or one who is a resident of the United States, just the same as any other business activity.

Mr. DINGELL. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from Michigan.

Mr. DINGELL. Is it not true that if we tamper with this we are going to put the American seamen at a disadvantage? The Great Lakes are interested in this. I remember this matter coming up in committee. May I ask the gentleman from Kansas how many sailors and seamen he has in Kansas? I may also say to the gentleman from Oklahoma that he has not any out there either. We are interested in this and we are protecting the American seamen.

Mr. BUCK. I thank the gentleman from Massachusetts and the gentleman from Michigan for their contributions.

Mr. Chairman, I feel the objections that have been raised by the gentleman from Ohio and the gentleman from Kansas, and I know they are both sincere, go to matters that are not fundamental. There is no danger to American labor or capital. If there was anything to worry about so far as Japanese seamen are concerned, I think the gentleman from California who is speaking would be concerned about it.

Mr. SIROVICH. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from New York.

Mr. SIROVICH. For the benefit of the Members of Congress, I just called the gentleman from Virginia [Mr. BLAND], chairman of the Committee on Merchant Marine and Fisheries. Due to the late hour, for it is now approximately 6 o'clock, unfortunately his office is closed and he is not in. As the next ranking member of that committee may I call the attention of my colleague to the fact that we protected through the medium of the ship subsidy bill recently enacted every man and woman who works upon an American ship and provided that every man and woman who works upon an American ship operating in foreign countries must be a 100 percent American citizen.

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, as I said awhile ago, I do not want to emasculate this bill. I think this is an oversight and ought to be corrected. On page 41 is where we treat the problem of the seamen. I am not disclosing any secret when I say we had a battle over this. We agreed on the proposition largely upon the argument made by the gentleman, to which I subscribed. I say that when an alien is working across a lathe from an American citizen in an American factory he ought to have exactly the same rights and the same protection as his fellow workers; but when you get into an industry like that employing seamen, the situation is different. The situs of the employment in one case is fixed while in the other it is shifting, taking the employee often into foreign lands and over the Seven Seas. That is the occupation that gives us the most trouble from an immigration and labor standpoint. They go from place to place and have no home. The question of the administration of this law to take care of them will be tremendously different from the administration of a law that takes care of the man who works in Detroit for Mr. Ford or somebody else.

Let us look at page 36. You cannot lose anything if a few words are inserted in there. Let me read the amendment that I think will solve this problem and see if the gentleman will not agree with me. If he does not agree with me, of course, I realize that we might not be able to win our contention, because the policy is to not emasculate this bill and I shall adhere to that. Still it is unwise to be so prideful as not to yield to an amendment that will manifestly improve the bill.

What would the gentleman say if we struck out the words in the third line on page 36, "for the person", and inserted the following: "of an American citizen"? And in line 4, struck out the words "irrespective of citizenship or residence of either", so that the language would be in lines 3 and 4, on page 36?—

December 31, 1939, by an employee of an American citizen or corporation or partnership employing him (A).

I would be perfectly willing to recede from my objection if the gentleman would accept an amendment like that. Let him be an American employer, so we will have a truthful and proper report made to our Social Security Board in Washington, and so that we may have somebody that we can hold responsible. Then let the crew be whatever it may be. Why not put that in?

Mr. BUCK. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the gentleman from California.

Mr. BUCK. The effect of the amendment which the gentleman suggests would be to prohibit any employee now in covered employment, who is working for an alien inside the United States as well as on a ship from receiving any benefits under this act.

Mr. JENKINS of Ohio. I do not agree with the gentleman.

Mr. BUCK. It would. That covers both provisions.

Mr. McCORMACK. I know the sincerity of my friend on the committee. I am fearful, however, if an amendment like that is adopted you are going to give the alien in the United States operating ships an advantage over an American operating ship because the American operator will have to pay the pay-roll tax and the other fellow will not.

Mr. JENKINS of Ohio. This is the point I am trying to cover, and I will leave it with you again. Here is a man in New York who is an importer. He is an importer of fish or something that comes from the waters of Australia or way out in midocean in the Pacific. He can employ a Japanese or a Portuguese or anybody else in the world to operate a ship out there, who will have an exclusive Japanese crew, and he can employ them for years and years and maybe never see them or know anything about them except that they are catching fish for his boats which come along periodically and accept their catch, or he may employ nobody but Japs.

Mr. BUCK. Now, wait a minute.

Mr. JENKINS of Ohio. He might involve us by his far-flung activities in all kinds of trouble, war troubles maybe, and fishing boundary troubles, and many other controversies.

Mr. BUCK. He cannot. The gentleman knows very well that under the maritime acts that is impossible. The number of aliens that can be employed is strictly limited, and the number is decreasing all the time; there is no question about that.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the gentleman from Kansas.

Mr. CARLSON. That is the point I am trying to make, and this section does not cover that. An American citizen can hire a crew that is 100 percent foreign, I do not care what nationality it may be.

Mr. SIROVICH. He cannot do that according to the law.

Mr. CARLSON. Read the bill.

Mr. SIROVICH. Let me tell the gentleman something. I know a lot more about the law than the gentleman does.

Mr. JENKINS of Ohio. The gentleman cannot be right.

Mr. SIROVICH. Let me explain.

Mr. JENKINS of Ohio. I know what the gentleman has in mind, but the gentleman cannot be right when he says that every man that works on a registered boat is an American citizen, because that is not right.

Mr. BUCK. Is the gentleman referring to me?

Mr. JENKINS of Ohio. No; I meant the gentleman from New York.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. CARLSON].

The question was taken; and on a division (demanded by Mr. CARLSON) there were—ayes 24, noes 59.

So the amendment was rejected.

Mr. ALEXANDER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and four Members are present, a quorum.

Mr. CARLSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CARLSON: On page 41, beginning in line 13, strike out lines 13 to 20, inclusive.

Mr. CARLSON. Mr. Chairman, I hesitate to take the time of the Committee so late in the afternoon, but I ask anyone—I ask the gentleman from California or anyone else—to deny the fact that American citizens, individually, collectively, or as a corporation, can hire a foreign-owned ship with a 100 percent foreign crew, with not an American sailor on it, and that these men will come under the old-age insurance provisions of this act?

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. CARLSON. I yield.

Mr. DINGELL. I would like to ask the gentleman whether he would want an American citizen——

Mr. CARLSON. Wait a minute.

Mr. DINGELL. Just let me answer the gentleman's question.

Mr. CARLSON. Then answer it.

Mr. DINGELL. An American citizen has the privilege of hiring a foreign vessel now.

Mr. CARLSON. Surely. I am for it. Let him hire all he wants.

Mr. DINGELL. The gentleman wants to bring them into competition with American vessels whose seamen come under the act. If he does that, he will be helping to destroy our merchant marine.

Mr. CARLSON. I am opposed to the United States putting these foreigners under the old-age insurance provisions, and these foreigners are being hired now.

Mr. DINGELL. You cannot stop them from hiring foreign vessels.

Mr. JENKINS of Ohio. If the gentleman's amendment is adopted, you will stop it.

Mr. CARLSON. If you adopt this amendment, you will take this section out, and it will be all right. That is what the Congress ought to do.

Mr. DINGELL. You will destroy the American merchant marine if you do that.

Mr. CARLSON. The section in which the gentleman is interested is on page 36. If you will strike this out, I will not move to strike that out. This section ought to come out, and I say that in all seriousness.

I ask the gentleman from California [Mr. BUCK] if he will not tell the House if I have not stated the facts on this amendment?

Mr. BUCK. Of course, the gentleman realizes the fact that vessels that are documented or numbered under the laws of any foreign country——

Mr. CARLSON. Or without any country.

Mr. BUCK. Without any country? The number of those is so negligible that it does not amount to anything, in the first place. Second, you have the competitive situation to consider in there. The people who are brought under this act, if they are brought under it, will be paying the pay-roll tax.

Mr. CARLSON. I just want to say that no one has yet taken the floor and said that I have not stated the facts.

As long as we have millions of American citizens who are not under this old-age insurance provision and receiving the protection of this Government, I for one will absolutely not stand on this floor and permit this bill to go through without my vote being cast against it. If this Congress does what I believe it ought to do, it will strike this section out.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. CARLSON. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. I think the gentleman will agree with me on this proposition, that neither of us who have been taking the burden of this responsibility here is opposed to any of these programs.

Mr. CARLSON. No.

Mr. JENKINS of Ohio. Why cannot these astute gentlemen on the majority side come in tomorrow with an amendment that will clarify this situation? Let us take care of it and see to it that nobody in this country can employ an entirely foreign outfit. That is liable to involve us in anything.

You cannot tell what they will do. What is the use of putting our liberties and lives and the safety of our Republic in the hands of somebody we do not know a thing about and somebody that does not owe us any allegiance whatever.

[Here the gavel fell.]

Mr. DINGELL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this proposal was thoroughly and completely threshed out in committee. This is a rather poor time to be again dragging this matter out when in the maze of all the discussions of the past many of the members of the committee are somewhat handicapped to give the proper kind of reply to statements made at this time, but I will say to the gentleman that insofar as this provision is concerned, the committee has considered the matter very thoroughly, and it was decided that the American merchant marine and the American worker and the American businessman in the merchant marine business would suffer a handicap if this provision were not made.

Now, I think some of us along the Great Lakes and along the seacoast are interested in the seamen and we are interested in shipowners, and I do not believe we are trying to sell these people "down the river."

It is not necessary that someone from Kansas or Oklahoma protect the maritime interests of this country.

This matter has been thoroughly and completely threshed out, and so far as I am concerned it is a closed matter. I am ready to vote on it right now without taking any chances with my people back home.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. Yes; I yield.

Mr. BUCK. I may say that the ranking majority member of the Merchant Marine Committee, the gentleman from New York [Mr. SIROVICH], has just endorsed the bill as the committee reported it, and I want to call the attention of my Republican friends to the fact that yesterday one of the ranking minority members, Mr. CULKIN, in interrogating me said:

> May I say that I concur heartily in the gentleman's conclusions and statements? I know of nothing that will stabilize the offshore marine industry to a greater extent than their placement under social security. I think the gentleman's committee has done a splendid job in this particular and I agree with the gentleman's reasoning in full.

The gentleman from New York [Mr. CULKIN] is the ranking Republican member on the Merchant Marine Committee next to the gentleman from California [Mr. WELCH], and I may say that this is not a partisan proposition. It is a question of trying to build up and make secure our workmen who are in the maritime industry.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. McCORMACK. The gentleman from Kansas [Mr. CARLSON] places himself in a rather embarrassing position. If his amendment is agreed to and this paragraph is stricken out, it means that an American or a resident of the United States can obtain, through negotiations or otherwise, a foreign vessel and not pay the pay-roll tax. That foreign vessel is under his control and that is permissible by maritime law.

This is a condition we have to meet with ways and means, because that vessel is competing with American vessels, vessels owned by Americans and manned by Americans, and competing for the transportation of goods, and yet we are giving that man, a resident of the United States, a competitive advantage over other Americans, and this provision, of necessity, is aimed at meeting that situation.

I have no controversy with my friend about what he has in mind, but that condition must be met by other legislation. We are confronted with a condition and in order to meet that condition so that one will not be given an advantage over another, we have to draft this particular paragraph, and the elimination of the paragraph would work to the disadvantage of the Americans who are subject to the law.

[Here the gavel fell.]

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from Kansas [Mr. CARLSON].

The question was taken; and on a division (demanded by Mr. CARLSON) there were—ayes 39, noes 50.

So the amendment was rejected.

Mr. ALEXANDER. Mr. Chairman, I suggest the absence of a quorum in view of the fact we have only 89 Members voting, and I make the point of order there is not a quorum present.

The CHAIRMAN. The gentleman from Minnesota makes the point of order there is not a quorum present. The Chair will count. [After counting.] One hundred and ten Members are present, a quorum.

Mr. HALL. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HALL. Mr. Chairman, many proposals have been put forward here today to increase Federal contributions on considerations and arguments that appeal strongly to the heart—the more rapid amelioration of the condition of the aged by making it possible for them to receive more in the way of old-age assistance under State plans than they are now getting.

But the philosophy of such proposals goes beyond its bare objective. While the direct and immediate effect would only be to force a greater contribution by the Federal Government for every dollar paid out by the States for the assistance of the aged, we would be inaugurating a marked departure in the policy we have been following in grants-in-aid to the States, covering not only social-security items but a vast number of other subjects.

The field of Federal subsidies to the States is ever enlarging. The 50-50 matching principle, while admittedly without any scientific basis, nevertheless operates on those things which at least up to the present time are conceded to be responsibilities and duties and subjects of State government. It has been applied generally to those adventures in Federal aid to the States which seem to be persuaded as worth while and wholesome cooperative steps. That in the main is the theory although in its application there are great shortcomings and evils which I hope some day will be corrected as part of a study that will be given to the whole policy of the Federal grant-in-aid system and its results.

These aids to the States, until the advent of the Social Security Act, have generally not covered social objectives with the exception of such items as maternity and infancy care, and social-hygiene extension. Their cost, with the exception of the highway construction program, has not been great in comparison with the sort of appropriation figures to which we have now become accustomed. In the main, these grants-in-aid items have been limited to such things as building forest trails, highway construction, vocational and rehabilitation work, employment services, agricultural-extension work, and so forth. In general they have not been directed to the redressing of social conditions.

But with the advent of the Social Security Act the field of Federal grants-in-aid has become greatly broadened, and these programs now run into the hundreds of millions of dollars.

In enlarging the Federal-aid field, however, we have straight along insisted that the States match furrow with furrow; that for every dollar contributed by the Federal Treasury a dollar be contributed by the treasury of the State.

The proposals to increase the Federal contribution would scuttle that principle. It would force farther open the door of Federal participation until we reach the day when the Federal Treasury would be assuming the entire expense for assistance to the aged and where the States would not be paying a dime for the care and support of the aged in their own borders.

This amendment is urged on the plea of poverty of the States. We are told that they are unable to give the aged peoples within their borders more than they are now giving and that therefore the Federal Government must come to their rescue. They are holding out the tin cup.

But it is not alone the destruction of the 50–50 matching principle in the case of old-age assistance that is involved. If we adopt the principle in this instance, it will not be long before we shall be asked, also in the name of poverty of the States, to apply it to every other instance of existing and future grant-in-aid policy. Establish a precedent, give it some age, and you establish wisdom!

If we adopt any matching principle other than the present 50-50 plan, where will we finally land? Surely we can confidently expect that it will be applied to vocational and rehabilitation grants-in-aid; that it will be applied to highway construction, that the greater Federal contribution will be given to our cooperative programs touching all of the subjects now on the 50-50 matching basis.

I admit that the States alone are not to blame for the rapid extension of the grants-in-aid policy.

Much of the stimulus for it has been supplied by the National Government, particularly in the last 7 years. Whether done under the guise of national emergency or whether we like to admit or not, the process has been one of steady nationalization of local governmental functions, of control by Washington. Wherever the Federal dollar has gone there has been attached to it a promissory note for the States to sign, that in consideration of that dollar they will do as they are told to do.

In those cases of national stimulus of the policy, in the extension of the bribe dollar to the States, the latter have shown little reluctance in resisting the imposition of the Federal controls that accompanied it. They have eagerly reached out for more and more and discounted the evils that would follow.

We are pauperizing the States, pauperizing their sovereignties, through the bribe of the Federal matching dollar. For the gold they can get seemingly many are willing to barter their rights and to submit meekly to the dictation of an ever-growing bureaucracy in Washington. The Federal matching dollar has tickled their palates and they are coming back for more and more.

With respect to the general subject before us, of assistance to the aged, I am in favor of a $20 contribution by the Federal Government but only on the condition that the States match dollar for dollar. If we are to get in time a maximum of $40 monthly for old-age assistance we will only get it by the insistence that the States match the Federal contribution dollar for dollar.

As I view this proposition, the adoption of any other matching principle would mark the beginning of a break-down all along the line of the present 50–50 principle. It is vital that this tendency be resisted, in view not only of the cooperative arrangements now on the statute books but of the costly schemes that have been presented to the Congress touching the public education and national public health programs, which would commit the Federal Government, on a cooperative basis, to the expenditure of hundreds and hundreds of millions of dollars.

If we do not resist further encroachments on the Treasury under the matching provisions, the bureaucracy of Washington will absorb not only State duties and responsibilities but the sovereignty of the States will be ravished and we shall be contributing to the complete break-down of our present Federal system.

The Clerk read as follows:

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation, and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children."

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half."

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of 16, or under the age of 18 if found by the State agency to be regularly attending school, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and Mr. RAYBURN having assumed the chair as Speaker pro tempore, Mr. WARREN, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 6635, and had directed him to report that it had come to no resolution thereon.

AMENDMENT OF THE SOCIAL SECURITY ACT

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6635) to amend the Social Security 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 further consideration of the bill H. R. 6635, with Mr. WARREN in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose yesterday title IV had been read. As there seem to be no amendments to that title, the Clerk will read title V.

The Clerk read as follows:

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

SEC. 501. Clause (3) of section 503 (a) of such act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 502. Clause (3) of section 513 (a) of such act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 503. Section 531 (a) of such act is amended by striking out "$1,933,000" and inserting in lieu thereof "$2,938,000."

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. Rate of tax.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in sec. 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in sec. 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 percent.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.

"(4) With respect to wages received after December 31, 1948, the rate shall be 3 percent."

SEC. 602. Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) Adjustments: If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. Receipts for employees.

"(a) Requirement: Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or 1, 2, 3, or 4 calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and in such case the statement may show the date of payment of the wages in lieu of the period covered by the statement.

"(b) Penalty for failure to furnish: Any employer who willfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. Rate of tax.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in sec. 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 percent.

"(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.

"(4) With respect to wages paid after December 31, 1948, the rate shall be 3 percent."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. Adjustment of tax.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. Definitions.

"When used in this subchapter—

"(a) Wages: The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT: The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 subdivisons; 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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of an organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 4 years' course in a medical school chartered or approved pursuant to State law.

"(c) Included and excluded service: 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 31 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) Employee: The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (2) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(e) Employer: The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.

"(f) State: The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(g) Person: The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(h) American vessel: 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.

"(i) Agricultural labor: The term 'agricultural labor' includes all services 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production of harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act.'"

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. Rate of tax.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 percent of the total wages (as defined in section 1607 (b))

paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. Credits against tax.

"(a) Contributions to State unemployment funds.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not 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 such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) Additional credit: In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 percent.

"(c) Limit on total credits: The total credits allowed to a taxpayer under this subchapter shall not exceed 90 percent of the tax against which such credits are allowable."

SEC. 610 (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. Conditions of additional credit allowance.

"(a) State standards: A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 percent of the total annual pay roll with respect to which contributions are required under such law, and

"(2) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the 3 consecutive years immediately preceding the computation date; or

"(3) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ percent of that part of the pay roll or pay rolls for the 3 years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to 3 years preceding the computation date; or

"(4) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the 3 preceding calendar years, and (C) such account amounts to not less than 7½ percent of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(5) Effective January 1, 1942, paragraph (4) of this subsection is amended to read as follows:

"'(4) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the 3 years preceding such date, and (C) the balance of such account amounts to not less than 2½ percent of that part of the pay roll or pay rolls for the 3 years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the 3 years preceding the computation date.'

"(b) Other State standards: Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding 10 calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding 10 calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks a total amount of compensation equal to not less than 16 times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than 52 consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than 2 calendar weeks or two periods of 7 consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 percent of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

"(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.

"(c) Certification by the Board with respect to additional credit allowance:

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) or (b) of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) or (b) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) or (b) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (d) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) or (b) of this section.

"(3) The Board shall, within 30 days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (d) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) or (b) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) or (b) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"(d) Definitions: As used in this section—

"(1) Reserve account: The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) Pooled fund: The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) Partially pooled account: The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) Guaranteed employment account: The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least 30 hours of work, for which remuneration will be paid at not less than stated rates, for each of 40 weeks (or if more, 1 weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the 11 or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guarantees, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty) or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) Year: The term 'year' means any 12 consecutive calendar months.

"(6) Balance: The term 'balance,' with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1939, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such terms shall mean the amount in such account as of the computation date less the total of such other moneys paids into or credited to such account subsequent to January 1, 1939.

"(7) Computation date: The term 'computation date' means the date, occurring at least once in each calendar year and within 27 weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) Reduced rate: The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed."

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b)."

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) Extension of time for filing: The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than 90 days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. Interstate commerce and Federal instrumentalities.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the taxes imposed by sections 1410 and 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment-compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment-compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. Definitions.

"When used in this subchapter—

"(a) Employer: The term 'employer' does not include any person unless on each of some 20 days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) Wages: The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on

account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) Employment: The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 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 4 years' course in a medical school chartered or approved pursuant to State law.

"(d) Included and excluded service: 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 31 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (c).

"(e) State agency: The term 'State agency' means any State officer, board, or other authority designated under a State law to administer the unemployment fund in such State.

"(f) Unemployment fund: The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the unemployment trust fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the unemployment trust fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) Contributions: The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) Compensation: The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) Employee: The term 'employee' includes an officer of a corporation.

"(j) State: The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) Person: The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) Agricultural labor: The term 'agricultural labor' includes all service performed—

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

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act.'"

Mr. McCORMACK (interrupting the reading of title VI). Mr. Chairman, I ask unanimous consent that the further reading of title VI be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. DONDERO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DONDERO: On page 63, line 15, after the word "corporation" and before the period, insert a comma and the following: "but shall not include an officer of a corporation who receives no compensation for his services as such officer."

Mr. DONDERO. Mr. Chairman, if you want to extend a helping hand to little business corporations of this Nation, this amendment offers an opportunity to you to do so. If you want to correct what to me seems an injustice, you can correct that injustice by adopting this amendment.

I call the attention of the committee to the language on page 75 of the report on this bill, which reads as follows, beginning at the bottom of page 74:

By the amendment to subsection (c), contained in paragraph (10) (A) thereof, uncompensated officers of any organization exempt from income tax under section 101 of the Internal Revenue Code are excluded from the count in determining whether the organization is an employer of eight or more and liable for the tax. However, uncompensated officers of corporations not so exempt are not excluded for purposes of such determination merely because they are uncompensated.

I took it upon myself this morning to call Mr. Altmeyer, the Chairman of the Social Security Board, on this matter and he frankly said to me that the question of not counting an uncompensated officer of a corporation in determining whether a corporation came within the provisions of this act had not been given very much thought and he was unable to answer the question.

This is what happens: In this country we have many small corporations and no doubt they exist in the congressional district of every Member of this House. They are struggling to keep on their feet. Many of them have eight employees or less. Some of these little corporations have officers who merely lend their names or their prestige, for community pride, for financial reasons, or otherwise, they receive no compensation because they are officers of the corporation. Nevertheless, as the law stands now, those officers are counted in the number of employees for the purpose of determining whether the corporation is an employer of eight or more and liable for the tax, and if the corporation has eight or more employees, by counting the uncompensated officers, it comes under the pay-roll provision of this law and must pay the pay-roll tax. What I am seeking to do is to exempt the officers of the corporation who receive nothing by way of salary in order that these small industries may avoid the burden of this additional tax. This pay-roll tax is, no doubt, in many cases, the difference between profit and loss, between red and black ink. It is intended to encourage small concerns to employ labor, to stay in business. Where profits are small it means the difference between success and failure. Such officers should be exempted the pay-roll tax provisions of this law.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. DONDERO. I yield to the gentleman from California.

Mr. BUCK. These uncompensated officers in a private corporation, however, are generally stockholders, are they not, receiving dividends on their stock if the corporation is making money?

Mr. DONDERO. That is correct; but such reasoning could apply to all stockholders, and the fact that they have their money invested in the corporation is no reason why they should not receive a just share of the dividends if a profit is made.

Mr. BUCK. I am not objecting to their receiving dividends; but suppose they actually work for the corporation and draw no salary, depending for compensation only on those dividends? Does the gentleman's amendment say "if they have no active part?" Suppose the president, vice president, and treasurer of a private corporation are actively engaged in the business, but because they receive dividends from the business they do not care to receive a salary, is it fair to the employees, if they have only five other employees, to have those employees excluded under the terms of the gentleman's amendment simply because the officers or stockholders do not want to draw down any salary?

Mr. DONDERO. The point I am raising is this: In a case such as the gentleman has mentioned these little corporations do not desire to come under the provisions of the Social Security Act but desire to be excluded from it. The gentleman apparently believes that everybody is eager to come under the act, but I can assure him that he is mistaken and that such is not the case.

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment.

First, I want to point out to the gentleman from Michigan that he has offered his amendment at the wrong place in the bill. He has offered his amendment to title VIII, which is the tax for old-age insurance.

Mr. DONDERO. Mr. Chairman, will the gentleman yield right there?

Mr. COOPER. And the question of eight or more employees is not involved in that at all.

Mr. DONDERO. I think the gentleman is in error, because I did not introduce the amendment to title VIII, but offered the amendment to title VI of the bill, on page 63.

Mr. COOPER. The gentleman offered his amendment at line 15, on page 63.

Mr. DONDERO. That is correct.

Mr. COOPER. That relates to title VIII taxes, which are the taxes for old-age insurance, and that does not involve the question of eight or more employees at all. The part of the act and the part of the bill where the limitation of eight or more employees applies is with respect to unemployment compensation. That is title III or title IX of the act. The gentleman's amendment is certainly not at the right place as he has offered it.

Mr. DONDERO. Let me ask the gentlemen of the committee this question: What objection would the committee have to accepting this amendment in case the gentleman's position is right that it should be offered to title III?

Mr. COOPER. Of course, I will get to that point; but will the gentleman concede that his amendment is not offered at the right place here?

Mr. DONDERO. I do not want to concede it until I have given that matter further thought.

Mr. COOPER. I think with all deference, I can give the gentleman the assurance that his amendment is offered at the wrong place as he has offered it here.

Mr. DONDERO. If the gentleman waives that provision, will the gentleman tell the House what objection there would be to accepting the amendment?

Mr. COOPER. Certainly, I shall be pleased to tell the gentleman the objection to accepting the amendment.

The gentleman's amendment, if offered at the right place in the bill, would apply to ordinary business corporations or ordinary business institutions. This would mean that the employees of these ordinary business corporations would not have the protection of unemployment compensation and they would not be included under the program. Simply because some of the officers of the corporation are not compensated, under the gentleman's amendment they would not be counted in the eight or more. You would not only have the very unfair situation of these employees or workers working for these corporations not getting the protection that so many other workers and employees get, but you would also have this very serious competitive situation that would be immediately presented; that is, the employees of one of these corporations to which the gentleman refers will be exempt from the tax and therefore that corporation would not pay the tax; while another corporation engaged in the same kind of business would have to pay the tax on their employees and therefore they would be at a great disadvantage as against the corporation covered under the gentleman's amendment.

It is eminently unfair, both from the standpoint of the interest of the workers, and also from the standpoint of the competitive advantage that certain corporations would have as against others.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. DONDERO. The gentleman from Tennessee goes upon the assumption, however, that all these corporations want to come under this act. I say to the House that all of them do not want to come under the act, and protests have reached me from my district from small concerns that do not want to come under the act, neither officers nor men.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. COOPER. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COOPER. Certainly corporations may not want to come under the act. That might apply to a vast number of corporations throughout the country, but how about the workers, the employees of those corporations? This is an act to afford protection to them. This is a benefit which they receive, and certainly if you can exempt part of the corporations and their employees receive no protection, no benefit under this part of the program, at the same time you create a competitive situation where those favored corporations will have a decided advantage over their competitors engaged in the same line of business; you would be doing something eminently unfair, and it could not be justified.

Mr. DONDERO. But does not the bill now exempt all corporations that do not have eight employees or more?

Mr. COOPER. Certainly. The question of eight or more was arrived at in this way: The House bill passed in 1935 exempted 10 or more. The bill went to the Senate, and the Senate amended that provision, changing the number from 10 to 6 or more, and in conference there was a compromise agreed upon at 8 or more, and that is the law.

Mr. DONDERO. And those corporations are now exempt.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that the time of the gentleman from Tennessee be extended 2 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. McCORMACK. I call to the gentleman's attention the fact that we have taken care of the uncompensated officers in fraternal, farm, and other organizations, various corporations under section 101 of the Revenue Act, and they are exempt; and while the Federal law says that no State can exempt more than 8, actually the States exempt 3 or 4 or 5, and some go as low as exempting only 1, and that is important in connection with the amendment offered by the gentleman from Michigan.

Mr. DONDERO. But where the men and the officers choose not to come under the act and wish to avoid the payroll tax under the act, why should they not have the right to do so?

Mr. COOPER. Does the gentleman think it would be proper legislation to provide a national program for the workers of the country and then let it be optional with corporations whether they come under the program or not?

Mr. DONDERO. That is not the purpose of my amendment. It seeks to exempt uncompensated officers of the little concerns of the country, and not the large concerns. It would reach small corporations where the number of employees, officers included, was eight or a few more.

Mr. COOPER. That could not be justified at all under this type of program.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. VOORHIS of California. I agree thoroughly with the gentleman's argument, and does not the gentleman feel that logically, following out that argument, we ought at some time to amend the act so as to make it uniform all over the country and permit employees where only one or more are employed to come under this act also?

Mr. COOPER. That is an entirely different matter.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired. The question is on the amendment offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. DONDERO) there were—ayes 37, noes 79.

So the amendment was rejected.

Mr. McCORMACK. Mr. Chairman, I offer the following committee amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. McCORMACK: Page 64, lines 2 and 3, strike out the words "casual services."

Mr. McCORMACK. Mr. Chairman, this is a perfecting amendment. Its purpose is to eliminate from the provisions of this paragraph persons who are employed as clerks, for example; or who have some regular employment, but who in off hours might sell insurance or radios or anything else as a side line, so to speak. The purpose of the amendment is to eliminate them from this part of the bill. It is a very deserving amendment. Later, on page 98, the committee has voted to strike out the same words in relation to that part of the bill.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. TREADWAY. I think it would be well to tell the House that it will not remove those people from their regular employment.

Mr. McCORMACK. No; it will not except them when they are doing some outside work, outside of their regular employment. They will not be subject to taxes for doing that outside work.

Mr. HAWKS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. HAWKS. Would that apply to the casual laborer who goes out to the farm to work?

Mr. McCORMACK. They are not covered anyway. Agricultural help is eliminated.

Mr. HAWKS. But here is what they are afraid of back home: We cannot get men to go on the farm to work, because they are under the benefits of the Unemployment Insurance Act——

Mr. McCORMACK. This amendment relates to the contributory annuities, and, of course, this provision of the bill is not in the Unemployment Compensation Act.

Mr. HAWKS. Then they could tell those people that are on the unemployment compensation rolls today that they could go out on the farm and work without jeopardizing their rights?

Mr. McCORMACK. This amendment, as I have stated, is a clarifying amendment. Take yourself or myself, for example; suppose we were working as a clerk, suppose we were selling something on the outside, such as insurance, to earn a little more money. Under the bill as it now stands, the employer might be subject to the contributory annuity tax and the employee would be not only on his regular employment as a clerk, which he ought to be, but in connection with casual employment subject to the same tax. The purpose of this amendment is to eliminate that situation. I am going to offer a similar amendment to another part of the bill when we reach it. This amendment has no relationship to the inquiry of the gentleman. However, I do not feel that a person receiving unemployment compensation can be employed at the same time. I do not think any State law permits that.

[Here the gavel fell.]

Mr. CARLSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this is one of the controversial paragraphs in this bill. I do not believe I am violating the confidence of the Ways and Means Committee when I say we spent much time on it.

Mr. McCORMACK. Will the gentleman yield right there?

Mr. CARLSON. I yield.

Mr. McCORMACK. I take it the gentleman does not mean that this amendment is controversial, but the general provision of the bill?

Mr. CARLSON. I thank the gentleman for the correction. I am speaking of the entire paragraph (d). The gentleman from Massachusetts [Mr. McCORMACK] has offered an amendment that I think greatly clarifies this particular section, but even with its adoption I am fearful we have not accomplished the desired result. I am speaking of paragraph (d) on page 63. The amendment offered by the gentleman from Massachusetts, I think, improves it, but I am not satisfied with it. I am willing to let it go to the Senate or hope to have it clarified in conference.

The section deals with the independent outside salesmen. They are paid solely on a commission basis and are not furnished an expense or drawing account. It is my contention that this section, if adopted, will throw thousands of people out of work.

It is estimated that this sales force is now distributing products from manufacturers doing a business in excess of $1,000,000,000 annually. Large businesses have been built by outside salesmen. They do not have a contractual relationship of employer and employee, and this section tries to establish that. I am afraid we have gone too far. This includes this group of citizens that sell newspaper subscriptions, insurance, and people who are now making a livelihood on a commission basis. One of my friends is engaged in business on a large scale; in fact, a national business. He hires people, regardless of age, to go out and sell his product on a commission basis. If this provision goes into effect he and other manufacturers and distributors will greatly limit their forces, and then we will have, in my opinion, thousands of additional people out of work—people who are now engaged in work as salesmen on a commission basis. Personally, I think this is a poor time to legislate in any way that will throw people out of work.

I merely wanted to express my position on this. I do not care to offer an amendment to strike this paragraph from the bill, but the House should know what it is passing when this section is adopted.

Mr. McCORMACK. Will the gentleman yield?

Mr. CARLSON. I yield.

Mr. McCORMACK. So the gentleman's position will not be misunderstood, the amendment I have offered as a committee amendment, the gentleman is absolutely in favor of? I agree with the gentleman that there is a question where there are some who should be included and some who should not be, but it is difficult to phrase it. As my friend from Kansas stated, we are hoping it will be taken care of in the interim between the time the bill passes the House and the time the conference report is agreed to, and the amendment I have offered is an amendment along the line that we all want.

Mr. CARLSON. I am in hearty accord with the gentleman's amendment and I hope it is adopted.

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Massachusetts [Mr. McCORMACK].

The committee amendment was agreed to.

Mr. McCORMACK. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. McCORMACK: On page 73, line 23, after the phrase "State law", insert "or will be determined on the basis of such fractional part of an individual's total earnings (with respect to which contributions were required under such State law) during that calendar quarter within such period in which such earnings were highest, as will produce a reasonable approximation of such full-time weekly earnings."

Mr. McCORMACK. Mr. Chairman, this amendment is simply for the purpose of clarification. Several questions have been raised about the meaning of the phrase "full-time weekly earnings." Those questions are fully answered on page 68 of the committee report. However, in order to avoid misunderstanding and confusion, the committee has recommended this amendment, so that the interpretation of this phrase will be provided in the law itself.

This amendment does not affect the bill in any substantial manner. It is designed to protect the rights of the States by clearly indicating the committee's intent with regard to the meaning of the phrase "full-time weekly earnings."

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. HAVENNER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 84, strike out lines 7 to 12, inclusive.

Mr. HAVENNER. Mr. Chairman, this is another of the amendments endorsed by the American Federation of Labor and is intended to make the definition of employer in this section identical with the definition of employer for old-age insurance tax coverage.

The pay-roll tax for the old-age insurance title of the Social Security Act is collected from all employers who are operating in covered occupations. For unemployment compensation the Federal tax is collected only from employers in the covered occupations who have eight or more employees during each of 20 weeks in the year. For old-age insurance the tax is levied on only the first $3,000 of wages to any one employee. For unemployment compensation it is on the entire pay roll. The Social Security Board recommended that the tax be levied on the same employers and for the same amounts of the pay roll for unemployment compensation as for old-age insurance in order to simplify record keeping and administration. H. R. 6635 changes the pay-roll tax for unemployment compensation to the first $3,000 of wages but fails to change the definition of "employer" to mean employer of one or more persons as in old-age insurance. It should be amended to accomplish this.

Many employers favor the wider coverage because employers of six or seven workers have a tax advantage in their competition with those who hire eight or more workers. Many States have extended coverage more liberally than the Federal law. It would make interstate competition easier for employers in those States with more liberal standards if the Federal law were amended. Administration would be more economical. Employers' records would be simplified. Workers who now are employed in smaller establishments would enjoy the same unemployment compensation security possessed by those in larger plants.

Mr. VOORHIS of California. Mr. Chairman will the gentleman yield?

Mr. HAVENNER. I yield.

Mr. VOORHIS of California. Does not the gentleman believe the very arguments advanced by the gentleman from Tennessee against the amendment offered by the gentleman from Michigan are equally important in defending the gentleman's amendment? Because the argument was advanced that in the case of a limitation of the number of employees as between corporations, a difference in the number of men on the pay roll would give one a competitive advantage over the other.

Mr. HAVENNER. It seems to me to be a matter of simple justice to make this correction.

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment and ask to be indulged only briefly.

Mr. Chairman, the present Social Security Act exempts eight or less. The effect of this amendment, of course, would be to disturb the entire situation that now exists. The imposition of the provisions of this amendment would mean that every little business with one or two employees would have to be covered.

The House, in 1935, following the recommendation of your committee, thought that 10 or less should be exempt; and, as explained a few moments ago, the Senate changed it to 6. In conference the number was fixed at 8. I think we are not yet ready to extend this program down to include

every little business in the country which has one or two people working for it; the corner grocery store and businesses of that type.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. BUCK. May I call the gentleman's attention to the fact that the amendment is wrong, anyway, because it proposes to knock out the entire definition of employer? It is absolutely essential that we have some definition of employer in the bill.

Mr. COOPER. I think the gentleman is correct. I feel that the amendment should be rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 58, line 15, strike out beginning with the comma after the word "home" down through the word "sorority" in line 17.

Mr. HAVENNER. Mr. Chairman, this amendment is identical with the amendment I offered to an earlier title yesterday, and is presented at this time in order to keep the RECORD straight for the program of amendments.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 60, strike out lines 4 to 25, inclusive, and on page 61, lines 1 to 21, inclusive.

Mr. HAVENNER. Mr. Chairman, this amendment is identical with an amendment offered yesterday to an earlier title of the bill with respect to employees of nonprofit organizations.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: On page 62, strike out lines 15 to 22, inclusive.

Mr. HAVENNER. Mr. Chairman, this amendment is identical with one I offered yesterday relating to student nurses.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 64, strike out lines 20 to 25, inclusive, all of page 65, and on page 66, lines 1 and 2, and insert in lieu thereof the following:

"(1) Agricultural labor: The term 'agricultural labor' means only the services of a farm hand employed by a farmer to do the ordinary work connected with a bona fide farm. It does not include services performed on farms whose scale or nature of operations makes them industrial in character. In no case does it include more than the first processing of products which is incidental to the farming operations."

Mr. HAVENNER. Mr. Chairman, this is similar to the amendment I offered yesterday relating to the definition of agricultural labor.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 85, line 23, strike out beginning with the comma after the word "home" down through the word "sorority" in line 25.

Mr. HAVENNER. Mr. Chairman, this is a definition of domestic labor.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 87, strike out lines 11 to 26, inclusive, and strike out all of page 88.

Mr. HAVENNER. Mr. Chairman, this is again the amendment relating to employees of nonprofit organizations.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAVENNER].

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer another amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 89, strike out lines 18 to 25, inclusive.

Mr. HAVENNER. Mr. Chairman, this is the amendment relating to the employment of students and nurses.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAVENNER].

The question was taken; and on a division (demanded by Mr. SCHAFER of Wisconsin) there were—ayes 4, noes 103.

So the amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I offer another amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 92, strike out lines 5 to 25, inclusive, and on page 93, lines 1 to 11, inclusive, and insert in lieu thereof the following:

"(1) Agricultural labor—the term 'agricultural labor' means only the services of a farm hand employed by a farmer to do the ordinary work connected with a bona fide farm. It does not include services performed on farms whose scale or nature of operations makes them industrial in character. In no case does it include more than the first processing of products which is incidental to the farming operations."

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAVENNER].

The amendment was rejected.

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am very much interested in the question whether or not corporations operating annual fairs, such as we have in practically every State in the Union are covered by this law. We all know that the purpose of those organizations, although they may be incorporated, is not to make money but to encourage improvement in agricultural and commercial conditions. They generally have agricultural and livestock exhibits principally, but oftentimes commercial exhibits as well. They also operate amusement devices through contract with the company which brings the so-called midways to the fairs. May I ask the gentleman from Tennessee to give us the benefit of the committee's view on that?

Mr. COOPER. Mr. Chairman, it is the understanding of the committee that these fairs of the type mentioned by the gentleman are interpreted by the Treasury Department regulations to be in connection with agricultural programs and the advancement of agricultural products. Being such, they are completely exempted under section 101 of the Internal Revenue Code, therefore, are exempted under the provisions of this bill.

Mr. RAMSPECK. I thank the gentleman.

The Clerk read as follows:

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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."

SEC. 702. Effective January 1, 1940, section 1003 of such act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (2) 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 percent."

SEC. 703. Section 1006 of such act is amended to read as follows:

"SEC. 1006. When used in this title, the term 'aid to the blind' means money payments to blind individuals who are needy."

Mr. JENKINS of Ohio. Mr. Chairman, I offer a committee amendment.

Mr. ROBERTSON. Will the gentleman withhold that so that I may clarify the statement of the gentleman from Tennessee about these agricultural fairs?

Mr. JENKINS of Ohio. Yes.

Mr. ROBERTSON. Mr. Chairman, I wish to call attention to page 2 of the committee report, where you will find that all agricultural and horticultural organizations are completely exempted from both the old-age and the unemployment pay-roll tax. In addition to that, this bill exempts all nonprofit corporations exempt from income tax under section 101 of the Revenue Act where the compensation of the employee is less than $45 in a quarter.

Some question has been raised by a representative of the United States Chamber of Commerce as to whether or not the language has been properly inserted in all of the necessary places. The answer to that is found on page 2 of the report, which gives the interpretation by the committee of the language used by the committee, which language is binding on the Treasury Department. We say on page 2 of the report:

1. Certain services, including services for agricultural and horticultural associations, voluntary employees' beneficiary associations, local or ritualistic services for fraternal beneficiary societies, and services of employees earning nominal amounts (less than $45 per quarter) of nonprofit institutions exempt from income tax, are exempted from old-age insurance and unemployment compensation in order to eliminate the nuisance cases of inconsequential tax payments.

The Treasury Department is bound by that, regardless of what anybody else may think.

Mr. JENKINS of Ohio. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. JENKINS of Ohio: On page 95, line 2, strike out "$30" and insert "$40."

Mr. JENKINS of Ohio. Mr. Chairman, title VII of this bill has to do with pensions for the blind. The amendment which I have sent to the Clerk's desk provides for an increase in the pension to the blind. It applies, in line 2, on page 95.

I wish to state that this is a committee amendment, and I wish to thank the Committee on Ways and Means most profoundly for their graciousness in permitting me to offer this amendment, as you know it is the universal rule for the majority members to offer all committee amendments to a bill, especially a bill of such great importance as this one. The amendment has the full and complete approval of every member of the Committee on Ways and Means, both Democrats and Republicans. The reason they were gracious enough to assign this privilege to me is that I have been more or less active with reference to preparing and securing legislation that aids the blind. I shall not take the time of this Committee any further on this point, but say again as graciously and sincerely as I can that I appreciate the kind consideration of the committee.

May I state further that this amendment simply puts the blind pensioners on the same basis as the old-age pensioners. It raises the maximum contribution of the Federal Government from $15 to $20. The Federal Government will contribute up to $20 and if the State government will do the same the blind will get $40 per month—whatever the States will give up to $20 the Federal Government will match. The Federal law provides that the old-age pensions must be administered under a State unit and practically all the States have such a State unit. It is unfortunate that the law is not the same as to the blind. In many States, in the State of Ohio, for instance, the State is not a unit, in the same way with reference to the payment of old-age pensions as it is with reference to the payment of the blind pensions, with the result that the blind people do not get the pensions as easily or to the same extent the old-age pensioners do. I hope the time will come when the blind will be given the same administrative advantages as the old-age pensioners.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I yield to the distinguished and learned gentleman from Massachusetts.

Mr. McCORMACK. The statement of the gentleman from Ohio indicates the very fine spirit that existed among the entire membership of the Committee on Ways and Means, without regard to party affiliation, during the entire consideration of this bill, which extended over several months. It certainly was a pleasure to all the members of the Committee on Ways and Means, particularly the Democratic members of the committee, to have the committee amendment offered by the distinguished gentleman from Ohio, who made such a valiant fight to have the amendment adopted. [Applause.]

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Ohio [Mr. JENKINS].

The committee amendment was agreed to.

Mr. HAVENNER. Mr. Chairman, I ask unanimous consent to return to title VI in order to offer a few more amendments, without debate, which I did not offer while title VI was under consideration.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAVENNER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 70, line 10, after the word "and", insert the following:

"(B) Compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(i) the individual will be entitled to receive, within a compensation period prescribed by the State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 16 times his weekly rate of compensation for a week of total unemployment;

"(ii) no individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law as a condition to receiving during such compensation period the total amount of compensation provided in subparagraph (i) of this subsection;

"(iii) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will be not less than (a') $5 per week if such full-time weekly earnings were $10 or less, (b') 50 percent of such full-time weekly earnings if they were more than $10 but not more than $30, and (c') $15 per week if such full-time weekly earnings were more than $30;

"(iv) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment;

"(v) no disqualification for compensation will be imposed in excess of disqualification for compensation during a 6 consecutive week period beginning with the week in which the disqualifying circumstance occurs; and."

The amendment was rejected.

Mr HAVENNER. Mr. Chairman, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAVENNER. Mr. Chairman, this amendment establishes benefit standards which must be adopted by any State before additional credit allowance would be granted to employers who are paying a smaller tax rate than the average rate in the State under specified provisions of the State law.

The serious defect in the proposal of the pending bill is that the benefit standards it establishes are reasonable only as minimum standards for the less industrialized States. In a number of States standards have already been adopted which are superior in some respects to those of the bill before us. If, however, tax reductions are permitted and no limit is set to the amount of reduction as soon as these minimum benfits are met and the specified reserve established, it will be almost impossible for States to retain or adopt superior standards. If better benefits are paid, the extra cost of such benefits will keep the reserve from being built up and will delay the full amount of tax reduction possible.

It was only after the uniform Federal tax law was levied that States found it possible to pass unemployment-compensation laws. The Federal tax equalized interstate competitive conditions. If varying amounts of credit are given against the Federal law to make up for reductions in State taxes, the competition between States will be unequal again and each State will try to reduce its rate as far as possible.

It will be very hard for any State to establish better benefits than the minimum, and those minimum standards are known to be inadequate. This is one of three amendments sponsored by the American Federation of Labor to prevent the proposed tax reduction in unemployment-compensation tax returns from taking effect in such a way that benefit payments will be fixed at levels far too low to be satisfactory or adequate.

Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 72, strike out lines 10 to 25, inclusive; all of page 73, and lines 1 to 17, inclusive, on page 74, and insert the following:

"(b) Other State standards: Notwithstanding the provisions of subsection (a) (1) (A) of this section, a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any 1 of the preceding 10 calendar years, or one and one-half times the highest amount of compensation paid out of such fund within any 1 of the preceding 10 calendar years, whichever is the greater; and

"(2) any variations in reduced rates of contributions as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section; and

"(3) either part I, part II, part III, or part IV of this subsection are complied with.

"PART I

"(A) The total annual contribution will yield not less than an amount substantially equivalent to 2.4 percent of the total annual pay roll with respect to which contributions are required under such law; and

"(B) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(i) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 16 times his weekly rate of compensation for a week of total unemployment;

"(ii) no such individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law as a condition to receiving during such compensation period the total amount of compensation provided in subparagraph (i) of this subsection;

"(iii) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law, and will not be less than (a') $6 per week if such full-time weekly earnings were $12 or less, (b') 50 percent of such full-time weekly earnings if they were more than $12 but not more than $36, and (c') $18 per week if such full-time weekly earnings were more than $36;

"(iv) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(v) No disqualification for compensation will be imposed in excess of disqualification for compensation during a 6-consecutive-week period beginning with the week in which the disqualifying circumstance occurs.

"PART II

"(A) The total annual contributions will yield not less than an amount substantially equivalent to 2.1 percent of the total annual pay roll with respect to which contributions are required under such law; and

"(B) Compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(i) The individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 20 times his weekly rate of compensation for a week of total unemployment;

"(ii) No such individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law, as a condition to receiving, during such compensation period, the total amount of compensation provided in subparagraph (i) of this subsection;

"(iii) The weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law, and will not be less than (a') $7 per week if such full-time weekly earnings were $14 or less, (b') 50 percent of such full-time weekly earnings if they were more than $14 but not more than $40, and (c') $20 per week if such full-time weekly earnings were more than $40;

"(iv) Compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(v) No disqualification for compensation will be imposed in excess of disqualification for compensation during a 6-consecutive-week period beginning with the week in which the disqualifying circumstance occurs.

"PART III

"(A) The total annual contributions will yield not less than an amount substantially equivalent to 1.8 percent of the total annual pay roll with respect to which contributions are required under such law; and

"(B) Compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not

less favorable to such individual than the following or substantially equivalent standards:

"(i) The individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 24 times his weekly rate of compensation for a week of total unemployment;

"(ii) No such individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law, as a condition to receiving, during such compensation period, the total amount of compensation provided in subparagraph (i) of this subsection;

"(iii) The weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (a') $7 per week if such full-time weekly earnings were $14 or less, (b') 60 percent of such full-time weekly earnings if they were more than $14 but not more than $40, and (c') $20 per week if such full-time weekly earnings were more than $40;

"(iv) Compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(v) No disqualification for compensation will be imposed in excess of disqualification for compensation during a 6-consecutive-week period beginning with the week in which the disqualifying circumstance occurs.

"PART IV

"(A) The total annual contributions will yield not less than an amount substantially equivalent to 1.5 percent of the total annual pay roll with respect to which contributions are required under such law; and

"(B) Compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(i) The individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks a total amount of compensation equal to not less than 26 times his weekly rate of compensation for a week of total unemployment;

"(ii) No such individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law, as a condition to receiving, during such compensation period, the total amount of compensation provided in subparagraph (i) of this subsection;

"(iii) The weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will not be less than (a') $7 per week if such full-time weekly earnings were $14 or less, (b') 66⅔ percent of such full-time weekly earnings if they were more than $14, but not more than $40, and (c') $20 per week if such full-time weekly earnings were more than $40;

"(iv) Compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(v) No diqualification for compensation will be imposed in excess of disqualification for compensation during a 6-consecutive-week period beginning with the week in which the disqualifying circumstance occurs."

Mr. McCORMACK (interrupting the reading of the amendment). Mr. Chairman, I ask unanimous consent that the further reading of the amendment be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAVENNER. Mr. Chairman, the pending bill provides that the States should be allowed to reduce the tax rate without any reduction in the credit their employers have against the Federal tax when they have reserves of a specified amount and have adopted the stated benefit standards. Those standards are so far from adequate that in some respects they are inferior to existing State laws. The Ways and Means Committee report estimates that all except five States would be able to reduce taxes in 1940. To allow tax reductions to proceed unchecked after these standards are reached will prevent any improvement in benefits. There will be a competition between States to push taxes down rather than a reasonable effort to improve benefits.

Tax reductions which would prevent benefit increases would be false economy and defeat the purpose of the law. An amendment providing for progressive benefit increases as a condition of progressive tax reductions would put real security into the system.

At present no State has a satisfactory benefit scale. The purpose of unemployment compensation is to pay reasonable benefits to the unemployed worker. If the Federal tax rate is lowered, each State will wish to lower its own tax rate to give its employers the same advantage enjoyed by employers in other States. The persons the law was intended to benefit will suffer by continuation of low benefit rates.

This amendment has been prepared by the American Federation of Labor, and I urge its adoption.

Mr. Chairman, I offer a further amendment.

Mr. BUCK. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BUCK. How many more amendments will be offered by the gentleman from California?

The CHAIRMAN. The Chair does not think that is a proper parliamentary inquiry, but the Chair has been advised that this is all.

The Clerk read as follows:

Amendment offered by Mr. HAVENNER: Page 61, after line 4, insert the following:

"(7) Compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(A) The individual will be entitled to receive, within a compensation period prescribed by the State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 16 times his weekly rate of compensation for a week of total unemployment;

"(B) No individual will be required to serve a waiting period in excess of 1 week or 7 consecutive days of total unemployment within the compensation period prescribed by the State law, as a condition to receiving during such compensation period the total amount of compensation provided in subparagraph (A) of this subsection;

"(C) The weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law and will be not less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 percent of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30;

"(D) Compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(E) No disqualification for compensation will be imposed in excess of disqualification for compensation during a 6-consecutive-week period beginning with the week in which the disqualifying circumstance occurs."

Mr. McCORMACK (interrupting the reading of the amendment). Mr. Chairman, I ask unanimous consent that the further reading of the amendment be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The CHAIRMAN. The question is on the amendment of the gentleman from California.

The amendment was rejected.

Mr. HAVENNER. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAVENNER. Mr. Chairman, when the Federal 3-percent tax was adopted in title IX of the Social Security Act the purpose was to make it possible for States to establish unemployment-compensation systems without handicapping their employers in interstate competition. The 2.7-percent tax which most of the States adopted was a compromise, admittedly not large enough to pay the benefits which would mean substantial security for unemployed workers, but as large as it was believed advisable to levy on pay rolls in 1935 for unemployment compensation. Everyone expected that benefit payments would be as large and as extended as the funds raised would permit.

Instead of adequate benefits the low standards adopted originally on the basis of mistaken estimates of cost were retained, and the money collected was not used. Absurdly low benefit checks, many for amounts less than $2, long waiting periods, severe disqualifications, and payments for periods too brief to be significant have made a farce of unemployment compensation in many States. In the last quarter of 1938, 28 percent of the checks were for amounts less than $8. In the first quarter of 1939 those small checks had increased to 33 percent of the total written. It is no wonder that unused reserves have piled up to very large sums in some States.

It is time to remember the purpose of social-security legislation. Unemployment compensation is to aid the unemployed worker. The meager payments so far have made a mockery of the "security" the system was designed to achieve. The 3-percent tax is in large measure passed on to consumers. The estimated saving to employers from tax reductions is, therefore, vastly overrated. The real aid to business would come from making full use of the unemployment-compensation funds. If the benefits are adequate, paid promptly and for periods long enough to cover the usual periods of unemployment the amount paid in in taxes will be returned to business in payment for goods. That demand for commodities is the relief business needs. When commodities are sold there is money to pay taxes.

Unemployed workers can be counted on to spend all the money they get in benefits. Their demands are limited only by their resources. The law was designed for their aid. Making their purchasing power regular would aid business, so serving a double purpose. The amendment provides for standards of benefit payments which will insure a more complete use of available funds for benefit payments.

This amendment is sponsored by the American Federation of Labor and should be adopted.

Mr. MILLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I take this time to express very briefly an observation brought to mind by the amendment offered by the gentleman from Ohio [Mr. JENKINS] and adopted by the Committee a few moments ago. I think it is well to pause and remind ourselves that because of the intense interest in old-age assistance and old-age insurance, we are many times inclined to overlook the importance of other titles of the Social Security Act. I believe I can safely say that in my own district very few of the residents realize the possibilities in the Social Security Act, and very few of the States, I fear, are taking full advantage of certain titles of the act.

The change made in title IV wherein the Federal Government will now match dollar for dollar the money appropriated by the States is certainly an improvement over the old act.

The American Legion has been very much interested in this whole program of child reform, and at their suggestion the F. E. R. A. made a survey a few years ago and developed the fact that there are in the United States practically the same number of needy children as there are aged people in need, but still the fact remains that at the present time we are spending $4 for assistance to the aged for every dollar we are spending for dependent and needy children.

I realize that part of the program must be carried on by the States, but I feel it is the duty of every Member of the Congress, when they go back into their districts to discuss with those in power in their respective States the possibility of enlarging and increasing the work done for the needy children.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. MILLER. Gladly.

Mr. TREADWAY. Of course, the gentleman is well aware of the fact we have done the right thing by the needy children in changing the apportionment from one-third to one-half as the contribution on the part of the Federal Government.

Mr. MILLER. I intended to express the thought, and I believe I did say that was an improvement, and I hope the information will be conveyed back to the several States.

[Here the gavel fell.]

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: On page 97, line 5, after section 703, insert a new section to read as follows: "SEC. 704. Title X of the Social Security Act, as amended, is amended by inserting after the word 'blind' wherever it occurs in such title the following: 'or persons physically disabled in such degree as to be unable to engage in a gainful occupation.'"

Mr. VOORHIS of California. Mr. Chairman, I am sure that the real purpose of this amendment is one toward which the members of the committee themselves are sympathetic. Indeed, there has been some discussion already in connection with this bill in which it was said, as I recall, that a study of this question is being made.

The philosophy behind this amendment, I think, is very simple. It is simply that disability due to blindness is no more serious for the person affected from the standpoint of being able to engage in earning a living than many other kinds of disability, and therefore, in order for the act to be a well-rounded piece of legislation, there should be some provision made for other types of disability on the same basis as is made for blindness, provided the disability is sufficiently serious to render it impossible for the person to engage in a gainful occupation.

The amendment would in no way change the obligation on the State to determine the degree of disability and would still leave to the State, of course, the determination as to how far it would go in making provision for cases of this kind.

I simply felt that in the interest of having the act a well-rounded one, an amendment of this kind should be put into the measure and made a part of the program, and this is the reason I have offered the amendment.

Mr. COOPER. Mr. Chairman, I shall ask the indulgence of the House only briefly. I pointed out yesterday in response to a question asked me the reasons of the committee for not including total permanent disability cases in the pending bill. I am sure I voice the sentiment and feeling of every member of the Committee when I say that we are interested, we are in sympathy, with this group of our people, but it was pointed out to us by the Chairman of the Social Security Board that although they recommended future inclusion of permanent and total disability cases, they thought perhaps it would take a year or maybe 2 years to be able to properly work out the administrative program so as to be able to take care of that. We have many difficult questions involved in that, so that certainly this amendment should not be included in this bill. We should not start on this program at this time. The Social Security Board is continuing its study and its investigation. There would be considerable additional cost involved and the Board is not prepared and ready to administer such a program even if it should be adopted.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. TREADWAY. Has not the gentleman just referred to one outstanding reason for further study, namely, the additional cost which would undoubtedly reach into a very large figure?

Mr. COOPER. Yes; that is true.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. REED of New York. Of course it must be apparent to all of the Members of the House that this is a bill so very comprehensive, entering into so many fields of social security, that it is utterly impossible to work out a solution of all of them that present themselves at this time.

Mr. COOPER. There is no doubt about that.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. BUCK. The gentleman will recall that the estimate of the cost for benefit disbursements in a total disability benefit plan ranged from $27,000,000 to $30,000,000 in 1940, and would reach to from $162,000,000 to $278,000,000 by 1945, and increase thereafter, so your committee was very seriously concerned with the question of cost.

The CHAIRMAN. The time of the gentleman from Tennessee has expired. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word. I was very much pleased to hear the remarks of the distinguished gentleman from Connecticut [Mr. MILLER] in relation to dependent children. Nothing pleases me more in this bill than the increased Federal grant from one-third to one-half and the increase of eligibility from 16 years to 18 years when the children are regularly attending school. Some of us had extreme difficulty in having the advance accomplished.

The action of the committee in increasing the Federal grant to dependent children from one-third to one-half is a commendable one. It was my pleasure to introduce a bill at the request of the American Legion to accomplish this result. The Social Security Board also made this as one of its recommendations.

The family is the oldest of our social institutions. Safeguarding the family against economic hazards is one of the major purposes of modern social legislation. The importance of the family, and the duty, obligation, and necessity of preserving it as far as possible, is evident to all of us. The action of the committee is not only humane, but is a great step in this direction.

Old-age legislation, contributory and noncontributory, unemployment compensation, mothers' aid, and general relief by several States and their political subdivisions, aid to the blind and incapacitated, all have an important bearing on preserving the family life.

In these cases most of the beneficiaries are adults. In the case of aid to children we are giving consideration to the child of today who will be the citizen of tomorrow and upon whose shoulders, with others, will rest the duty and task of carrying on the full duties of a citizen. It is to the children of today that we must look to for the successful conduct of our Government when the time comes that they assume full responsibility. That is all the more reason why the increased Federal grant to dependent children is important and commendable.

Prior to the passage of the Social Security Act, which was brought about through the inspiration and leadership of the great humanitarian, President Franklin D. Roosevelt, there was no national pattern of relief for dependent children, the aged or the blind.

In 1934, 270,000 to 280,000 dependent children in "need" were cared for, inadequately in most cases, under State law, with only a few States making provision for such aid.

Today, 631,000 children are receiving aid, in 40 States and two Territories, which are participating in the Federal-State program brought about as a result of the passage of the Social Security Act, with 95 percent of such cases in the United States receiving assistance through Federal contribution. The action in increasing the Federal grant from one-third to one-half should enable States to extend their activities in this deserving field.

Prior to the passage of the Social Security Act, the few States that gave consideration to the dependent children in need generally did so through mothers' aid laws, the standards being difficult to meet, and generally being left to the political subdivisions of a State to assume the burden of meeting. In the 40 States and 2 Territories that have passed laws complying with title IV, that situation has changed.

One of the underlying theories behind title IV—aid to dependent children—is that it is inadvisable from the angle of government and wrong from the angle of society to break up a family and put children in the position of requiring public assistance in a poor institution, such as was the general practice only a few years ago.

Under institutional care, which is repugnant to all, which the social-security law practically removed, the costs were much greater than keeping the family together, keeping the mother and her children in their own home.

I am also particularly pleased in the action taken by the Committee on Ways and Means, and which the House has agreed to, relating to Puerto Rico, and in giving to the people of Puerto Rico the benefits provided for in this bill. I hope that in the near future the other recommendations of President Roosevelt and of the Social Security Board with reference to the people of Puerto Rico will be incorporated into law.

The people of Puerto Rico are citizens of the United States just as much as we of continental United States are.

The evidence presented to the committee by Governor Winship and Miss Lenroot, Commissioner Iglesias, and others who appeared in behalf of the people of Puerto Rico was interesting and convincing. It showed that Puerto Rico is an island of about 100 miles long and 35 miles wide, and in that limited area are living 1,800,000 persons, or about 500 persons per square mile. If the same number of persons per mile, for example, lived in the great State of Texas, the population of the State of Texas would be 115,000,000. The evidence showed the area of Puerto Rico comprises about 2,200,000 acres of land, of which less than 1,500,000 acres is capable of being cultivated. The evidence showed that the per capita income and wealth of the inhabitants of Puerto Rico is very, very low.

The evidence also showed, as contained in a letter from Governor Winship to President Roosevelt dated June 25, 1938, that during the 5-year period from March 1933 Puerto Rico received out of funds appropriated for new construction and emergency purposes $57.41 per capita. The letter of Governor Winship also shows that the per capita appropriation in continental United States was $222.99; in Hawaii, $141.50; in Alaska, $211.40; and in the Virgin Islands, $282.28.

The letter also shows that in the same period the Federal Government allowed the government of Puerto Rico to receive around $5,000,000 each year in taxes, which during the 5-year period is about $14 per capita, which, added to the $57.41, would only amount to $71.41 per capita.

The evidence also shows that the people of Puerto Rico are among the best customers of goods produced or manufactured in the United States, buying from continental United States in 1936 farm products or manufactured goods and other manufactured products in the sum of $86,350,000, and in 1937 in the sum of $90,000,000.

The evidence also shows that the legislative body of Puerto Rico has already made the appropriations necessary to match the Federal grant on the provisions of the pending bill that we have extended to Puerto Rico. Puerto Rico has simply sought what other parts of the United States now have under the existing social-security law; and in this bill we have included Puerto Rico in such parts thereof as the Puerto Rican government are capable of accepting at the present time.

Puerto Rico is an integral part of the United States. The people of Puerto Rico are citizens of the United States. Its people should be given every opportunity to progress economically as rapidly as they can. We should give to the people of Puerto Rico consistent with their best interests and in the near future the humane benefits of all of the provisions of the Social Security Act and of all progressive legislation that future Congresses might pass and which might become enacted into law.

The Clerk read as follows:

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940—

(a) clause (1) of section 1101 (a) of such act is amended to read as follows: "(1) The term 'State' (except when used in sec. 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such act (including sec. 531) includes Puerto Rico."

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are casual services not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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 1 year, or both.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 1 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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 1 year, or both."

Mr. McCORMACK. Mr. Chairman, I offer the following committee amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. McCORMACK: Page 98, line 4, strike out the words "casual services."

Mr. McCORMACK. Mr. Chairman, this is the same amendment adopted in another part of the bill found on page 64.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. CARLSON. Mr. Chairman, I move to strike out the last word. In this section we are including Puerto Rico for the first time under the Social Security Act. It comes under the provisions of title V and title VI, which deal with maternal and child welfare and with public health. I think every member of the Ways and Means Committee was greatly impressed with the testimony of Hon. Blanton Winship, Governor of Puerto Rico, and by representatives of the Department of the Interior and other citizens interested in the welfare of that country. I think we were all amazed to learn that this Nation of ours, while we contribute financially to the support of Puerto Rico in several and in many ways, yet passed legislation in Congress that is just about to destroy the economic conditions of that country.

Governor Winship stated before our committee that there were six or seven hundred thousand who have got to be fed or they will go hungry this summer because of the sugar quota and the wage and hour law. The wage and hour law and the trade treaties have practically destroyed an industry employing ninety to one hundred thousand women. It seems that our Nation has tried to help Puerto Rico financially, but at the same time just about strangled them with reciprocal-trade treaties and regulations.

On April 14 the Senate and House of Representatives of Puerto Rico passed a concurrent resolution. I am going to read one section of it:

Whereas these acts on the part of the Congress of the United States and of the national administration will undoubtedly cause the total ruin of all our resources and all wealth, and they now discourage all initiative of the businessmen of Puerto Rico and kill all hope of creating new industries.

Again I say the reciprocal-trade agreements and wage and hour law that we have enacted have just about destroyed that country. The following resolution passed by the Senate and House of Puerto Rico calls to our attention the seriousness of the situation:

Concurrent resolution to set forth the very acute crisis now experienced by the island of Puerto Rico; to make urgent demands upon the President of the United States of America and the national administration for a remedy for this situation

Whereas the exports of Puerto Rico have fallen from $114,953,827 in 1937 to $82,077,173 in 1938, i. e., a decrease of 28.5 percent. In 1938 imports amounted to $93,314,783, which showed a trade balance against Puerto Rico of $11,237,605 in the year 1938;

Whereas due to the restrictions resulting from the quotas assigned to Puerto Rico for this year, there can be no new plantings of sugarcane, the sugar-grinding season will close in May, it being one of the shortest there has ever been in Puerto Rico, and at the close of the grinding season there will be over 200,000 laborers out of work;

Whereas according to reports of the Administrator of the P. R. R. A., the number of cases certified for relief reached 222,606 unemployed in November 1938, a figure which represents, counting their dependents, 1,121,035 persons without means of subsistence;

Whereas Puerto Rico has suffered considerable reductions in the export values of its agricultural products during the year 1938 as compared with 1937, reductions which are distributed approximately as follows: Sugar, $21,240,000; coffee, $1,059,000; tobacco, $1,631,000; fruits, $691,000; needlework, $9,199,000;

Whereas in accordance with the agreement entered into with Cuba on September 3, 1934, by virtue of which the tariff on canned and fresh pineapples was reduced, the Republic of Cuba bound itself to furnish seeds to Puerto Rico, an obligation which it has refused to perform, thus violating the conditions of said treaty;

Whereas these reductions (with the exception of coffee) have all been due directly to acts, both legislative and administrative, of the National Government, to wit:

(a) Sugar Act of 1937, which in the distribution of quotas allots to Puerto Rico a ratio of only 11.94 percent out of the total estimated consumption of the Nation.

(b) The Wage and Hour Act, which prescribes wages at a rate that the most important of the industries affected cannot withstand.

(c) Trade agreement with France whereby the duty on bay oil was reduced from 25 percent to 12½ percent, which caused our sales of this oil to the United States to drop from $29,181 in 1937 to $17,223 in 1938.

(d) Trade agreement with Cuba, dated September 3, 1934, reducing the duty on cigars from $3.60 a pound, plus 20 percent ad valorem, to $2.25 a pound, plus 12½ percent ad valorem, which caused a drop from $1,453,340 in 1934 to $42,813 in 1938 in the value of Puerto Rican cigars in the United States.

(e) Trade agreement with the United Kingdom, dated January 1, 1939, reducing the duty on coconuts from $5 a thousand to $2.50 a thousand, which reduction is likewise applicable to coconuts imported from Panama, Colombia, Venezuela, Cuba, and Santo Domingo, under the "most favored nation" clause in their commercial treaties with the United States, which has resulted in such a drop in the price of coconuts that it is hardly worth while to ship them.

(f) Trade agreements with El Salvador, Guatemala, and Canada, dated May 31, 1937; June 15, 1938, and January 1, 1939, reducing the import duty on honey from 3 to 2 cents a pound, for which reason the sales of honey from Puerto Rico in the United States have dropped from $75,175 in 1936 to $47,924 in 1938.

(g) Trade agreement with Switzerland, dated December 15, 1936, which on pages 375–410 reads as follows: Handkerchiefs, wholly or in part of machine-made lace; handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted,

drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; any of the foregoing, finished or unfinished, which contain no handmade lace and which is not embroidered or tamboured in any part by hand: Composed wholly or in chief value of cotton, 2 cents each and 30 percent ad valorem. Composed wholly or in chief value of vegetable fiber other than cotton: If finished and valued at 80 cents or more per dozen, 2 cents each and 30 percent ad valorem.

If unhemmed and without any finished edge, and valued at 45 cents or more per dozen, 2 cents each and 30 percent ad valorem.

The Treasury Department decided that, inasmuch as paragraph 1529 (b), above cited, specifically exempts only handkerchiefs which are not embroidered or tamboured in any part by hand, but does not specifically exempt other hand-made ornaments such as applique, works from which threads have been omitted, etc., handkerchiefs on which such handwork has been done shall be included under the new tariff rate of the treaty.

The above did not favor Switzerland but instead favored China, which totally invaded the handkerchief market of the United States to the detriment of the handkerchief market of Puerto Rico.

(h) Competition with China, the Philippines, Portugal, Japan, Italy, and Madeira, subject to this tariff under the most-favored-nation clause, caused a drop in the value of our sales of needlework to the United States from $20,811,000 in 1937 to $11,612,000 in 1938; this when the wage rates fixed by the National Wage and Hour Act were still to be prescribed;

(i) Trade agreement with Cuba, of September 3, 1934, lowering the tariff on cucumbers, peppers, canned and fresh pineapples, as follows: Cucumbers, from $0.024 a pound to $0.012 a pound; peppers, from $0.02 a pound to $0.015 a pound; canned pineapples, from $0.016 a pound to $0.008 a pound; fresh pineapples, from $0.40 a crate to $0.20 a crate. These reductions in the tariff on cucumbers and peppers are aggravated by the fact that such reductions are effective from December 1 to the last day of the following February in the case of cucumbers, and from January 1 to April 30 in the case of peppers, and it is between these dates for which the reduction has been granted that Puerto Rico ships these products to the continent, when the other producing areas of the Nation have finished selling their crops, thus giving the advantage to Cuba exclusively at the expense of Puerto Rico, while complete protection is afforded to the other producing areas of the continent. As a result, the sale of Puerto Rican cucumbers to the United States has dropped from 2,923,230 pounds in 1935 to 2,562,450 pounds in 1938; and sales of peppers have dropped from 149,845 pounds in 1935 to 78,255 pounds in 1938. Even though this reduction is not of the greatest significance, it is important, however, that a business which, if it enjoyed adequate protection, could increase in importance and perhaps become a leading factor in our sources of wealth, has been brought to a standstill;

(j) As regards fresh pineapples, the agreement with Cuba will practically do away with the cultivation of this fruit in Puerto Rico, considering that Cuban exports of fresh pineapples to the United States have increased from 52.7 percent of the total pineapple imports in 1935 to 55.4 percent in 1936 and 64.6 percent in 1937, while Puerto Rican shipments decreased during the same period from 34.2 percent in 1936 to 28.3 percent in 1937. As a result of competition, furthermore, prices dropped from $2.66 a case in the New York market in 1935 to $2.47 a case in 1936, to $2.24 a case in 1937, and to $1.94 a case in 1938, and the prices on canned pineapples likewise dropped from $0.066 a pound in 1935 to $0.064 a pound in 1936, to $0.058 a pound in 1937, and to $0.057 a pound in 1938; and the whole situation is now further aggravated by the fact that the canning and packing of pineapples for the market is now made enormously expensive through the application of the Wage and Hour Act. Agreements similar to that made with Cuba in regard to pineapples, made with Honduras, Guatemala, Haiti, and Costa Rica, have reduced the duty on fresh pineapples from $0.50 a crate to $0.35 a crate, and the agreement with the United Kingdom of England dated January 1, 1939, now also fixes the duty at $0.35 a crate;

(k) Trade agreement with Cuba (September 3, 1934) and Haiti (June 3, 1935) reducing the duty on rum from $4 to $2 a gallon in the case of Cuba and from $5 to $2.50 a gallon in the case of Haiti. Through these concessions the expansion of our liquor industry has necessarily been checked, which with the effective protection previously enjoyed, could have developed into a source of income of almost as much consequence as the sugar industry;

(l) Trade agreement of September 3, 1934, with Cuba, making reductions in the duty on unstripped tobacco; agreement of February 1, 1936, with Holland, lowering the duty on cigar wrappers; agreement of January 1, 1939, with the United Kingdom, lowering the duty on cut tobacco; agreement of September 3, 1934, with Cuba, lowering the duty on fresh tomatoes and grapefruits, all of them to the grave injury of the price of our tobacco, our tomatoes, and our grapefruit;

(m) Trade agreement of June 15, 1936, with France, lowering the duty on vanilla from $0.30 a pound to $0.15 a pound, a reduction which deprives Puerto Rico of the protection offered to this product the cultivation of which was being promoted for the purpose of creating the vanilla industry, in view of the fact that Puerto Rico needs diversification of agriculture and the development of new industries;

(n) Under the security offered by a protective tariff of $0.02 a pound, we essayed the promotion of the planting and cultivation of citron as a suitable crop to supplement the coffee crop in the interior of the island. It grew well, and the cultivation of this crop acquired over greater importance, but the Congress of the United States removed the tariff and now, selling at prices of 3 and 4 cents a pound in the New York market, Italy, with great strides displaces Puerto Rican producers who cannot compete at these prices, for in Italy this product is salted with sea water and lower wages are paid, and, in addition, the Government subsidizes producers.

(o) The exportation of manganese, the only mineral that we mined on a commercial scale, has had to be stopped because Congress took away the tariff protection it previously enjoyed;

Whereas the Department of State now proposes to lower the duty on Cuban sugar from $0.90 to $0.75 a hundredweight, according to a notice dated November 30, 1938, and this will be another blow aimed at our economy and affecting our chief agricultural product, inasmuch as the mere announcement of the reduction in the duty brought the prices down, which forced the Secretary of Agriculture to cut down on his estimate of consumption for the purpose of maintaining prices, which will work fresh injury on us, inasmuch as the market quota originally allotted to us will have to be cut down in proportion;

Whereas in making the agreement with Czechoslovakia, Puerto Rican coffee did not receive adequate consideration and was allotted a minimum quota smaller than that of any of the other countries that sell coffee in that market, despite the fact that Czechoslovakian coffee importers are desirous of buying it, and such action has prevented the increased importation of Puerto Rican coffee;

Whereas the application of the provisions of the Sugar Act of 1937 has reduced the income derived from sugar out of all proportion to the needs of the country and has injured the interests of the producers and laborers of Puerto Rico, a situation made worse through the discrimination of which Puerto Rico has been made a victim, for while continental areas have had the benefit of quotas which represented no reduction of their normal crops, while neither Hawaii nor the Philippines have filled the quotas allotted to them, while Cuba is allotted a quota twice as large as that allotted to Puerto Rico, and Puerto Rico has always filled its quota to excess, our island is allotted a grinding quota for 1939 that amounts to a restriction of 21.5 percent on its 1938 production which totaled 1,077,128 tons, notwithstanding the fact that sugar is the foundation of our economy, the mother industry on which we depend for paying wages to 150,000 of our laborers;

Whereas it will not be allowed during this year 1939 to manufacture sugar in excess of the quota assigned for the continental market and consumption in the island, which will mean a difference of 108,139 tons less sugar manufactured by us this year, and for this reason the grinding season will last 3 months only and sufficient cane will remain standing in the fields to meet the requirements of practically the whole of the next grinding season, a circumstance this that will prevent new plantings and will, as a consequence, leave over 130,000 industrial laborers without work and create a state of unemployment after the end of May which will have no parallel in the history of Puerto Rico, while the continental areas, Hawaii and the Philippines, will be able to use all the sugar beet and all the cane there may be in their fields;

Whereas the right of Puerto Rico to promote and develop all the industries for which favorable conditions exist here was arbitrarily violated and restricted when the said Sugar Act of 1937 imposed a fixed permissible quantity of sugar to be refined in Puerto Rico;

Whereas we are being arbitrarily sacrificed through the provisions of the Sugar Act while neither the continental sugar-beet States nor the sugarcane States of Florida and Louisiana have filled their quotas, with the sole exception of Louisiana in the crop-year 1935–36, in which year, however, through redistributions made by the national administration, Louisiana was permitted to sell its excess production;

Whereas the Sugar Act of 1937, which, in defining "liquid sugar," expressly excludes "the sirup of cane juice produced from sugarcane grown in the continental United States," produces the effect of not charging against the quotas of Louisiana and Florida the sirup manufactured in those States, while the sirup produced in Puerto Rico is charged against the quota of this country; and those States are free to turn into sirup any cane in excess of their fixed sugar quotas, while Puerto Rico is denied the right to do so;

Whereas these discriminations against the Puerto Rican sugar industry have no justification and can well be branded inhuman and selfish, if the relative importance of the said industry in the economy of the States of the American union and in Puerto Rico is considered, and one thinks of the number of human beings affected in one case and the other;

Whereas through enactments of the Congress of the United States which have removed the customs duty on many of the products produced in Puerto Rico; through the Sugar Act of 1937, which inhumanly restricts our production of sugar; through the Wage and Hour Act which increases the cost of production of a great many industrial products to a point where, for purposes of competition, they cannot withstand the wage rates fixed; through the agreements made with various foreign nations, which have affected our sugar, our tobacco, our cucumbers, our peppers, our tomatoes, our fresh and canned pineapples, our citrons, our vanilla, our coffee, our needlework, our manganese, and our grapefruit, the decrease in the value of our exports and the consequent decrease in our purchasing power has been so enormous as to cause a frightful unemployment crisis which is a very serious menace to the peace and the welfare of our country;

Whereas these acts on the part of the Congress of the United States and of the national administration will undoubtedly cause the total ruin of all our sources of wealth, and they now discourage all the initiative of the businessmen of Puerto Rico and kill all hope of promoting the creation of new industries; and

Whereas the United States of America contracted, with the whole world as a witness, the solemn obligation to govern Puerto Rico democratically and to insure the liberty and happiness of the Puerto Ricans; Now, therefore, be it

Resolved by the Senate of Puerto Rico (the House of Representatives concurring):

1. To petition the President of the United States to create as soon as possible, in view of the critical economic condition of the island and the need of a prompt and effective remedy, an interdepartmental board having sufficient authority to discuss and consider at a round-table conference with a duly accredited representation of the legitimate interests of the island, the present condition of Puerto Rico and its problems and needs, and also to study and agree upon measures leading to their solution, including the modification of the administrative and financial laws and measures that are adversely affecting our economy.

2. To demand that sufficient power and authority be granted to the Legislature of Puerto Rico to create a board to regulate wages and hours in accordance with the possibilities and financial potentiality of the industries and the need of our laborers to enjoy fair wages, both in industries engaged in local business and in industries engaged in interstate commerce.

3. To demand from the national administration and from the Congress of the United States that the sugar quota of Puerto Rico be increased by 125,000 additional tons of sugar.

4. To request from the Congress of the United States legislation to restore the import duty on those products of Puerto Rico which have been detrimentally affected by the removal of the tariff or import duty previously existing.

5. That all such provisions of commercial treaties with foreign countries be denounced and amended as cause the ruin of our agriculture and of our sources of wealth, plunging Puerto Rico into a chaotic financial situation, and our laborers, through unemployment, into a condition of unbearable penury and starvation.

6. That as our excess of population, one of our most serious problems, establishes a state of unbalance between production and consumption, it be demanded from the Government of the United States of America that it negotiate for the colonization of large areas of land in Santo Domingo and Venezuela by thirty or forty thousand Puerto Rican families, a step that would contribute toward the decrease of unemployment and would tend to reestablish to a great extent the balance between production in the island and consumption by our population.

7. That a certified copy of this resolution be sent to the President of the United States of America, the Honorable Franklin Delano Roosevelt; to the Committee on Insular Affairs of the Senate and of the House of Representatives; to the Committee on the Territories of the House of Representatives; to the Secretaries of all the various departments of the national administration; to every Senator and Representative in the United States Congress; to all the Commissioners and Delegates of all the possessions and Territories of the United States, and to a great number of the leading newspapers edited on the continent.

We, Enrique González Mena and Antonio Arroyo, secretaries of the Senate and the House of Representatives of Puerto Rico, respectively, do hereby certify that the foregoing concurrent resolution was unanimously approved by the Senate and the House of Representatives of Puerto Rico on April 10 and April 14, respectively, 1939.

In witness whereof we have hereunto set our hands and caused to be affixed the seals of the Senate and the House of Representatives of Puerto Rico, in our offices at San Juan, Puerto Rico, on this the 15th day of April A. D. 1939.

ENRIQUE GONZÁLEZ MENA,
Secretary, Senate of Puerto Rico.
ANTONIO ARROYO,
Secretary, House of Representatives of Puerto Rico.

Approved:

RAFAEL MARTÍNEZ NADAL,
President, Senate of Puerto Rico.
MIGUEL A. GARCÍA MÉNDEZ,
Speaker, House of Representatives of Puerto Rico.

Mr. DINGELL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in connection with the amendment covering changes in titles V and VI, and providing for the participation on the part of Puerto Rico, I want to say at this time that Puerto Rico has come in for rather belated consideration at the hands of this Government.

Up to the present time it appears to me—and I think it is quite generally conceded—that Puerto Rico, in spite of the fact that it is an essential and integral part of the Federal Union, has been treated in a sense as a stepchild. I was particularly impressed and impelled to act by the force and the human appeal made by Governor Winship when he appeared before the committee and pleaded the cause of his people. For that reason, and in spite of the fact that I had difficulties in convincing the committee on two previous occasions, I tried for the third and last time and in the final analysis I was able to win over enough of my colleagues so that the committee acted favorably on the amendment which I offered. Now, then, in my opinion, justice has been done to the people of that beautiful island. Of particular value is the aid for public health and for maternal and child care. I hope that that is but a beginning of what we may eventually do for the people of Puerto Rico.

[Here the gavel fell.]

The Clerk read as follows:

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the 59-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment-compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 percent of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law credit shall be permitted against the tax imposed by section 901 of such act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by

the highest court of such State not to be required payments under the unemployment-compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661."

Mr. TREADWAY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have been a member of the Ways and Means Committee longer than any other man, including the distinguished chairman. During those many years it has had before it problems of great moment to the country and to the people. We have discussed matters of a partisan nature, and we have occasionally had before us bills of a nonpartisan nature. I am pleased to say that the bill which is being completed at this time is one of the latter class, where there has been no partisanship on the part of the members. We have all worked together to the best of our ability to give the country an act that will be in the best interest of the people.

Above all, such a result must be through harmony in the committee. The hearings on this bill now being completed were commenced by the committee on February 1, and our consideration of the bill has continued without interruption to the time when the chairman was authorized by the committee to report this final draft to the House for its action. All during the period of my service on this very important committee we have on most matters acted in complete harmony. I have served both as a majority and as a minority member during those years, and I cannot help but feel that, as we close the consideration of the bill at this time, a word should be said by one of the representatives of the minority in compliment to the chairman of the committee. [Applause.]

It has been a most trying situation. Naturally, differences have occurred in the course of the consideration of the bill, but owing to the tact, fairness, and honorable attitude of the chairman, and to the high regard in which he is held by members of the committee, we have dealt together in peace and harmony from February 1 to this minute. [Applause.]

We may not be presenting to you a perfect bill. That would be beyond the power of human conception in a measure of so great intricacy and importance as the measure before us; but I do want to say in all sincerity that there never has been a chairman of the Ways and Means Committee more anxious, more willing, and more desirous of peace and harmony among the 25 members than has the gentleman from North Carolina [Mr. DOUGHTON] during this period. [Applause.]

The only drawback, my friends, during that period was his absence. We all regretted, not only the members of the committee but the Members of the House, that for a period illness prevented his being with us, and we are all glad that his health was fully restored. During that time he was absent he had a most able substitute in the person of the gentleman from New York [Mr. CULLEN]. Mr. CULLEN had learned the lesson of diplomacy from the chairman of the committee before he left us, and probably had learned some additional lessons in methods of diplomacy in the politics of New York City, which he brought to us in the Committee on Ways and Means. [Applause.]

So that both in the persons of the chairman and the vice chairman the committee and the country have been well served. As the representative of the minority members of the committee at this time, I want to thank both the chairman and the able vice chairman, Mr. CULLEN, for the courtesy which the minority members have received during the consideration of this very intricate and important bill for the welfare and well-being of the people of our country. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent to proceed for 5 minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I thank my colleague and fine personal friend the gentleman from Massachusetts [Mr. TREADWAY] for his superlatively kind words in connection with my humble services as chairman of the great Committee on Ways and Means.

Gracious words, although we realize unmerited, inspire us to higher endeavor, to be worthy of the trust and confidence our friends place in us; and I am sure no one could appreciate more fully than I the generous words of my friend, ALLEN TREADWAY. He is not only an able man and a faithful Representative of his people and his party and, in the broadest sense, of the country but he is in every sense of the word a high-toned gentleman [applause], whose word can always be relied on. In our committee work and official duties it is necessary that we have frequent conferences. I have always found him not only anxious and willing to cooperate as far as he consistently can but I have always found him willing to extend me every courtesy reasonably possible. Whenever he makes a promise, I rely on it just as safely and as fully as I rely on the promises in the Inspired Word.

In the consideration of this bill I am glad to say that the minority have cooperated 100 percent, have not manifested the slightest trace or evidence whatsoever of any desire or disposition to make political capital out of this humanitarian subject we have had under consideration; and for what work has been accomplished, imperfect though it be, I say that the minority, in proportion to their numbers, are entitled to just as much credit for what will be accomplished under this bill, if it is written into law, which I am satisfied it will be in substantially its present form, as the majority. [Applause.] I can only wish that in matters relating to the welfare of all the American people it were possible to consider them on the same high plane and in the same nonpartisan patriotic spirit that has attended the consideration of this bill. Were this possible, I am sure it would greatly enhance and promote the welfare of all the people. So long as I am chairman, Democrat that I am, it will be my highest purpose, I may say to the gentleman from Massachusetts [Mr. TREADWAY], to cooperate with him in giving first consideration to things of greatest importance. In all the affairs of life it is important that we give first consideration to things of greatest importance and minor or secondary consideration to things of minor or secondary importance. We all realize that the welfare of the American people is a matter of superlative importance, to which all other matters are secondary. [Applause, the Members rising.]

Mr. CULLEN. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CULLEN. Mr. Chairman, I rise to express my grateful appreciation for the kind words of my colleague Mr. TREADWAY. During my acting chairmanship of this wonderful and great committee of the House it was my duty to take care of the legislation that came before us. I was not very happy to do it, yet I had to meet that task because of the illness of our distinguished and able chairman, ROBERT DOUGHTON, of North Carolina. [Applause.] For 6 long weeks we handled the hearings on this legislation with the fullest cooperation of the gentleman from Massachusetts [Mr. TREADWAY] and the full membership of the minority. So I express to them here on this floor my sincere appreciation for the great help they gave me while presiding over these hearings. [Applause.] Of my Democratic colleagues, the same words should go in the RECORD, and I am very happy to stand on this floor this afternoon and express my appreciation and gratitude.

This bill is ready for a vote. It constitutes one of the greatest pieces of humanitarian legislation that has been brought before the House in years, and I congratulate the House on its action, for I know it will pass by a practically unanimous vote. I thank you. [Applause.]

Mr. MURDOCK of Arizona. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. MURDOCK of Arizona. Mr. Chairman, I arose to be recognized under a pro forma amendment to title IX of this bill, but now I feel that, laudatory as my remarks were to be, they seem scarcely appropriate following the very fine remarks we have just heard from the ranking member of the minority on the Ways and Means Committee, and from the chairman of this great committee, and from the gentleman of New York, ranking majority member on the committee. I am not on this highly important committee, but I do know enough of its arduous work in the preparation of this complicated and important measure to sympathize with the members and to appreciate the difficult and valuable work they have done. Let me add a word of praise and commendation.

The gentleman from Massachusetts said that this was not a perfect bill, but he gave a perfect explanation why it is not a perfect bill. I want to comment on that portion of the bill under title IX found on pages 100 and 101 and the first four lines on page 102. I have heard much criticism of our social-security law, but about the worst criticism came from small-business men who felt unjustly penalized in regard to late payment of their unemployment tax of the Social Security Act under title IX. Some of them feel that the penalties are too heavy and that the schedule of penalty should be reduced. My thought was that if they could be relieved for the first 2 or 3 years of the operation of the act that they could start out with a clean slate after this year and no injustice would be done. The committee has shown much leniency to this class of taxpayers.

There are several features of this bill which ought to be an answer to a cry going up in certain quarters that Government is against business and trying to be harmful rather than helpful. This bill seems mindful of the burden on business and not in a sense of appeasement but in a sense of fairness has fixed the rate so as to be less burdensome on the taxpayers generally in the immediate years ahead. This provision, together with the one referred to above granting credits and refunds to belated taxpayers, constitutes the best evidence that this Congress is not the foe of business but anxiously desires to cooperate with business. We do not want to kill the goose that lays the golden eggs but to legislate for the businessman and the employee in the most feasible and fair system which we can devise. Again I congratulate the committee on this splendid accomplishment.

Mr. MUNDT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MUNDT: Page 104, line 3, insert a new section, as follows:

"SEC. 904. Beginning with January 1, 1941, no provisions of the Social Security Act shall be operative or effective for foreign-born aliens who have not taken out their full American citizenship papers by that date or who do not become American citizens within 6 years after their entrance into this country: *Provided, however,* That all aliens not qualified for social-security benefits shall have refunded to them the full amount of any contribution they may have made to the social-security fund before they became disqualified from participation in the benefits of this act through failure to comply with the citizenship requirements of the act: *Provided further,* That in the case of alien employers or American employers using alien laborers a tax equivalent to that collected from like American citizens shall be levied and collected as a 'special privilege tax' for operating as aliens in this country in direct competition with American citizens."

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. The gentleman will state it.

Mr. COOPER. I make a point of order against the amendment on the ground it is not germane to this bill.

The CHAIRMAN. The Chair is ready to rule.

This amendment is offered to title IX, which is the miscellaneous section. The Chair thinks it is clearly in order and therefore overrules the point of order.

Mr. MUNDT. Mr. Chairman, it is with considerable hesitancy that I offer an amendment this late in the consideration of this bill, and after the nice exchange of pleasantries we just had, but I cannot refrain from calling to your attention a rather important fact which it seems to me has been neglected throughout the consideration of this bill.

At the present time we are in the peculiar position of taxing a great many American citizens who cannot possibly come within the benefits of this act. We tax those American citizens in order to pay benefits to aliens in this country. It will be recalled that in the matter of relief we provided that a certificate of citizenship was necessary as prima facie evidence in order to be a recipient of W. P. A. grants. Relief is a matter of giving charity and assistance to people in need. In the case of social security, it seems to me, it is even more important that one should first of all establish his citizenship before he enjoys the complete benefits of American democracy. It is more important in the case of social security than in the matter of relieving distress.

Unless the pending amendment is agreed to, may I point out that the farmers of my State, for example, and of the other rural States, and the small-business men who cannot come under the unemployment compensation clauses, all must pay the increased costs of living made necessary to pay these benefits to aliens. They cannot come under the old-age insurance benefits because they are not employed in sufficiently large numbers, but must again pay the increased costs in their family budgets.

Furthermore the people of these rural States are able to receive only a little more than 50 percent of the old-age assistance grants because of the failure of this body yesterday to make available to all States, equally, the Federal contributions to old-age benefit grants. All in all, the citizens of our rural States are pretty much left standing on the sidelines watching the parade of social security march past except they have the doubtful advantage over most sideline spectators provided by the fact that they are taxed and charged for these benefits which either geographical or occupational accident prevent them from obtaining. My amendment will at least prevent the taxing of our American citizens and the addition of costs and charges to their family budgets to provide for alien benefits and securities which are denied to our western and southern citizens themselves.

SOCIAL SECURITY FOR AMERICANS ONLY

In short, my colleagues, I urge you to support my amendment in the interest of both better government and better justice. I contend that the hand which reaches out to take social-security payments from the United States Government should first be lifted up in an oath of allegiance to the Government making such social security possible.

As I stated down here in the Well yesterday, most of us who voted for H. R. 6466 last week did so to advance certain principles of social security and to protest certain policies of the Social Security Act as now operating. I am free to grant that H. R. 6466 has some hastily written passages and some obvious deficiencies which needed correction in the Senate, and I readily admit that neither those who voted against the bill nor those who voted for it have any occasion today to dislocate our shoulders by patting ourselves on the back in self-congratulation.

It was hoped to write certain clearly outlined principles of old-age security legislation into the law of the land. At this point, however, may I stress that while H. R. 6466 limited its benefits to those who had been full-fledged American citizens for at least 5 years, the present act presents the paradox of actually taxing full-fledged American citizens for benefits denied to them and passing many of these benefits along to aliens who can thus take most freely from a Government to which they give not even the oath of allegiance. Furthermore, H. R. 6466 removed the injunction which denies to certain citizens because of accident of geography or occupation benefits conferred upon residents of industrialized and wealthy States. Finally, H. R. 6466 sets up a pay-as-you-go system of security while the present act builds up a pyramid of obligations which may some day threaten our whole economic structure. Taken principle for principle, H. R. 6466 surely had as much to commend as to criticize, if we are

forced to accept its rejection as an endorsement of the present program as now operating.

During the past few days we have amended the present program with some valuable and desirable amendments. We have increased its economic stability but we have done little to enhance its equitable application. Both the present program and H. R. 6466 must depend upon experience tables to prove their eventual economic worth or fallacy. At best we have only the hopeful predictions of economic theorists in both instances on that point. However, on the basis of reason, logic, and equity the mind of man can produce more definite results; and it is to your reason, logic, and sense of equity that I now appeal in asking that we at least adopt as one principle of social security in this country that we would make the receipt of social-security benefits a privilege of citizenship in America and not a device for taxing Americans to support aliens.

It has been argued by the Ways and Means Committee majority members that to limit benefits of this bill to American citizens would free aliens from social-security taxes and enable them to compete unfairly against citizens. However, my amendment meets this objection by its provision to compel all aliens to pay a compensatory tax equivalent to social-security taxes for the privilege of operating as aliens in this country in competition with loyal American citizens. Since the social-security tax is itself a special tax for a special purpose, there should be no question about the constitutional possibility of developing my proposed special-purpose tax to equalize competitive conditions and to protect American citizens. If the will to correct this situation is strong enough, the way can be found within the Constitution for such a patriotic correction.

With these things in mind, I think we should accept the pending amendment, which provides that these benefits shall be a part of the privilege of American citizenship. We should not permit this act to continue in such manner that it taxes farmers, small-business men, and other American citizens who get but little consideration in this bill, for the benefit of aliens in this country.

Mr. TAYLOR of Tennessee. Will the gentleman yield?

Mr. MUNDT. I yield to the gentleman from Tennessee.

Mr. TAYLOR of Tennessee. I notice the gentleman stated in his amendment "foreign born aliens." I suggest that he ask unanimous consent to strike out "foreign born," because they are the only aliens.

Mr. MUNDT. I included those words for the protection of the American Indian. There seems to be some confusion of opinion as to whether he is a citizen or ward of the Government, and under no circumstances do I want him discriminated against.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I shall only ask your indulgence very briefly in opposition to the pending amendment. I believe I can safely say that no Member of this House could be more strongly in favor of immigration restrictions than I am. My record of service here clearly bears out that statement. I submit, however, in all fairness that the amendment offered by the distinguished gentleman from South Dakota has no proper place in the pending bill. Certainly we cannot deal with such an important question as immigration in this kind of a bill.

To analyze for just a moment, let us bear in mind what the real effect of his amendment would be. It would give a direct competitive advantage to aliens who are employed in this country in the following respect: If an employer had a group of aliens employed, he would have to pay no tax on them; whereas if he had American citizens employed, he would have to pay the tax. Therefore the competitive advantage would be directly in favor of the man employing aliens. That is the important question. It strikes at one of the very fundamental principles involved in this program.

Mr. MUNDT. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from South Dakota.

Mr. MUNDT. There is considerable merit in the gentleman's statement except for the fact he did not hear the latter part of my amendment, which provided a special privilege tax applicable to those aliens and those employers who are not going to pay this social-security tax to secure its benefits. It is a special-privilege tax for the right and opportunity of competing with American citizens as aliens in this country. There is no discrimination against American citizens.

Mr. COOPER. What practical purpose could be accomplished by any such arrangement as that?

Mr. MUNDT. I am endeavoring to protect American labor.

Mr. McCORMACK. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Furthermore, I submit you cannot impose one tax on one class of employers, under our constitutional form of government, and another tax upon the same class of employer simply because one is an alien and the other is a citizen. You cannot put a privilege tax on one group of business without putting it upon all business. When you do that you are licensing business, which certainly is contrary to the ideals of our Government.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota [Mr. MUNDT].

The amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WARREN, 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. 6635) to amend the Social Security Act, and for other purposes, pursuant to House Resolution 214, he reported the same back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. 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. CARLSON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CARLSON. I am, Mr. Speaker, in its present form.

The Clerk read as follows:

Mr. CARLSON moves to recommit the bill H. R. 6635 to the Committee on Ways and Means.

Mr. COOPER. Mr. Speaker, I move the previous question on the motion to recommit.

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. DOUGHTON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were yeas 364, nays 2, answered "present" 1, not voting 63, as follows:

[Roll No. 91]

YEAS—364

Alexander	Bates, Ky.	Brown, Ga.	Chiperfield
Allen, Ill.	Bates, Mass.	Brown, Ohio	Church
Allen, La.	Beam	Bryson	Clason
Allen, Pa.	Beckworth	Buck	Claypool
Andersen, H. Carl	Bell	Buckler, Minn.	Clevenger
Anderson, Calif.	Bender	Buckley, N. Y.	Cluett
Anderson, Mo.	Blackney	Bulwinkle	Cochran
Andresen, A. H.	Bland	Burch	Coffee, Nebr.
Angell	Bloom	Burdick	Coffee, Wash.
Arends	Boehne	Byrns, Tenn.	Cole, Md.
Arnold	Boland	Caldwell	Cole, N. Y.
Ashbrook	Bolles	Cannon, Fla.	Colmer
Austin	Bolton	Cannon, Mo.	Cooley
Ball	Boren	Carter	Cooper
Barnes	Bradley, Mich.	Cartwright	Corbett
Barry	Bradley, Pa.	Celler	Costello
Barton	Brooks	Chandler	Cox

Crawford	Hare	Maloney	Sacks
Creal	Harrington	Mansfield	Sandager
Crosser	Hart	Mapes	Sasscer
Crowe	Harter, N. Y.	Marcantonio	Satterfield
Cu'kin	Harter, Ohio	Marshall	Schaefer, Ill.
Cullen	Havenner	Martin, Colo.	Schafer, Wis.
Cummings	Hawks	Martin, Ill.	Schiffler
Curtis	Healey	Martin, Iowa	Schuetz
D'Alesandro	Heinke	Martin, Mass.	Schulte
Darden	Hess	Mason	Schwert
Darrow	Hill	Massingale	Scrugham
Dempsey	Hinshaw	May	Shafer, Mich.
DeRouen	Hobbs	Michener	Shanley
Dingell	Hoffman	Miller	Sheppard
Dirksen	Holmes	Mills, Ark.	Short
Disney	Hook	Mills, La.	Simpson
Dondero	Hope	Mitchell	Sirovich
Doughton	Horton	Monkiewicz	Smith, Conn.
Dowell	Houston	Monroney	Smith, Ill.
Doxey	Hull	Moser	Smith, Va.
Drewry	Hunter	Mott	Smith, Wash.
Duncan	Jacobsen	Mouton	Smith, W. Va.
Dunn	Jarman	Mundt	Snyder
Durham	Jarrett	Murdock, Ariz.	Somers, N. Y.
Dworshak	Jeffries	Murdock, Utah.	South
Eston, Calif.	Jenkins, Ohio	Murray	Sparkman
Eaton, N. J.	Jenks, N. H.	Myers	Spence
Eberharter	Jensen	Nichols	Springer
Edmiston	Johns	Norrell	Starnes, Ala.
Elliott	Johnson, Ill.	Norton	Steagall
Ellis	Johnson, Ind.	O'Brien	Stearns, N. H.
Elston	Johnson, Luther A.	O'Connor	Stefan
Engel	Johnson, Lyndon	O'Day	Sullivan
Englebright	Johnson, Okla.	Oliver	Sumner, Ill.
Evans	Johnson, W. Va.	O'Neal	Sutphin
Faddis	Jones, Ohio	Osmers	Taber
Fenton	Jones, Tex.	O'Toole	Talle
Ferguson	Kean	Owen	Tarver
Fernandez	Kee	Pace	Taylor, Tenn.
Flaherty	Keefe	Parsons	Tenerowicz
Flannagan	Kelly	Patman	Terry
Flannery	Kennedy, Md.	Patrick	Thomas, Tex.
Folger	Kennedy, Michael	Patton	Thomason
Ford, Leland M.	Keogh	Pearson	Thorkelson
Ford, Miss.	Kerr	Peterson, Fla.	Tibbott
Ford, Thomas F.	Kilday	Peterson, Ga.	Tinkham
Fries	Kinzer	Pfeifer	Tolan
Fulmer	Kirwan	Pierce, N. Y.	Treadway
Gamble	Kitchens	Pierce, Oreg.	Van Zandt
Garrett	Kleberg	Pittenger	Vincent, Ky.
Gartner	Kocialkowski	Plumley	Vinson, Ga.
Gathings	Kramer	Poage	Voorhis, Calif.
Gavagan	Lambertson	Polk	Vorys, Ohio
Gearhart	Landis	Powers	Vreeland
Gehrmann	Larrabee	Rabaut	Walter
Gerlach	Lea	Ramspeck	Warren
Geyer, Calif.	Leavy	Randolph	Weaver
Gibbs	LeCompte	Rayburn	Welch
Gilchrist	Lemke	Reece, Tenn.	West
Gillie	Lewis, Colo.	Reed, Ill.	Wheat
Gore	Luce	Reed, N. Y.	Whelchel
Gossett	Ludlow	Rees, Kans.	White, Ohio
Graham	McAndrews	Richards	Whittington
Grant, Ala.	McArdle	Robertson	Wigglesworth
Green	McCormack	Robinson, Utah	Williams, Del.
Gregory	McGehee	Robsion, Ky.	Williams, Mo.
Griffith	McKeough	Rockefeller	Winter
Griswold	McLaughlin	Rodgers, Pa.	Wolcott
Gross	McLean	Rogers, Mass.	Wolfenden, Pa.
Guyer, Kans.	McLeod	Rogers, Okla.	Wolverton, N. J.
Gwynne	McMillan, John L.	Romjue	Wood
Hall	Maas	Routzohn	Woodruff, Mich.
Halleck	Magnuson	Rutherford	Woodrum, Va.
Hancock	Mahon	Sabath	Zimmerman

NAYS—2

Smith, Ohio Thill

ANSWERED "PRESENT"—1

Carlson

NOT VOTING—63

Andrews	Delaney	Kennedy, Martin	Risk
Barden	Dickstein	Knutson	Ryan
Boykin	Dies	Kunkel	Seccombe
Brewster	Ditter	Lanham	Secrest
Burgin	Douglas	Lesinski	Seger
Byrne, N. Y.	Fay	Lewis, Ohio	Shannon
Byron	Fish	McDowell	Smith, Maine
Case, S. Dak.	Fitzpatrick	McGranery	Sumners, Tex.
Casey, Mass.	Gifford	McMillan, Thos. S.	Sweeney
Chapman	Grant, Ind.	McReynolds	Taylor, Colo.
Clark	Harness	Maciejewski	Thomas, N. J.
Collins	Hartley	Merritt	Wadsworth
Connery	Hendricks	Nelson	Wallgren
Courtney	Hennings	O'Leary	White, Idaho
Crowther	Izac	Rankin	Youngdahl
Curley	Keller	Rich	

So the bill was passed.

The Clerk announced the following pair:

On this vote:

Mr. Lewis of Ohio (for) with Mr. Carlson (against).

General pairs until further notice:

Mr. Rankin with Mr. Wadsworth.
Mr. Lanham with Mr. Gifford.
Mr. Thomas S. McMillan with Mr. Knutson.
Mr. Boykin with Mr. Ditter.
Mr. Martin J. Kennedy with Mr. Thomas of New Jersey.
Mr. Hennings with Mr. Douglas.
Mr. Collins with Mr. Seger.
Mr. Maciejewski with Mr. Rich.
Mr. Delaney with Mr. Crowther.
Mr. Nelson with Mr. Hartley.
Mr. Merritt with Mr. Fish.
Mr. Patton with Mr. Andrews.
Mr. Chapman with Mr. Brewster.
Mr. Fitzpatrick with Mr. Case of South Dakota.
Mr. Dies with Mr. Seccombe.
Mr. Keller with Mr. Smith of Maine.
Mr. McReynolds with Mr. Kunkel.
Mr. O'Leary with Mr. Grant of Indiana.
Mr. Sumners of Texas with Mr. Risk.
Mr. Taylor of Colorado with Mr. Harness.
Mr. Dickstein with Mr. McDowell.
Mr. Clark with Mr. Youngdahl.
Mr. Connery with Mr. Secrest.
Mr. McGranery with Mr. Burgin.
Mr. Shannon with Mr. Courtney.
Mr. Lesinski with Mr. Curley.
Mr. Wallgren with Mr. Fay.
Mr. Anderson of Missouri with Mr. Hook.
Mr. Sweeney with Mr. Hendricks.
Mr. Byrne of New York with Mr. White of Idaho.
Mr. Casey of Massachusetts with Mr. Izac.
Mr. Byron with Mr. Ryan.

Mr. CARLSON. Mr. Speaker, I am recorded as voting "nay." I have a pair with the gentleman from Ohio, Mr. LEWIS. Therefore I ask that my vote be withdrawn and that I be recorded as "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ANNOUNCEMENTS

Mr. DOUGHTON. Mr. Speaker, my colleague the gentleman from North Carolina, Mr. BURGIN, was called out of town. I am authorized to state that if he were present he would have voted "yea."

Mr. BOLAND. Mr. Speaker, my colleague, the gentleman from Maryland, Mr. BRYON, is unavoidably detained. If he were here, he would have voted "yea."

Mr. SACKS. Mr. Speaker, my colleague from Philadelphia, Mr. MCGRANERY, is unavoidably detained on official business. If he were here, he would have voted "yea."

Mr. FLAHERTY. Mr. Speaker, the gentleman from Massachusetts, Mr. CONNERY, unexpectedly went to the hospital for an operation this morning. He has asked me to state that if he were here he would have voted "yea" on this vote.

Mr. GREEN. Mr. Speaker, I am authorized to announce that if my colleague, Mr. HENDRICKS, were present he would have voted for the passage of the bill. He is detained on account of his own illness.

Mr. SABATH. Mr. Speaker, the gentleman from New York, Mr. DELANEY, was called home. He is in favor of the bill. If he could have remained, he would have voted "yea."

Mr. EATON of New Jersey. Mr. Speaker, my colleagues from New Jersey, Mr. SEGER and Mr. THOMAS, were called home on official business. If they were present, they would have voted "yea."

Mr. REED of New York. Mr. Speaker, my three colleagues from New York, Mr. ANDREWS, Mr. FISH, and Mr. DOUGLAS, are unavoidably absent. If they were here, they would have voted "yea."

EXTENSION OF REMARKS

Mr. DEROUEN and Mr. LARRABEE asked and were given permission to extend their own remarks in the RECORD.

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement by Vincente Polanco, a member of the economic delegation of Puerto Rico.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

ANNOUNCEMENT

Mr. CASEY of Massachusetts. Mr. Speaker, I was detained and did not arrive in the Chamber in time to vote. Had I been here in time for the roll call, I would have voted "yea."

Mr. H. CARL ANDERSEN. Mr. Speaker, my colleague the gentleman from Minnesota, Mr. YOUNGDAHL, was unavoidably absent because of important official business. Had he been present, he would have voted "yea."

Mr. WIGGLESWORTH. Mr. Speaker, the gentleman from Massachusetts, Mr. GIFFORD, and the gentleman from Pennsylvania, Mr. DITTER, are both unavoidably absent. If present, they would vote "yea."

Mr. GILLIE. Mr. Speaker, my colleagues the gentleman from Indiana, Mr. GRANT, and the gentleman from Indiana, Mr. HARNESS, are unavoidably absent. Had they been here, both of them would have voted "yea."

Mr. HOOK. Mr. Speaker, my colleague the gentleman from Michigan, Mr. LESINSKI, is unavoidably absent from the city. If present, he would have voted "yea" on the last roll call.

EXTENSION OF REMARKS

Mr. CARLSON. Mr. Speaker, I ask unanimous consent to include in the remarks I made today a copy of a resolution passed by the Senate of Puerto Rico.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. MUNDT. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from South Dakota [Mr. CASE] may extend his remarks in the RECORD on the social-security amendments and include therein portions of his testimony before the Ways and Means Committee.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

Mr. HARRINGTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a newspaper article from Sioux City, Iowa.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. WOODRUFF of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

76TH CONGRESS
1ST SESSION

H. R. 6635

IN THE SENATE OF THE UNITED STATES

JUNE 12, 1939

Read twice and referred to the Committee on Finance

AN ACT

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1939."

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND SURVIVOR INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVOR INSURANCE TRUST FUND

"SEC. 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 Survivor Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivor

Insurance Trust Fund (hereinafter in this title called the 'Board of Trustees') which Board of Trustees shall be composed of the Secretary of the Trcasury, the Secretary of Labor, and the Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements

to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending

with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance

benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or

exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance

benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has

not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such

benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children

of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any

month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount.

"(b) Whenever the benefit or total of benefits under section 202 (or as reduced under subsection (a)), payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit shall be proportionately decreased or increased, as the case may be.

"(d) Deductions shall be made from any payment under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual whose benefits are subject to deduction under subsection (d) or (e), because of the occurrence

of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for

a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the

amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made

prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to con-

formity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so

served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, shall have jurisdiction to issue on 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against

the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided,* That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, sus-

with any claim before the Board 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

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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(4) Dismissal payments which the employer is not legally required to make; or

"(5) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to such date (except service

performed by an individual after he attained the age of sixty-five), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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.

"(c) 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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average

monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50, and

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by twelve times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of twenty-two during which he was paid less than $200 of wages; but in no case shall such total wages be divided by a number less than thirty-six.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age sixty-five prior to 1940, and

"(B) he has not less than two years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–1945, inclusive, he attained the age of sixty-five or died before attaining such age, and

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or

"(4) he had at least fifteen years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar

year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior

to the beginning of the twelfth month before the month in which he died.

"(l) 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, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to

the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

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

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other

factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely

for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT

SEC. 501. Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 502. Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the proper and efficient operation of the plan."

SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

SEC. 602. Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second

calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remu-

neration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (i) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

"(5) Service performed on or in connection with a vessel not an American vessel by an employee, if the

employee is employed on and in connection with such vessel when outside the United States;

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one

or more employees of such broker or factor perform a substantial part of such services, or (2) such services are not in the course of such individual's principal trade, business, or occupation.

"(e) EMPLOYER.—The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.

"(f) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(g) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(h) AMERICAN VESSEL.—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.

"(i) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services 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, feeding, and

management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's

assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on

any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 per centum.

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and

"(2) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date; or

"(3) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the

pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; or

"(4) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(5) Effective January 1, 1942, paragraph (4) of this subsection is amended to read as follows:

"'(4) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than

five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

"(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than two calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law or will be determined on the basis of such fractional part of an individual's total earnings

(with respect to which contributions were required under such State law) during that calendar quarter within such period in which such earnings were highest, as will produce a reasonable approximation of such full-time weekly earnings, and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

"(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.

"(c) CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) or (b) of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) or (b) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) or (b) of this section,

and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (d) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) or (b) of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (d) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) or (b) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hear-

ing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) or (b) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"(d) DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation

is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks

immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1939, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1939.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed."

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid

into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the taxes imposed by sections 1410 and 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall

thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was

employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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;

"(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 per centum 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 for an employer in a pay period, where any of such service is excepted by paragraph (9) of subsection (c).

"(e) STATE AGENCY.—The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the

payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural

commodity, including the raising, feeding, and management of livestock, bees, poultry, and fur-bearing animals.

"(2) In the employ of the owner or tenant of a farm, in connection with the operation, management, or maintenance of such farm, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton.

"(4) In handling, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board,

of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940—

(a) clause (1) of section 1101 (a) of such Act is amended to read as follows: "(1) The term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act (including section 531) includes Puerto Rico."

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall,

for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the

case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of

any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

Passed the House of Representatives June 10, 1939.

Attest: SOUTH TRIMBLE,

Clerk.

76TH CONGRESS
1ST SESSION

H. R. 6635

AN ACT

To amend the Social Security Act, and for other purposes.

JUNE 12, 1939

Read twice and referred to the Committee on Finance

Calendar No. 793

76TH CONGRESS, 1st Session | SENATE | REPORT No. 734

SOCIAL SECURITY ACT AMENDMENTS OF 1939

JULY 7 (legislative day, JULY 6), 1939.—Ordered to be printed

Mr. KING (for Mr. HARRISON), from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 6635]

The Committee on Finance, to whom was referred the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

GENERAL STATEMENT

DIVISIONS OF THE BILL

This bill amends the Social Security Act and certain sections of subchapters A and C of chapter 9 of the Internal Revenue Code (formerly titles VIII and IX of the Social Security Act).

The bill is divided into nine titles:

Title I—Amendments to title I of the Social Security Act (grants to States for old-age assistance).
Title II—Amendments to title II of the Social Security Act (Federal old-age benefits).
Title III—Amendments to title III of the Social Security Act (grants to States for Unemployment Compensation Administration).
Title IV—Amendments to title IV of the Social Security Act (grants to States for aid to dependent children).
Title V—Amendments to titles V and VI of the Social Security Act (grants to States for maternal and child welfare, etc.).
Title VI—Amendments to the Internal Revenue Code (provisions formerly in titles VIII and IX of the Social Security Act).
Title VII—Amendments to title X of the Social Security Act (grants to States for aid to the blind).
Title VIII—Amendments to title XI of the Social Security Act (general provisions).
Title IX—Miscellaneous amendments.

Summary of Principal Contents of Bill

TAXES

1. The old-age insurance tax has been frozen at 1 percent on the worker and 1 percent on the employer for the 3 years 1940, 1941, and 1942 as against the 1½-percent rates on each under the present act. This will save employers and workers about $275,000,000 in 1940, or a total of $825,000,000 in the 3 years.

2. Only the first $3,000 an employer pays an employee for a year is taxed under the unemployment-compensation provisions. This is already the case in old-age insurance. This will save employers about $65,000,000 a year.

3. Provision is made for refunds and abatements to employers who paid their 1936, 1937, and 1938 unemployment-compensation contributions late to the States. This will save employers about $15,000,000.

4. Thus the savings above mentioned, through 1940, may aggregate some $355,000,000. In addition, such savings for the ensuing 2 years may amount to approximately $550,000,000. This represents total savings of approximately $905,000,000.

BENEFITS

The old-age insurance benefits have been liberalized, benefits provided for aged wives, and for widows, children, and aged dependent parents, and the date for beginning monthly benefit payments has been advanced to January 1, 1940. About $2,093,000,000 in benefits is estimated to be disbursed during 1940–44, or about $1,538,000,000 above what it is estimated would be spent under existing law during these 5 years.

The total cost of these benefits over the next 45 years will be about the same as the cost of the present benefits would be during that period of time. Of course, the cost in the early years will be more but the cost in the later years will be less.

COVERAGE

1. Certain services, including services for agricultural and horticultural associations, voluntary employees' beneficiary associations, local or ritualistic services for fraternal beneficiary societies, and services of employees earning nominal amounts (less than $45 per quarter) of nonprofit institutions exempt from income tax, are exempted from old-age insurance and unemployment compensation in order to eliminate the nuisance cases of inconsequential tax payments.

2. The term "agricultural labor" is defined so as to clarify its meaning and to extend the exemption to certain types of service which, although not at present exempt, are an integral part of farming activities.

3. About 1,100,000 additional persons (seamen, bank employees, and employed persons age 65 and over) are brought under the old-age insurance system and about 200,000 under unemployment insurance (chiefly bank employees).

MATERNAL AND CHILD WELFARE, VOCATIONAL REHABILITATION, AND PUBLIC-HEALTH WORK

1. Provision is made for a $2,020,000 increase in the authorization for Federal grants to the States for maternal- and child-health services. This will increase the present Federal authorization from $3,800,000 to $5,820,000.

2. Provision is made for a $1,020,000 increase in the authorization for Federal grants to the States for crippled children. This will increase the present Federal authorization from $2,850,000 to $3,870,000.

3. Provision is made for a $2,062,000 increase in the authorization for Federal grants to the States for vocational rehabilitation work. This will increase the present Federal authorization from $1,938,000 to $4,000,000.

4. Provision is made for a $4,000,000 increase in the authorization for Federal grants to the States for public-health work. This will increase the present Federal authorization from $8,000,000 to $12,000,000.

ADMINISTRATION

1. A Federal old-age and survivor insurance trust fund is created for safeguarding the insurance benefit funds. The Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board are made trustees of this fund.

2. Provision is made to restrict the use of information concerning recipients of State old-age assistance (particularly their names and addresses) to purposes directly connected with the administration of old-age assistance. This is designed to prevent the use of such information for political and commercial purposes.

3. Other amendments are recommended to simplify and clarify administration of the law.

History of Legislation

The Social Security Act became law on August 14, 1935, after many months of deliberation in Congress. The bill was passed by an overwhelming majority in both the House and the Senate, the votes being 372 to 33 and 77 to 6, respectively. The insurance provisions of the present act were upheld by the United States Supreme Court in the cases of *Steward Machine Co.* v. *Davis* (301 U. S. 548); *Helvering* v. *Davis* (301 U. S. 619); and *Carmichael* v. *Southern Coal Co.* (301 U. S. 495).

The enactment of the Social Security Act marked a new era, the Federal Government accepting, for the first time, responsibility for providing a systematic program of protection against economic and social hazards. Though admittedly not perfect or all inclusive, the Social Security Act did embrace the broadest program for social security ever launched at one time by any government.

Relieving and reducing dependency.—The Social Security Act aimed to attack the problem of insecurity upon two fronts: First, by providing safeguards designed to reduce future dependency, and second, by improving the methods of relieving existing needs. The first objective was promoted by providing a Federal system of old-age insurance and by granting Federal aid to State-administered

programs of unemployment compensation; the second objective was promoted by providing Federal grants to State programs of aid to the needy aged, aid to dependent children, and aid to the needy blind. Funds were also provided to stimulate development and extension of various health and welfare services.

Public assistance.—Under the Social Security Act, great progress has already been made. As a result of the Federal aid provided in the Social Security Act, the States were enabled to extend their assistance programs to the needy aged, dependent children, and the needy blind. All the States, the District of Columbia, Alaska, and Hawaii now have approved plans for old-age assistance and receive Federal funds to supplement their contributions. Forty States, the District of Columbia, and Hawaii participate in the Federal-State program for aid to dependent children, and an equal number are receiving Federal grants for aid to the needy blind. Some 2,500,000 needy individuals are now receiving regular cash assistance under these cooperative Federal-State programs. From the beginning of the system through June 1939, over $1,300,000,000 of Federal, State, and local funds have been spent in States with plans approved by the Social Security Board. During the calendar year 1938 the total Federal, State, and local expenditures were over $495,000,000, of which $391,000,000 was for old-age assistance, $93,000,000 for aid to dependent children, and $11,000,000 for aid to the blind.

Unemployment compensation.—The incentives provided in the Social Security Act stimulated rapid passage of State unemployment compensation laws. Before the act was passed, only 1 State, Wisconsin, had a going system of unemployment insurance; now all the 48 States and Alaska, Hawaii, and the District of Columbia have approved laws. Benefits are already being paid to unemployed covered workers under all but 2 of these laws; in the last 2 States (Illinois and Montana) benefits became payable on July 1 of this year. More than 27,500,000 workers are covered by these laws and about 3,800,000 temporarily unemployed workers received benefits amounting to nearly $400,000,000 during the year 1938. In addition, about $228,000,000 has been paid to unemployed workers during the first 6 months of 1939.

Old-age insurance.—The full effect of the Federal old-age insurance program will not be felt until monthly benefits begin to be paid. In the meantime, however, the Social Security Board has established wage-record accounts for over 44,000,000 persons, of whom more than 32,000,000 have already had wages reported in either 1937 or 1938, thus enabling these individuals to build up rights to protection for themselves and their dependents upon a sound basis. In addition, lump-sum benefits, amounting to 3½ percent of accumulated covered earnings, totaling about $18,712,000, have been paid up to May 30, 1939, to or on behalf of over 363,000 persons who reached age 65 or died.

Revision of Social Security Act.—Tremendous as is the scope of this program, it was recognized from the beginning that changes would have to be made as experience and study indicated lines of revision and improvement. Congress, therefore, expressly provided in the Social Security Act that the Social Security Board should study and make recommendations as to methods of providing more effective economic security.

Further to facilitate necessary revision, an Advisory Council on Social Security was created in May 1937. It was composed of outstanding citizens representing employers, employees, and the public. The Advisory Council spent more than a year in study and deliberation and transmitted its final report and recommendations on December 19, 1938.

The recommendations of the Social Security Board, based upon 3 years of intensive study, were submitted to the President of the United States on December 30, 1938. The President transmitted the Board's report to Congress, with a special message on January 16, 1939.

The Committee on Ways and Means of the House of Representatives held extended public hearings on these recommendations and alternative proposals relating to social security. The bill was referred to this committee on June 12, 1939. All witnesses who requested to be heard were allowed to appear in public hearings and their statements and testimony appear in the printed hearings.

General Purpose and Scope of Amendments

The present bill aims to strengthen and extend the principles and objectives of the Social Security Act. The foundations of a permanent program have been laid and it seems wise to build upon the present structure.

Old-age insurance, unemployment compensation, and public assistance are now accepted as permanent in our fabric of social services. The present bill is designed to widen the scope and to improve the adequacy and the administration of these programs without altering their essential features. Benefits will continue to be payable as a matter of right to workers covered by the insurance programs; aid will continue to be related to need under the assistance programs.

Federal Old-Age and Survivors Insurance Benefits

The number of aged persons in our population is steadily growing. In 1900 there were only 3,080,000 persons 65 and over, representing 4.1 percent of the population. This figure reached 6,634,000, or 5.4 percent, in 1930, and it is estimated there are about 8,200,000, or 6.3 percent, at the present time. Recent estimates indicate that by 1980 we may have over 22,000,000 persons aged 65 and over, representing 14 to 16 percent of the total population. Recognizing these facts, it is possible to foresee that we shall have a growing number of aged persons for whom some provision must be made. This has been the experience of all industrial countries.

In the course of its study of the problem, the committee has become increasingly impressed by the need to revise the existing old-age insurance program in the direction of fitting the structure of benefits more closely to the basic needs of our people, now and in the future. With limited funds available for this type of insurance protection individual savings and other resources must continue to be the chief reliance for security. As a means of affording basic protection, however, the existing system can be much improved. With the advantage of more than 3 years of study and experience since the passage of the act, and with a greatly enhanced public understanding of the

method of social insurance, the time seems ripe for the revision of the program to afford more adequate protection to more of our people. Under the present old-age insurance system monthly benefits would not begin until 1942; for a considerable number of years thereafter benefits would remain small and would in many cases have to be supplemented by old-age assistance. Such assistance, based on individual need, is also necessary for those already old, and will continue to be necessary for groups outside the insurance system. For insured groups, however, it is both desirable and possible to provide immediately more adequate protection within the framework of the contributory system.

Old-age insurance is designed to prevent future old-age dependency; old-age assistance is designed to relieve existing needs. A contributory system of old-age insurance keeps the cost of old-age assistance from becoming excessive and assures support for the aged as an earned right. If the contributory system is strengthened and liberalized, the cost of old-age assistance for uncovered groups will not increase so rapidly in future years when the proportion of aged in the population will be much higher than at present.

It is essential then that the contributory basis of our old-age insurance system be strengthened and not weakened. Contributory insurance is the best-known method of preventing dependency in old age by enabling wage earners to provide during their working years for their support after their retirement. By relating benefits to contributions or earnings, contributory old-age insurance preserves individual thrift and incentive; by granting benefits as a matter of right it preserves individual dignity. Contributory insurance therefore strengthens democratic principles and avoids paternalistic methods of providing old-age security. Moreover, a contributory basis facilitates the financing of a social-insurance scheme and is a safeguard against excessive liberalization of benefits as well as a protection against reduction of benefits.

The contributory method in social insurance is no innovation. It had its beginning several hundred years ago in several countries when small groups of workmen banded together in mutual-benefit societies to build up group protection against unforeseen contingencies. These early friendly societies developed the insurance method of protection which, by a gradual process of evolution, led to modern social insurance with the Government entering to strengthen cooperative thrift and mutual protection. The contributory method of social insurance has stood the test of time and experience. Proof of this is the fact that no country which has once adopted a system of contributory social insurance has ever abandoned it. Many foreign countries, as does the United States, supplement their contributory scheme with a noncontributory pension scheme based on individual need, but no country has ever given up the former system in favor of the latter.

Under the present old-age insurance system only taxes have been payable since 1937, while monthly benefits are not payable until January 1, 1942. So long as only taxes are payable and monthly benefits are postponed, the general public is under a misapprehension as to the financial operations of the plan and lacks a concrete demonstration of the effectiveness of the plan in providing protection. The

Table 1 shows the benefit disbursements of the present plan year by year for the 15 years 1940–55, inclusive, the comparable disbursements of the plan as recommended by the Senate Committee on Finance, and the additional disbursements of the Finance Committee's

plan over the present title II. The plan recommended by the Senate Finance Committee increases benefit disbursements about $695,000,000 more in the 15 years 1940–55, inclusive, over the House bill. A more detailed explanation of the cost figures will be found on pages 15–17.

House bill as amended by this committee with respect to the old-age insurance plan, it is hoped, will help to improve the understanding of the aims of a contributory social-insurance plan.

Providing more effective benefits.—The basic problem was how to provide more adequate and effective benefits, particularly in the early years of operation, without increasing the future cost of the old-age insurance system. The bill solves this problem in two principal ways, as follows:

1. Monthly benefits to wives, children, widows, orphans, and surviving dependent parents are substituted for the present 3½-percent lump sums payable to the estates of deceased workers.

2. The benefits of both single and married persons retiring in the early years are increased but the benefits of single persons with high earnings retiring years hence are reduced somewhat. However, the benefits proposed for single persons are higher than could be purchased with the employee's own contributions, except possibly in a very few extreme cases.

In other words, the effect of these changes will be to provide for larger benefits in the early years than under the present law and larger than could be purchased by an insured worker from a private insurance company with the amount he has paid the Government. This is particularly true in the case of married persons. However, this does not mean that unmarried persons who will contribute for many years will receive less protection from the Government than they could purchase from a private insurance company with their own contributions. It does mean, however, that a larger proportion of the employer's contributions are used to pay benefits to those retiring in the early years, particularly married persons.

Thus, various changes made by the bill are designed to afford more adequate protection to the family as a unit. The present law provides for only two general types of benefits, (1) monthly old-age benefits to qualified individuals and (2) lump-sum payments to nonqualified individuals and upon death. The present law is, therefore, limited in its scope in that it does not provide current monthly benefits to the surviving wife of an aged annuitant, nor to the surviving widow with dependent children. The payment of these survivorship benefits and supplements for the wife of an annuitant are more in keeping with the principle of social insurance than the 3½-percent lump-sum payments now provided. Under a social-insurance plan the primary purpose is to pay benefits in accordance with the probable needs of the beneficiaries rather than to make payments to the estate of a deceased person regardless of whether or not he leaves dependents. There is ample precedent for such provision, since 15 out of 22 old-age insurance systems of foreign countries make provision for survivor benefits.

Cost of more adequate benefits.—The net effect of the changes is that the annual cost of the benefits payable in the early years will be greater, the annual cost of the benefits payable in the later years will be less, and the average annual cost over the next 40 years will be about the same as under the present system.

TABLE 1.—*Comparison of benefit payments under present Federal old-age insurance plan, House bill, and under revised plan of the Senate Committee on Finance on the basis of the intermediate retirement rate estimates*

Calendar year	Present title II	House plan	Revised plan
1940	$46,000,000	$88,000,000	$114,000,000
1941	42,000,000	211,000,000	298,000,000
1942	92,000,000	350,000,000	431,000,000
1943	150,000,000	508,000,000	583,000,000
1944	221,000,000	598,000,000	667,000,000
1945	290,000,000	713,000,000	776,000,000
1946	403,000,000	855,000,000	912.000,000
1947	501,000,000	997,000,000	1,048,000,000
1948	615,000,000	1,134,000,000	1,179,000,000
1949	725,000,000	1,265,000,000	1,304,000,000
1950	834,000,000	1,389,000,000	1,422,000,000
1951	971,000,000	1,523,000,000	1,550,000,000
1952	1,078,000,000	1,621,000,000	1,642,000,000
1953	1,193,000,000	1,719,000,000	1,733,000,000
1954	1,338,000,000	1,843,000,000	1,850,000,000
Total 1940-54, inclusive	8,499,000,000	14,814,000,000	15,509,000,000

Before beginning a more detailed explanation of the revised benefit provisions, the following summary presents a brief outline of the new benefit plan.

SUMMARY OUTLINE OF BENEFIT PROVISIONS UNDER THE REVISED FEDERAL OLD-AGE AND SURVIVORS' INSURANCE PLAN

EFFECTIVE DATE—JANUARY 1, 1940

OLD-AGE RETIREMENT BENEFITS

1. *Old-age benefit.*—Each fully insured individual who has reached the age of 65 is eligible to receive a monthly primary (old-age) insurance benefit determined as follows:

(*a*) A basic amount computed by applying: 40 percent of average monthly wages, up to the first $50, plus 10 percent of average monthly wages in excess of $50.

(*b*) Such amount to be increased 1 percent for each year of coverage ($200 or more wages).

2. *Supplement for wife.*—In addition, the wife, age 65 and over, of an individual entitled to primary insurance benefits, if she is living with such individual, is eligible for a supplement which, when added to her primary insurance benefit, if any, equals one-half of a primary old-age insurance benefit of her husband.

3. *Supplement for children.*—In addition each unmarried dependent child, under age 18, of an individual entitled to primary insurance benefits, is eligible for a supplement of one-half of a primary insurance benefit of the parent.

SURVIVORS' BENEFITS

1. *Widows' old-age insurance benefits.*—A widow of a fully insured individual, who has attained age 65 and who was living with such individual when he died, is eligible for a monthly benefit which when added to her primary insurance benefit, if any, is equal to three-fourths of a primary insurance benefit of her husband.

2. *Orphans' monthly insurance benefits.*—A fully or currently insured individual's unmarried dependent orphan under age 18 is eligible for

an orphan's benefit equal to one-half of a primary insurance benefit of the parent.

3. *Current monthly insurance benefit to widow with children.*—A widow, regardless of age, of a fully or currently insured individual, who was living with such individual when he died, and has in her care one or more children entitled to child's benefits receives a monthly benefit which, when added to her primary insurance benefit, if any, is equal to three-fourths of his primary insurance benefit.

4. *Parents' insurance benefits.*—A parent of a fully insured individual who dies leaving no widow and no unmarried child under age 18, if such parent has attained age 65, has not married since the fully insured individual's death, and was wholly dependent upon such individual at the time of such death, is eligible for a monthly benefit which, when added to the parent's other monthly benefits, if any, is equal to one-half of the primary insurance benefit of such fully insured individual.

5. *Lump-sum death payment.*—Upon the death of a fully or currently insured individual, leaving no one immediately entitled to a monthly benefit, a lump sum equal to six times the monthly primary insurance benefit is payable to a surviving close relative, or if no close relative, the person assuming responsibility for the funeral expenses of the deceased to the extent of his actual disbursements.

MINIMUM AND MAXIMUM BENEFITS

The minimum primary insurance benefit payable shall be not less than $10 per month. The maximum benefit or benefits payable shall be not more than double the primary insurance benefit, 80 percent of average wages, or $85, whichever is the smallest.

EFFECTIVE DATE

The first major change proposed is to advance the date for beginning the payment of monthly old-age insurance benefits from January 1, 1942, to January 1, 1940. From an administrative standpoint such an amendment is entirely practicable since the maintenance of wage records is already functioning successfully. Personnel has been trained and experience has been acquired in all phases of the program. Approximately 44,000,000 account numbers have been assigned, and the individual account for each worker set up by the Social Security Board. Furthermore, a network of over 300 field offices has been set up and is functioning. These offices have already handled over 400,000 claims for lump-sum benefits. The experience obtained in adjudicating these claims indicates that the necessary groundwork has been laid to permit the payment of monthly benefits in 1940. The payment of monthly benefits in 1940 is in keeping with the experience under the social insurance laws of Great Britain, Czechoslovakia, and Germany where old-age insurance benefits were paid within 2 years after contributions first began.

LIBERALIZED AMOUNTS

The second major change proposed is the liberalization of benefits to insured workers retiring in the early years of the system. This liberalization is effected by two important changes. First, the benefit base is changed from total accumulated wages to average wages; second, supplementary benefits are provided in those cases

where the annuitant has an aged wife (as well as in the rare cases where there are dependent children). Table 2 shows illustrative monthly old-age insurance benefits under the present plan and under the revised plan.

TABLE 2.—*Illustrative monthly old-age insurance benefits under present plan and under revised plan* [1]

	Present plan	Revised plan		Present plan	Revised plan	
		Single	Married [2]		Single	Married [2]
	Average monthly wage of $50			Average monthly wage of $100		
Years of coverage:						
3	([3])	$20.60	$30.90	([3])	$25.75	$38.63
5	$15.00	21.00	31.50	$17.50	26.25	39.38
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of $150			Average monthly wage of $250		
3	([3])	$30.90	$46.35	([3])	$41.20	$61.80
5	$20.00	31.50	47.25	$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

[1] It is assumed, with respect to the revised plan, that an individual earns at least $200 in each year of coverage in order to be eligible to receive the 1-percent increment. If this were not the case, the benefit would be somewhat lower.
[2] Benefits for a married couple without children where wife is eligible for a supplement.
[3] Benefits not paid until after 5 years of coverage

REVISED BENEFIT FORMULA

An average wage formula will relate benefits more closely to normal wages during productive years. Since the object of social insurance is to compensate for wage loss, it is imperative that benefits be reasonably related to the wages of the individual. This insures that the cost of the benefits will stay within reasonable limits and that the system will be flexible enough to meet the wide variations in earnings which exist.

An average wage formula will also have the effect of raising the level of benefits payable in the early years of the system, but it will reduce future costs by eliminating unwarranted bonuses payable under the present formula to workers in insured employment only a few years. These bonuses result from the greater weight now given to the first $3,000 of accumulated wages. They are justified, if a total wage formula is used, in the case of older and low-paid workers who retire in the early years of the system and have not time in which to build up substantial benefit rights. In the long run, however, such bonuses are unwise and endanger the solvency of the system by permitting disproportionately large benefits to workers who migrate between uninsured and insured employments and accumulate only small earnings in insured employment.

In order to relate benefits to length of employment, as well as to average wages, a 1 percent increment for each year of covered earnings

of $200 or more is added to the basic benefit. Thus, the longer a worker is in the system the larger will be his benefit.

Supplementary benefits.—The supplementary benefit payable an aged wife is one-half of the primary insurance benefit of the annuitant. (The same amount is payable for each dependent child.) Because most wives, in the long run, will build up wage credits on their own account, as a result of their own employment, these supplementary allowances will add but little to the ultimate cost of the system. They will, on the other hand, greatly increase the adequacy and equity of the system by recognizing that the probable need of a married couple is greater than that of a single individual.

These changes in the benefit pattern are primarily designed to increase the adequacy of the system during the early years without altering the long-run cost proportions of the existing plan. They are not temporary improvements, however, but represent constructive changes, which will increase the adequacy of the Federal old-age insurance system.

SURVIVORS BENEFITS

The bill contains a third major change, designed to improve the long-run effectiveness of our insurance system. This amendment proposes to establish monthly survivors benefits. The Social Security Act now provides a certain amount of survivorship protection in the form of lump-sum payments. These are small and inadequate in the early years of the system and entirely unrelated to the needs of the recipients. However they will eventually be rather costly and will not provide protection in those cases where most needed. The new plan will eliminate most lump-sum benefits and will substitute monthly benefits for those groups of survivors whose probable need is greatest. These groups are widows over 65, widows with children, orphans, and dependent parents over 65. The monthly benefits payable to these survivors are related in size to the deceased individual's past monthly benefit or the monthly benefit he would have received on attaining age 65.

In the case of a widow, the monthly benefit is three-fourths of the deceased's monthly benefit or prospective benefit. In the case of an orphan or dependent parent, it is one-half of the deceased's monthly benefit or prospective benefit.

A monthly benefit will be payable to a parent only if no widow or unmarried child under age 18 survived, and only if the parent was wholly dependent upon the deceased at time of death. While it would thus be necessary for a parent to prove dependency at the time of death, once that fact had been established no subsequent showing of need would be required. Ample precedent for such provisions is found in the State workmen's compensation laws, which constitute the oldest form of social insurance in this country.

Illustrative benefits are shown in table 3. As has already been stated, these new monthly benefits can be provided without exceeding the eventual costs of the system as now set up, because of the reduction in lump-sum death benefits and the future benefits to single persons.

TABLE 3.—*Illustrative monthly survivor benefits* [1]

	One child or parent 65 or over	Widow, 65 or over	Widow and one child	One child or parent 65 or over	Widow, 65 or over	Widow and one child
	Average monthly wage of deceased, $50			Average monthly wage of deceased, $100		
Years of coverage:						
3	$10.30	$15.45	$25.75	$12.88	$19.31	$32.19
5	10.50	15.75	26.25	13.13	19.69	32.81
10	11.00	16.50	27.50	13.75	20.63	34.38
20	12.00	18.00	30.00	15.00	22.50	37.50
30	13.00	19.50	32.50	16.25	24.33	40.63
40	14.00	21.00	35.00	17.50	26.25	43.75
	Average monthly wage of deceased, $150			Average monthly wage of deceased, $250		
Years of coverage:						
3	$15.45	$23.18	$38.63	$20.60	$30.90	$51.50
5	15.75	23.63	39.38	21.00	31.50	52.50
10	16.50	24.75	41.25	22.00	33.00	55.00
20	18.00	27.00	45.00	24.00	36.00	60.00
30	19.50	29.25	48.75	26.00	39.00	65.00
40	21.00	31.50	52.50	28.00	42.00	70.00

[1] It is assumed that an individual earns at least $200 in each year of coverage. If this were not the case, the benefit would be somewhat lower.

Not all lump-sum payments are eliminated under the new plan. Upon the death of an insured individual leaving no one immediately entitled to a monthly benefit, there will be paid a lump-sum benefit of six times the monthly benefit of the deceased. This lump sum will be paid to a surviving close relative, or if no close relative exists, then to the person assuming the responsibility for the funeral expenses of the deceased person to the extent of his actual disbursements.

Table 4 shows illustrative lump sums payable in these cases.

TABLE 4. *Illustrative lump-sum death payments payable equal to 6 times the primary insurance benefit*

	Average monthly wages			
	$50	$100	$150	$250
Years of coverage:				
3	$123.60	$154.50	$185.40	$247.20
5	126.00	157.50	189.00	252.00
10	132.00	165.00	198.00	264.00
20	144.00	180.00	216.00	288.00
30	156.00	195.00	234.00	312.00
40	168.00	210.00	252.00	336.00

QUALIFYING PROVISIONS

The amendments provide a revision in the requirements concerning the length of time covered and amount of wages that must have been earned under the system in order to establish eligibility for benefits.

The revised requirements for benefits are similar in principle to those found in the present law but are changed in several respects, due to the following reasons:

1. Since payment of benefits would be advanced to 1940, the number of qualifying quarters and the amount of wages are reduced in the early years.

2. Since wages after the age of 65 were not counted during 1937, 1938, and 1939, the qualification provisions are adjusted to permit such persons to qualify without undue hardship.

3. The present law permits persons who are in insured employment for only a short time to receive very large benefits in comparison to their contributions. In order to reduce the cost of paying benefits to these persons who shift between insured and uninsured employment, there have been added provisions to protect the system in future years.

4. The addition of widows' and orphans' benefits necessitates a shorter qualifying period for current insurance protection in the case of persons who die without having been employed as long as is required to qualify for old-age insurance benefits.

"FULLY INSURED" AND "CURRENTLY INSURED"

Your committee have given particular attention to the border-line situations which will arise in the early years of the proposed old-age and survivors insurance system whereby some persons will barely qualify for benefits and other persons will barely miss qualifying for benefits. It is inevitable that border-line situations will arise in the early years of any contributory social-insurance system which does not cover all of the gainfully occupied persons. It is also true that the border-line situations existing under the proposed amendments are not so serious as the border-line situations which would arise under the present law. Under the present law, if a person reaches age 65 without having met the eligibility requirements, it is impossible for him ever to qualify for a monthly benefit by earnings after reaching age 65. Under the proposed amendments a person who fails to qualify for monthly benefits by the time he reaches age 65 can nevertheless qualify by earnings received after age 65 in insured employment. However, your committee believes that the border-line situations that still arise under the amendments should be reduced to a minimum. Accordingly the eligibility conditions have been reworded although the essential elements contained in the bill passed by the House are retained. Likewise, it is recommended that wages of persons over 65 years of age be counted for benefit and tax purposes beginning on January 1, 1939, instead of January 1, 1940.

In the bill passed by the House a distinction is made between a "fully insured" individual, as one who has satisfied the eligibility requirements for all benefits (old age as well as survivorship) and a "currently insured" individual, as one who has satisfied the eligibility requirements for survivorship benefits only. The eligibility conditions for a "fully insured" individual are greater than for a "currently insured" individual. This distinction is necessary in order to furnish more immediate protection to survivors against the risk of premature death of the breadwinner while not unduly relaxing the requirements for old-age-retirement benefits which is a future risk against which workers have an opportunity to build up advance protection.

In substance, the definition of a "currently insured" individual in the bill passed by the House is one who has earned $50 in one-half of the 12 calendar quarters preceding his death. Your committee do not propose to make a change in this definition of a "currently insured" individual. They do recommend, however, that the definition of a "fully insured" individual, which is now expressed in terms of calendar years, be expressed in terms of calendar quarters instead. The definition of a "fully insured" individual suggested by your committee is in substance as follows: An individual who has earned at least $50 in each of one-half of the calendar quarters elapsing since December 31, 1936 (or since he became 21 years of age, if later) and the date when he died or became 65 years of age. A minimum of 6 quarters and a maximum of 40 quarters of such earnings would be required. Your committee believe that this change from calendar years to calendar quarters in the definition more effectively establishes the individual's past participation in insured employment and consequently eliminates the necessity for a requirement as to aggregate earnings as contained in the bill as passed by the House. Your committee also believe that it warrants a change in the maximum period of time in insured employment from 15 years, as in the House bill, to 40 quarters.

The change suggested above would not only have the advantage of using calendar quarters in defining both a "fully insured" individual and a "currently insured" individual but would have two added advantages. It would enable a person who had reached age 65 and had just missed qualifying to qualify by earning an additional $50 in a subsequent quarter instead of an additional $200 in a subsequent year.

It would also permit a smoother progressive increase in the eligibility requirements as the insurance system matures. This is important since some progressive increase in the eligibility requirements as the insurance system matures is essential in order to make certain that the benefits bear a reasonable relationship to contributions and wage loss. It is necessary if a social-insurance system is to be adequate to pay benefits to those retiring in the early years which are in excess of the actuarial value of their contributions since they have not had an opportunity to make sufficient contributions in the past. It is also obvious that the earnings qualifications cannot be as strict in the early years because those reaching retirement age in these years have had only a limited opportunity to demonstrate their earnings record since the system went into effect. However, as the system grows older and the opportunity to establish a contributions and age record increases, it is desirable that the contributions and earnings qualifications also be strengthened in order to make certain that benefits are reasonably related to contributions and loss of earnings.

The change in the definition of a "fully insured" individual in itself will permit some very low-paid and intermittently employed workers to qualify who could not otherwise qualify, but in general it does not liberalize to any considerable extent the eligibility requirements contained in the bill as passed by the House. However, the other recommendation of your committee—namely, that the earnings of persons age 65 and over in covered employment be counted for both benefit and tax purposes beginning January 1, 1939, instead of January 1, 1940—does greatly increase the number of persons now 65 years of

age who will be able to qualify for benefits in 1940 and subsequent years. It is, of course, these individuals who have already reached age 65 who will be the first to retire, but the present law disregards for both benefit and tax purposes all wages earned after age 65, thereby making it most difficult for these individuals to qualify. The change suggested would enable all persons who have reached age 65 prior to January 1, 1939, to develop or complete a qualifying wage record beginning January 1, 1939, instead of January 1, 1940. It is estimated that the effect of this change would be to enable more than twice as many persons to qualify in 1940 as could qualify if the wages of persons over 65 years of age were not taken into consideration until January 1, 1940. Of course, even without this change many of these individuals would qualify in 1941 and subsequent years instead of in 1940. However, the effect of the change is to increase the amount of benefits that will be payable during the 15-year period 1940–54, inclusive, by $695,000,000. Table 1 shows the combined effect on benefit payments during this period of the time of the changes suggested by your committee. Table 6 shows the progress of the reserve after taking into account these changes.

INDIVIDUAL EQUITY PRESERVED

The proposed revision, while maintaining a reasonable relationship between past earnings and future benefits, provides proportionately greater protection for the low-wage earner and the short-time wage earner than for those more favorably situated. But practically every worker, regardless of his level of wages or of the length of time during which he has contributed, would receive more by way of protection than he could have purchased from a private insurance company at a cost equal to his own contributions. In other words, the system recognizes the principle of individual equity, as well as the principle of social adequacy. It has been possible to incorporate in the system both these aspects of security by utilizing a larger proportion of employers' contributions to pay benefits to those retiring in the early years and to low-wage earners. This is similar to the procedure which is followed in private pension plans which recognize that the employer must contribute more liberally in behalf of older workers if they are to have sufficient income to retire.

Table 5 shows that under the tax and benefit plan as recommended every worker will receive more in protection for at least the next 40 years than he could purchase from a private insurance company with his own contributions. Even in an extreme case of a single person earning $250 per month for the next 45 years, the annuity purchasable elsewhere would amount to only 30 cents per month more than the $58 per month such person would be entitled to under the revised plan.

TABLE 5.—*Theoretical monthly annuities purchasable with only employee tax and benefits under proposed plan, for single men entering the system January 1, 1937* [1]

Years of coverage:	Suggested plan	Purchasable annuity	Suggested plan	Purchasable annuity
	Level monthly wage of $50		Level monthly wage of $100	
3	$20.60	(2)	$25.75	(2)
5	21.00	(2)	26.25	(2)
10	22.00	(2)	27.50	$0.41
20	24.00	$1.55	30.00	3.95
30	26.00	4.25	32.50	9.51
40	28.00	8.16	35.00	17.49
45	29.00	10.68	36.25	22.58
	Level monthly wage of $150		Level monthly wage of $250	
3	$30.90	(2)	$41.20	(2)
5	31.50	(2)	42.00	(2)
10	33.00	$0.94	44.00	$1.99
20	36.00	6.35	48.00	11.14
30	39.00	14.77	52.00	25.30
40	42.00	26.81	56.00	45.46
45	43.50	34.49	58.00	58.30

[1] These calculations are based upon the Standard annuity table, at 3 percent interest. Taxes less 10-percent allowance for expenses are used for theoretic premiums. Part of the taxes are applied to the purchase of a death benefit which is identical with that of the suggested plan, and the remainder of the taxes are applied to the purchase of a deferred annuity with no death benefit.

The following assumptions have been made:

As regards taxes: A 1-percent tax rate on employer and also on employee through 1942; a 2-percent tax rate on each in 1943–45; a 2½-percent tax rate on each in 1946–48; and a 3-percent tax rate on each in 1949 and thereafter.

As regards benefits: Continuous years of coverage from age at entry to age 65, retirement at age 65; individual remains single for his entire lifetime and does not leave a widow, a child under 18, or a dependent parent.

[2] Taxes are used up entirely in purchasing the lump-sum death benefit so that no annuity is purchasable.

FINANCING

Certain amendments are proposed which affect the financial framework of the old-age insurance system. First, the old-age reserve account is changed to a Federal old-age and survivors insurance trust fund with the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio, acting as a board of trustees. The board of trustees will supervise the fund and will report to Congress annually and whenever the trust fund becomes unduly small or exceeds three times the highest annual expenditure anticipated in the ensuing 5-fiscal-year period. The Secretary of the Treasury will serve as managing trustee of the fund. All assets credited to the reserve account as of January 1, 1940, are transferred to the trust fund when the reserve account is abolished on that date. It is further proposed that an amount equal to the full amount of the old-age insurance taxes collected in the future be permanently appropriated to the trust fund. Provision is made for the administrative costs of the plan to be met from the trust fund.

The method of investing that portion of the trust fund not needed for current claims or administrative purposes will be like that now provided in the case of the unemployment trust fund. Instead of a minimum 3-percent interest on the investments of the present old-age reserve account, the Federal old-age and survivors insurance trust fund, like the unemployment trust fund, will earn interest at the current average rate of interest borne by all outstanding interest-bearing obligations composing the public debt. At the present time

the rate of interest being paid to the unemployment trust fund is 2½ percent.

The present tax schedule is amended so that the current rate of 1 percent on employers and 1 percent on employees is continued until 1943. This postponement in the tax step-up will save employers and workers about $275,000,000 for 1940 or a total of $825,000,000 for the 3 years 1940, 1941, and 1942. However, no change is made in the tax schedule thereafter. The rates will still increase to 2 percent in 1943, 2½ percent in 1946, and 3 percent in 1949 and thereafter.

The result of the changes from existing law with respect to taxes and benefits on the size of the reserve and the amount of the benefit payments is shown in table 6. It should be noted that the maximum reserve built up in the period shown will be between six and seven billion dollars. It should also be noted that the size of the reserve will conform closely to the recommendation of the Secretary of the Treasury of an "eventual reserve amounting to not more than three imes the highest prospective annual benefits in the ensuing 5 years."

TABLE 6.—*Progress of reserve under the intermediate retirement estimate of benefit disbursements with interest at 2½ percent. Tax rate at 2 percent until Jan. 1, 1943, and thereafter following the present schedule*

[In millions of dollars]

	1940	1941	1942	1943	1944	1945	1950	1955
Net tax receipts (gross receipts minus administrative expenses)[1]	501	505	504	919	1,067	1,078	1,751	1,849
Less benefit payments	[2] 114	298	431	583	667	776	1,422	1,930
Net cash receipts to Government	387	207	73	336	400	302	329	−81
Add interest at 2½ percent	41	49	54	61	71	82	136	169
Total addition to fund	428	256	127	397	471	384	465	88
Fund at end of year	1,871	2,127	2,254	2,651	3,122	3,506	5,737	6,871

[1] Does not include any adjustment for refunds to employees who receive more than $3,000 in wages from covered employment in any one calendar year.
[2] Includes estimated 10 million payable in 1940 for lump-sum claims previously incurred.

NOTE.—The fund at the end of 1939 is estimated to be $1,443,000,000. Benefit payments exceed net tax receipts in 1954.

It should be clearly understood that the estimates presented are subject to a margin of error. Changes in average wages, death rates, birth rates, the rate of retirement, the proportion of the aged in the total population, and shifts between insured and uninsured groups may result in substantial changes in these figures in the future. It is impossible, therefore, to predict accurately the future trends of all the factors influencing the long-run aspects of the old-age insurance program. The further one projects estimates of future income and benefit payments, the greater is the margin of error. Constant study and frequent revaluations are, therefore, essential for the long-run financing of our social insurance system. This is one of the reasons why the bill provides that the board of trustees make an annual report to Congress on the actuarial status of the system, and report to Congress whenever the trust fund is unduly small, or exceeds three times the highest annual expenditures expected in the next 5-fiscal-year period.

According to the best expert information available to the committee, the estimates presented here are reasonable approximations of the

income and outgo of the insurance plan for the next 15 years. The actual figures will no doubt vary somewhat from those shown in table 6. However, the benefit payments shown, although based upon an intermediate estimate as regards rate of retirement, probably represent maximum amounts payable under the provisions of the bill. A serious downswing in business conditions might increase the rate of old-age retirement and decrease the estimated amount of tax receipts, but such variations would probably not alter the fact that the contributions and interest will cover all benefit payments for the next 10 to 15 years. It is only when consideration is given to the income and outgo of the system for 40 to 45 years, or even more, that it becomes quite impossible to predict the future status of the system.

Table 6 shows that the annual contributions from workers and employers will probably be sufficient until 1955 to meet all the annual benefit payments under the revised plan. If the original actuarial assumptions of 1935 prove to be correct, it is possible that benefits for all time to come can be financed from the present schedule of taxes and the interest from the fund, even with the recommended postponement of the tax step-up until 1943. However, upon the basis of additional data developed since 1935, it would appear that the actuarial calculations of 1935 represent a minimum estimate of the future costs. Therefore, it is possible that the annual cost of the benefits may begin to exceed the annual tax collections about 1955 or even somewhat sooner.

Only after experience has been obtained in paying benefits for several years will we have a better picture of the probable future development of the system. Even then continual change will be necessary in the estimates due to the many variable factors which go into making such estimates.

In making the changes in the present plan the committee has kept constantly in mind the fact that, while disbursements for benefits are relatively small in the early years of the program, far larger total disbursements are inevitable in the future.

The plan provided for in the bill is designed to safeguard workers, employers, and the general public. In fact, your committee agrees with the House that the revised plan is a much safer one than the present plan. As has already been pointed out, while the annual costs under the revised plan are greater in the early years of operation, the future annual costs of the benefits when the system reaches maturity are materially lower than under the present law and the over-all average cost is kept about the same. Consequently, it is believed that there is not the same danger as exists in the present benefit schedule, the cost of which, while deceptively small in the early years, mounts very steeply as the years progress.

Unforeseen contingencies may, however, change the entire operation of the plan. It is important, therefore, that Congress be kept fully informed of the probable future obligations being incurred under the insurance plan as well as the public-assistance plans. Each generation may then meet the situation before it in such manner as it deems best.

If future annual pay-roll tax collections plus available interest are insufficient to meet future annual benefits it will be necessary, in order to pay the promised benefits, to increase the pay-roll tax or provide for the deficiency out of other general taxes, or do both. Broadening the coverage of the system to bring in those persons now excluded

will not only make the system more effective in providing protection but also strengthen its actuarial base by still further eliminating the possibility of unearned benefits to the worker who moves from uninsured to insured employment.

COVERAGE

Four years ago, when the old-age insurance program was being planned, it was expected that the act as passed would provide old-age security for about half of the gainful workers in the country. It was realized, of course, that many workers who might not be insured under the act at any one time would later obtain protection by shifting into insured occupations. It was generally supposed, however, that the group so shifting would be small compared with the great mass of workers, who, throughout their working life, would remain continuously either in the insured category or in the uninsured category.

Operation of the act shows that the extent of migration, temporary or permanent, from uninsured to insured employment is far greater than was assumed by the President's Committee on Economic Security in 1935. As a consequence of the migration, a much larger proportion of the total population of the United States will qualify under the contributory system for old-age benefits than had been expected.

The most important excluded groups are agricultural labor, domestic service, and certain nonprofit organizations; here your committee agrees with the House that it would be unwise to remove the exemptions from these three groups at the present time. The present bill does, however, extend old-age insurance coverage to some 1,100,000 more workers by removing the exemption of maritime employment, wages earned after 65, and certain Federal instrumentalities such as national banks and State banks which are members of the Federal Reserve System.

In order to eliminate the nuisance of inconsequential tax payments the bill excludes certain services performed for fraternal benefit societies and other nonprofit institutions exempt from income tax, and certain other groups. While the earnings of a substantial number of persons are excluded by this recommendation, the total amount of earnings involved is undoubtedly very small. No estimate is available of the number of persons or amount of earnings so excluded. The intent of the amendment is to exclude those persons and those organizations in which the employment is part-time or intermittent and the total amount of earnings is only nominal, and the payment of the tax is inconsequential and a nuisance. The benefit rights built up are also inconsequential. Many of those affected, such as students and the secretaries of lodges, will have other employment which will enable them to develop insurance benefits. This amendment, therefore, should simplify the administration for the worker, the employer, and the Government.

Nine other amendments to the coverage provisions are included in the bill. They are as follows:

1. *Agricultural labor.*—The present act excludes "agricultural labor" from coverage. The bill continues the exemption of agricultural labor and defines the term so as to clarify its meaning and to extend the meaning to certain services which are an integral part of farming activities. These provisions are explained in detail in a subsequent

part of this report, in connection with the definition of "agricultural labor" as defined in section 209 (l) of the bill.

2. *Exclusion of payments to employer welfare plans.*—The term "wages" is amended so as to exclude from tax payments made by an employer on account of a retirement, annuity, sickness, death or accident-disability plan, or for medical and hospitalization expenses in connection with sickness or accident disability. Dismissal wages which the employer is not legally required to make, and payments by an employer of the worker's Federal insurance contributions or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax. This will save employers time and money but what is more important is that it will eliminate any reluctance on the part of the employer to establish such plans due to the additional tax cost.

3. *Fishing.*—The bill exempts services performed in fishing and certain related activities, and also an officer or member of the crew of any sail vessel or any other vessel of less than 400 tons.

4. *Newsboys.*—The bill exempts services performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution.

5. *State employment.*—The exemption relating to employment by State instrumentalities is so defined as to apply only to an instrumentality wholly owned by the State or political subdivision, or tax exempt under the Constitution.

6. *Foreign governments.*—Provision is made for the exemption of foreign governments, and their instrumentalities under certain conditions, from the old-age-insurance taxes.

7. *Family employment.*—Service performed by an individual for his son, daughter, wife, or husband, and service by a child under 21 for his parent, is excluded so as to make the old-age-insurance coverage identical in this respect with unemployment compensation coverage.

8. *Included and excluded services.*—The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services which predominate in a pay period determine his status with that employer for that period.

9. *Multiple employment.*—The bill provides for a refund without interest to employees who earn wages in covered employment in excess of $3,000 from more than one employer in any given calendar year. The claim for refund must be made to the Bureau of Internal Revenue of the Treasury Department within 2 years after the calendar year in which the wages are paid with respect to which the refund is claimed.

ADMINISTRATIVE CHANGES

1. A provision is included requiring employers to furnish employees a statement, which they may retain, showing the amount of taxes deducted from their wages under the old-age-insurance system.

2. Provision is made for making more equitable the recovery by the Federal Government of incorrect payments to individuals.

3. Provision is made respecting the practice of attorneys and agents before the Board:

4. Detailed provisions have been added relating to rules and regulations, hearings, and decisions with respect to insurance benefits, procedure for judicial review of the Board's decisions, and delegation of authority by the Board.

5. Provision is made for giving an opportunity for a hearing to a wage earner or interested individual with respect to any entry, omission, or revision of the Board's wage record within 4 years after the year any wages were paid or alleged to be paid, and as to the finality of the record.

6. Subchapter A, chapter 9, of the Internal Revenue Code (formerly title VIII of the Social Security Act) is given the short title "Federal Insurance Contributions Act."

Unemployment Compensation

The unemployment compensation and public assistance provisions of the Social Security Act constitute the most comprehensive attempt yet made to utilize a system of Federal-State cooperation for the solution of national problems. To promote State action in unemployment compensation, the Federal law establishes a uniform tax payable by employers regardless of whether the State in which they operate has an unemployment-compensation law; it then permits employers to offset (up to 90 percent of their Federal tax) contributions paid by them under a State unemployment-compensation law. The act also provides that the Federal Government shall make grants to the States to cover the entire necessary cost of proper administration of their unemployment-compensation laws.

The House bill relative to unemployment compensation deals with certain changes which in no way alter the fundamental Federal-State pattern now set forth in the Federal law. Under the present law the States are given very wide latitude in determining the way in which the State unemployment-compensation laws should operate. The Federal law merely prescribes a few simple standards. The States determine all such questions as the type of fund, the coverage of the law, the eligibility provisions, the waiting period, the amount and duration of benefits, the type of administrative agency. They also select the personnel and determine the compensation and tenure of such personnel.

Though the adjustment of Federal-State relations is at best a difficult and delicate task, particularly in the field of social legislation, experience so far in unemployment compensation indicates a large measure of success. The present provisions of the Federal law have proved completely effective in facilitating the enactment of State unemployment compensation laws. These laws and the character of their administration have on the whole been reasonably satisfactory. The inevitable administrative difficulties involved in the inauguration of any large-scale undertaking were accentuated by the fact that in 22 jurisdictions unemployment compensation first became payable in January 1938, at a time of unexpectedly heavy unemployment. It is, therefore, not surprising that a considerable backlog of undisposed claims accumulated during the early months of benefit payments. In spite of these difficulties the 31 jurisdictions that had begun paying benefits by the end of 1938 had paid out about $400,000,000 in benefits to approximately 3,500,000 unemployed workers.

The most pressing problem in unemployment compensation during 1938 was the improvement and simplification of the State laws. Some 30 States have already passed extensive amendments at this year's legislative sessions and about 13 other States are still considering substantial changes—all designed to simplify and improve administration for the benefit of the employer, the worker, and the Government. Further encouragement is given by the fact that the latest figures for 1939 show that practically all States are now currently disposing of all claims received and have eliminated their backlog of undisposed claims accumulated during 1938.

Although all the States, the District of Columbia, Alaska, and Hawaii are receiving Federal grants for the administration of their unemployment compensation laws and although benefits are now being paid in 46 States (in addition to Alaska, Hawaii, and the District of Columbia) the unemployment compensation program is still in its infancy. Only 22 States, in addition to the District of Columbia, have had benefit-paying experience for more than 1 complete year. In one State benefits have been payable since July 1936, and 21 others in addition to the District of Columbia began benefit payments in January 1938. Six more States and the Territories of Alaska and Hawaii came in some time during 1938 so that a total of 31 jurisdictions were paying benefits by the end of 1938; another 16 joined the benefit-paying group in January 1939. Not until July of this year, when the last 2 States come in, will the Federal-State unemployment compensation program be fully functioning.

It is estimated that at the end of 1938 approximately 27,600,000 workers had earned wage credits in some prior period of employment covered by State laws, and that, at that time, 668,000 employers were subject to State laws. More than 38,000,000 benefit checks were issued during the year 1938, the average weekly check for total unemployment being approximately $11. Data on the operation of the States paying benefits in 1938 are shown in table 7. Up to the end of April 1939, nearly $540,000,000 had been paid out in unemployment compensation benefits by the 46 States, the District of Columbia, and the 2 Territories which had started to pay benefits before that date. (See table 8.) During the month of March 1939 alone, almost $49,000,000 was paid out in benefits to more than 1,000,000 workers.

TABLE 7.—*Number of unemployment compensation claims received and number and amount of benefit payments, 1938, by States*

State	Number of initial claims received [1]	Number of continued claims received [2]	Number of checks issued [3]	Net amount of benefits paid [4]	Average check [5]	
					Total unemployment	Partial unemployment
Total for States reporting	9,484,604	45,511,335	38,075,791	$393,785,709	$10.93	$5.39
Alabama	201,217	1,500,425	1,163,327	8,128,100	7.66	4.77
Arizona	30,637	221,622	161,623	1,902,407	11.79	[6]
California	693,720	[7] 4,042,705	2,485,911	23,715,354	9.72	5.24
Connecticut	354,735	1,900,743	1,216,091	12,254,387	10.59	3.97
District of Columbia	43,991	395,020	196,059	1,672,478	8.81	5.77
Idaho	18,965	77,710	34,148	366,362	10.73	6.13
Indiana	225,806	[8] 1,637,291	1,466,610	16,308,562	12.76	5.99
Iowa	82,355	448,412	280,239	2,585,648	9.30	5.69
Louisiana	134,365	769,543	554,212	4,007,049	8.41	6.38
Maine	126,102	[7] 818,375	566,558	4,535,455	8.93	5.44
Maryland	288,648	1,802,634	1,125,215	10,143,809	10.29	5.96
Massachusetts	626,965	[9] 2,512,694	2,563,871	27,098,765	10.62	[10]
Michigan	584,142	3,509,362	2,958,093	39,903,051	13.49	[11]
Minnesota	179,693	1,278,838	793,070	8,161,095	10.38	5.68
Mississippi	67,639	394,649	240,231	1,414,216	5.89	[10]
New Hampshire	117,042	559,135	324,246	2,731,870	9.28	4.99
New Mexico	4,394	1,017	1,017	9,210	9.20	5.77
New York	2,589,806	[12]	7,417,119	87,330,641	11.97	[10]
North Carolina	400,445	3,445,529	1,140,497	8,216,040	6.89	4.55
Oklahoma	22,325	21,953	6,739	71,231	10.57	[13] 9.00
Oregon	188,320	[7] 761,813	532,712	5,916,399	11.94	6.37
Pennsylvania	1,090,431	9,229,875	6,408,304	71,545,301	11.18	[10]
Rhode Island	192,032	1,681,151	1,069,584	9,293,286	9.63	5.17
South Carolina	34,410	203,546	112,986	595,147	6.71	3.93
Tennessee	194,246	1,906,484	867,015	6,144,192	7.27	4.16
Texas	316,759	1,803,291	1,051,219	9,343,884	9.22	5.87
Utah	58,633	302,289	219,195	2,461,300	11.37	7.56
Vermont	29,870	152,603	94,775	821,712	9.39	5.07
Virginia	148,933	[9] 835,777	805,297	5,635,688	8.08	4.02
West Virginia	187,947	[7] 2,017,094	1,256,577	12,065,373	10.83	5.94
Wisconsin	250,031	1,279,755	963,251	9,407,697	10.54	4.71

[1] An initial claim is a first claim for benefits in a period of unemployment. In some States, "additional" claims, which are the claims initiating the second and subsequent spells of unemployment within a benefit year, are not included.

[2] A continued claim is a claim reported weekly, following the filing of an initial claim, during a period of unemployment.

[3] Not adjusted for returned benefit checks.

[4] Adjusted for returned benefit checks.

[5] No adjustment made for payments for less than the full benefit rate, such as those representing adjustments, supplementary, and final payment checks.

[6] No benefit payments for partial unemployment.

[7] January not included.

[8] May and June not included.

[9] January, February, and March not included.

[10] No provision in State law for payments for partial unemployment.

[11] Payments for partial unemployment not effective until January 1939.

[12] Data not reported.

[13] Only 2 payments made in December 1938, when benefits were first payable.

TABLE 8.—*Unemployment compensation benefit payments,[1] January 1938 to April 1939, by States*

State	Date benefits first payable	Cumulative net benefit payments through April 1939	Net benefit payments, 1938	Net benefit payments, January to April 1939
Total, all States		$539,955,206	$393,785,709	$146,169,497
Alabama	January 1938	9,572,935	8,128,100	1,444,835
Alaska	January 1939	119,875		119,875
Arizona	January 1938	2,473,670	1,902,407	571,263
Arkansas	January 1939	590,752		590,752
California	January 1938	36,926,897	23,715,354	13,211,543
Colorado	January 1939	1,270,341		1,270,341
Connecticut	January 1938	14,369,338	12,254,387	2,114,951
Delaware	January 1939	279,803		279,803
District of Columbia	January 1938	2,311,024	1,672,478	638,546
Florida	January 1939	381,760		381,760
Georgia	do	844,956		844,956
Hawaii	do	33,526		33,526
Idaho	September 1938	1,843,580	366,362	1,477,218
Illinois	July 1939			
Indiana	April 1938	21,003,675	16,308,562	4,695,113
Iowa	July 1938	5,454,825	2,585,648	2,869,177
Kansas	January 1939	1,085,589		1,085,589
Kentucky	do	1,648,400		1,648,400
Louisiana	January 1938	6,334,070	4,007,049	2,327,021
Maine	do	5,888,341	4,535,455	1,352,886
Maryland	do	12,389,629	10,143,809	2,245,820
Massachusetts	do	33,640,448	27,098,765	6,541,683
Michigan	July 1938	51,015,048	39,903,051	11,111,997
Minnesota	January 1938	12,217,028	8,161,095	4,055,933
Mississippi	April 1938	2,078,548	1,414,216	664,332
Missouri	January 1939	1,616,578		1,616,578
Montana	July 1939			
Nebraska	January 1939	659,768		659,768
Nevada	do	243,982		243,982
New Hampshire	January 1938	3,251,038	2,731,870	519,168
New Jersey	January 1939	5,900,041		5,900,041
New Mexico	December 1938	463,290	9,210	454,080
New York	January 1938	114,548,704	87,330,641	27,218,063
North Carolina	do	10,056,978	8,216,040	1,840,938
North Dakota	January 1939	251,497		251,497
Ohio	do	6,783,475		6,783,475
Oklahoma	December 1938	2,109,334	71,231	2,038,103
Oregon	January 1938	8,026,725	5,916,399	2,110,326
Pennsylvania	do	89,759,617	71,545,301	18,214,316
Rhode Island	do	10,896,637	9,293,286	1,603,351
South Carolina	July 1938	1,388,380	595,147	793,233
South Dakota	January 1939	216,894		216,894
Tennessee	January 1938	7,651,722	6,144,192	1,507,530
Texas	do	13,356,029	9,343,884	4,012,145
Utah	do	3,185,815	2,461,300	724,515
Vermont	do	1,086,207	821,712	264,495
Virginia	do	7,276,865	5,635,688	1,641,177
Washington	January 1939	2,622,418		2,622,418
West Virginia	January 1938	13,446,408	12,065,373	1,381,035
Wisconsin	July 1936	[2] 10,868,157	9,407,697	1,460,460
Wyoming	January 1939	514,589		514,589

[1] Adjusted for returned and voided benefit checks.
[2] Does not include $2,146,827 paid prior to January 1938.

As of April 30, 1939, a total of $1,270,370,000 was available for benefits in all the States (see table 9). This sum represents the total of moneys deposited in the unemployment trust fund, held by the States pending deposit, and withdrawn by the States pending benefit payment. Of this amount, $1,118,120,000 was available for benefits in those jurisdictions actually paying benefits. The reserves at this time would be about $225,000,000 less if all States had started the payment of benefits in January 1938. Since over half the States did not begin payment until later, their reserves were built up at a faster rate than originally anticipated. This is evident from the fact that in the States which did pay benefits in 1938, about 82 cents were paid out in benefits for each dollar collected in contributions for the same

year. Benefit payments would have been increased further, and the available reserves reduced to the same extent, if the system had been in operation for several years so that workers could have built up larger wage records.

TABLE 9.—*Funds available for unemployment compensation benefits as of Apr. 30, 1939*

State:	*Funds available as of Apr. 30, 1939*
Total, all States	$1, 270, 371, 000
Alabama	8, 923, 000
Alaska	917, 000
Arizona	2, 298, 000
Arkansas	6, 042, 000
California	121, 480, 000
Colorado	9, 771, 000
Connecticut	20, 819, 000
Delaware	4, 510, 000
District of Columbia	12, 674, 000
Florida	12, 135, 000
Georgia	17, 729, 000
Hawaii	3, 917, 000
Idaho	2, 466, 000
Illinois	146, 112, 000
Indiana	27, 110, 000
Iowa	11, 259, 000
Kansas	11, 645, 000
Kentucky	21, 297, 000
Louisiana	13, 986, 000
Maine	2, 884, 000
Maryland	12, 662, 000
Massachusetts	59, 282, 000
Michigan	47, 509, 000
Minnesota	16, 667, 000
Mississippi	3, 598, 000
Missouri	40, 390, 000
Montana	6, 138, 000
Nebraska	8, 297, 000
Nevada	1, 670, 000
New Hampshire	4, 888, 000
New Jersey	77, 276, 000
New Mexico	2, 624, 000
New York	154, 082, 000
North Carolina	13, 174, 000
North Dakota	2, 001, 000
Ohio	109, 814, 000
Oklahoma	12, 729, 000
Oregon	6, 177, 000
Pennsylvania	76, 429, 000
Rhode Island	7, 181, 000
South Carolina	8, 686, 000
South Dakota	2, 269, 000
Tennessee	10, 449, 000
Texas	36, 651, 000
Utah	2, 841, 000
Vermont	2, 281, 000
Virginia	13, 325, 000
Washington	19, 726, 000
West Virginia	9, 271, 000
Wisconsin	41, 789, 000
Wyoming	2, 520, 000

[1] Benefits become payable July 1939.
[2] As of end of December 1937. Benefits first payable July 1936.

However, while the reserve funds of most States are in a stronger position at the present time than when benefit payments were first begun, this is not true for all States. There were 13 States in which benefit payments during 1938 were equal to or in excess of the amounts collected in contributions from the date benefits were first payable. In one State the benefits paid out were nearly three times the contributions collected during the period benefits were paid.

The year 1938 was a year of substantial unemployment and most States are now rebuilding their reserve funds for future benefit payments. Yet, the uneven character of unemployment is shown by the fact that three States paid out benefits during the first 3 months of 1939 in excess of the contributions collected.

Economic resources and unemployment are not of equal magnitude in all the States. Different problems and varying standards are, therefore, to be expected in the various State unemployment compensation systems. While benefit standards in all States are still not fully adequate to meet the problem of unemployment, those in some States are more inadequate than in others. At the same time, some States have accumulated considerable reserves and there is demand from these States for a reduction in the unemployment-compensation contributions. Caution must be exercised, however, in attempting to remedy these inadequacies and inequalities before sufficient experience is acquired. The Federal-State program of unemployment compensation is the only existing permanent Federal program aimed at meeting part of the unemployment problem. Consequently, it must not be viewed as temporary legislation. Proposed changes in the unemployment-compensation program must be tested in terms of both present need and future justification.

Your committee have eliminated from the bill certain amendments to the unemployment-insurance provisions which were contained in the House bill. In general, the two amendments which have been deleted by your committee are as follows:

1. The provision requiring that States shall collect an average of 2.7 percent of pay rolls; and

2. The State-wide reduction plan allowing States to reduce contributions if they meet certain minimum reserve and benefit standards.

Your committee have not included these two provisions in the bill after hearing from the administrators of several State unemployment-compensation agencies who opposed these two provisions in the House bill. Your committee feel that there has not been enough time to develop sufficient experience in the field of unemployment compensation upon which to base an intelligent decision with respect to a reduction in the contribution rates or the insertion of minimum benefit standards at this particular time.

In view of this fact your committee feel that the wisest policy is to continue the present provisions with respect to unemployment insurance until such time as a thorough study of the benefit experience of the various States will yield practical results.

The bill contains, however, certain amendments designed to simplify administration for employers and the Government and to clarify certain technical aspects of the present act.

Employers will save an aggregate amount of about 15 million dollars by virtue of the provision grainting relief to those employers who paid their State unemployment-compensation contributions for

the years 1936, 1937, and 1938 too late to qualify for the Federal credit. Employers who pay their delinquent taxes for these years before the sixtieth day after the enactment of these amendments would receive full credit against their Federal taxes for 1936, 1937, and 1938. Further the provisions as to loss of credit on account of future delinquency would be relaxed by (1) increasing from 60 to 90 days the maximum period for which the Commissioner of Internal Revenue is permitted to grant an extension for the filing of Federal tax returns, and (2) by providing that employers who pay their taxes after January 31 but before July 1 next following the close of the taxable year would lose only 10 percent of their allowable credit.

Another of the amendments would result in a saving to employers as well as in considerable simplification of reporting procedures. This is the amendment to limit unemployment-compensation taxes to the first $3,000 of annual wages. Such a limitation already exists in the case of old-age insurance and there are distinct advantages to providing a uniform tax base for both programs. It is estimated that this new limitation would result in a saving to employers of about $65,000,000 a year.

Again in the interests of simplification and uniform reporting, the present bill proposes to change the tax base for unemployment compensation from "wages payable" to the "wages paid" definition used in old-age insurance.

Many of the same changes in coverage are provided in this bill with respect to unemployment compensation as have already been discussed under old-age insurance. The cases involving taxes of small consequence, which would be exempt under old-age insurance, would also be exempt from the Federal Unemployment Tax Act. The agricultural-labor exemption is defined and extended as in old-age insurance. The bill proposes to extend coverage to one of the groups now excluded, namely, employees of certain Federal instrumentalities such as national banks, and State bank members of the Federal Reserve System. This amendment would bring about 200,000 additional persons under the unemployment-compensation program, provided the States amend their laws accordingly.

Provision is made in section 902 (h) of the bill granting relief to taxpayers and States in those cases in which the highest court of a State has held contributions paid under the State unemployment compensation law for 1936 or 1937 not to have been validly required under such law. This provision is to take care of the situation in North Carolina where the State supreme court recently held that the provisions of the State law requiring contributions for 1936 were invalid because they were retroactive. The effect of the proposed amendment is to enable North Carolina to keep about $3,000,000 in its reserve fund for use in the payment of unemployment compensation benefits.

Other changes affecting unemployment compensation are:

1. Authorization is given to the States to make their unemployment-compensation laws applicable to services performed on land or premises owned, held, or possessed by the United States Government, such as services performed as employees of hotels in national parks. Congress has already enacted a statute giving the States authority to apply their workmen's compensation laws to such employees.

2. The language excluding State instrumentalities is defined as in old-age insurance so that the exemption applies only to an instru-

mentality wholly owned by the State or political subdivision, as well as those exempt from tax under the Constitution.

3. As in old-age insurance, the definition of "wages" is amended so as to exclude from tax the payments made by an employer on account of a retirement annuity, sickness, death, or accident-disability plan, or for medical or hospitalization expense in connection with sickness or accident disability. Dismissal wages, which the employer is not legally required to pay, and payments by an employer of the worker's Federal insurance contributions, or a contribution required of the worker under a State unemployment-compensation law are also excluded from tax.

4. Provision is made, as in old-age insurance, for the exemption of foreign governments and their instrumentalities from the unemployment-compensation tax.

5. Provision is made for the exemption of services performed by an individual for a person as an insurance agent or as an insurance solicitor, if all such services performed by such individual for such person are performed for remuneration solely by way of commission.

6. Provision is made for the exemption of services performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution.

7. The law is changed with respect to services of an employee performing both included and excluded employment for the same employer so that the services which predominate in a pay period determine his status with that employer for the period. The same provision is made in connection with old-age insurance.

8. The "merit rating" or "individual employer experience rating" provisions are clarified.

9. A provision has been inserted requiring the State laws to provide for the expenditure of Federal grants for the administration of their unemployment compensation laws in accordance with the Federal act and requiring the replacement of any moneys lost or expended for other purposes.

10. Extension of time is given for the allowance of credit against the Federal tax in cases where the employer has paid his State tax on time but has paid it to the wrong State.

11. The time is also extended in those cases where taxpayer's assets are in the custody or control of a receiver, trustee, or other fiduciary under the control of a court.

12. The "tax on employers of eight or more" now contained in subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) is given the short title "Federal Unemployment Tax Act."

Public Assistance

The bill contains several amendments designed to liberalize and clarify existing Federal provisions concerning public assistance and to simplify the administration of the State plans. No fundamental change in Federal-State relations is proposed.

Increase in grants for old-age assistance.—Under the present law the Federal Government reimburses the States for 50 percent of their assistance payments to the needy aged up to a maximum of $30 a

month for each person aided. This means that the Federal Government does not pay more than $15 toward the assistance provided any aged person in any month. The bill increases the $30 limit to $40 so that the maximum Federal grant per aged person is increased from $15 to $20 per month. This amendment will allow the States to liberalize their grants to needy aged persons if they so desire. The cost of this change to the Federal Government will depend upon the extent to which the States take advantage of the new proposal.

Liberalization of aid to dependent children.—At the present time the Federal Government contributes only one-third of the payments made by the States to dependent children as against one-half in the case of the aged and the blind. As a result, there are still eight States in addition to Alaska which are not participating in this program, and in many of the States that are participating, the level of assistance for dependent children is lower than that for the aged and the blind. The eight States are Connecticut, Illinois, Iowa, Kentucky, Mississippi, Nevada, South Dakota, and Texas. The average amount of aid per dependent child is about $13.50 per month compared with $19.50 for old-age assistance and $23.25 for blind persons.

The rapid expansion of the program for aid to dependent children in the country as a whole since 1935 stands in marked contrast to the relatively stable picture of mothers' aid in the preceding 4-year period from 1932 through 1935. The extension of the program during the last 3 years is due to Federal contributions which encouraged the matching of State and local funds. Furthermore, many States have liberalized their laws by adopting a broader definition of the term "dependent child," by liberalizing the amounts that may be granted to needed cases, and by relaxing requirements relating to residence. At the close of 1935, aid was received by 117,000 families in behalf of 286,000 children. In May 1939 payment for aid to dependent children was being made to about 695,000 children in 287,000 families under plans approved by the Social Security Board. During the calendar year 1938 nearly $95,000,000 was spent by the Federal, State, and local governments for aid to dependent children under plans approved by the Board. The number of old people now being aided through Federal grants is nearly three times as large as the number of dependent children being aided. But the actual number of dependent children in need of assistance is probably fully as large as the number of needy aged now receiving assistance.

The bill makes three changes, effective January 1, 1940, designed to expand aid to dependent children. They are as follows:

1. The Federal matching is increased from one-third to one-half. This will enable the States to give aid to many additional needy children. There are at the present time about 165,000 children in 71,000 families who have filed applications in the States for aid and many more who will be eligible for aid when these additional funds become available.

2. The age limit for Federal grants is raised from 16 to 18 if the State agency finds that the child is regularly attending school. This will enable most children to finish high school. Six States already provide aid to children up to the age of 18 and six additional States have the necessary legislation to take advantage of this amendment immediately. It is estimated that about 100,000 additional children may obtain aid by virtue of this change, provided all States amend their laws accordingly.

It is estimated that the present State programs, when amended in accordance with the provisions of this bill will enable the States to provide monthly benefits for at least 1,000,000 dependent children or over 300,000 more children than are being aided at the present time.

3. The present Federal matching limit of $18 per month for the first child and $12 per month for each child thereafter is liberalized so that the Federal Government will pay one-half on all up to an average of $18 per child per month for the State as a whole. The change suggested by your committee of matching the expenditures for aid to dependent children on the basis of an average of $18 per child per month instead of on the basis of a maximum of $18 if there is only one dependent child in a home and $12 for each additional child has the effect of enabling the States to grant more adequate assistance to small families. The typical situation is that a dependent widow as well as a child must be supported by the grant that is made for the care of the child. The result of the present maximum limitations has been that far less adequate assistance has been granted to these small families.

The additional cost to the Federal Government of these three amendments is difficult to estimate due to the fact that the amendments are effective only at such time and to the extent that the States match the Federal funds. The additional costs of these amendments for assistance to children is estimated at about $30,000,000 to $60,000,000 per year. Some of the additional cost will be offset in future years because of the widows' and orphans' benefits provided under the insurance plan. In any case, our obligation to provide care for the children of today who will be the parents of the next generation is one which must be met. The amendments recommended to both the insurance and the assistance titles are part of a common program to promote the security of the family and the home.

Administrative amendments.—The bill provides that after January 1, 1940, all approved plans for and to the needy aged, blind, and dependent children must include methods relating to the establishment and maintenance of personnel standards on a merit basis. Identical provisions were also inserted in title V of the act with respect to the maternal and child-health provisions and services for crippled children.

The bill alters the method by which the Federal Government shall settle with the States whose laws provide for a recovery from recipients or the estates of recipients of old-age assistance. At present these States must actually draw a check to reimburse the Federal Government for its share of any amount so recovered. The new plan provides adjustment in the amount of the Federal grant, on account of the Federal pro rata share of any amount so recovered by the State. Any amount which the State spends on funeral expenses (in the case of aged or blind recipients) is considered in making the adjustment. The new plan of Federal-State settlement is applicable in all three assistance programs, whereas existing law affects only old-age assistance.

The purpose of all three assistance programs is further clarified by inserting the word "needy" in the definitions of those who may receive old-age assistance, aid to the blind, or aid to dependent chil-

dren. A closely related clarifying amendment is applied to all three assistance titles and provides that the States, in determining need, must consider any other income and resources of individuals claiming assistance.

The only other important amendment affecting the public-assistance titles is one which requires that the States, in order to receive Federal grants, must provide safeguards to restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan. All three assistance titles would be thus amended, the obvious purpose being to insure efficient administration and to protect recipients from humiliation and exploitation.

MATERNAL AND CHILD HEALTH SERVICES AND SERVICES FOR CRIPPLED CHILDREN

It has been fully demonstrated in testimony presented to this committee that there is urgent need for increased authorizations for maternal and child health and crippled children's services under title V, parts 1 and 2, of the Social Security Act. The chairman of the subcommittee of the Committee on Education and Labor, which has been holding hearings on the Wagner national health bill (S. 1620), stated to this committee that testimony presented at the hearings had convinced him of the need for immediate expansion of these programs.

In her testimony before this committee, Dr. Martha M. Eliot, Assistant Chief of the Children's Bureau, stated that of the 32 State plans for maternal and child health services for the fiscal year 1940 already reviewed, 26 showed immediate need for carrying forward programs already initiated in a total sum of over $7,000,000. The estimate is based largely on a known need to provide additional medical and nursing services in maternity and child health clinics and in the homes.

With reference to the crippled children's program she stated that over 14,500 children at this very time are on the waiting lists of the official State agencies, awaiting hospital care and that nearly 13,000 of these are now awaiting care because of lack of funds. To provide care for children now on the waiting lists would cost at least $3,000,000 in addition to present resources. The following table 10 shows the distribution by States of these children awaiting care.

TABLE 10.—*Number of crippled children on waiting lists of State agencies as of May 15, 1939*

State	Due to lack of funds	Due to lack of beds	Due to other reasons	Total
Alabama	3,189			3,189
Alaska	55			55
Arizona	79			79
Arkansas	255			255
California	199			199
Colorado	60			60
Connecticut			80	80
Delaware		2		2
District of Columbia		17		17
Florida	315			315
Georgia	625	75		700
Hawaii			18	18
Idaho	91			91
Illinois	300			300
Indiana		206		206
Iowa	1,200			1,200
Kansas			100	100
Kentucky	2,000			2,000
Louisiana		200		200
Maine		2		2
Maryland		29		29
Massachusetts		8		8
Michigan	0			0
Minnesota	23	49		72
Mississippi	339			339
Missouri	200			200
Montana			64	64
Nebraska	25	35		60
Nevada	24			24
New Hampshire	20			20
New Jersey	0			0
New Mexico		230		230
New York	2			2
North Carolina	397			397
North Dakota	0			0
Ohio	750			750
Oklahoma		200		200
Oregon			65	65
Pennsylvania	300	100		400
Rhode Island	14			14
South Carolina	259			259
South Dakota	160			160
Tennessee	201	24		225
Texas	822			822
Utah	325			325
Vermont		76		76
Virginia	130			130
Washington	65			65
West Virginia			25	25
Wisconsin	494			494
Wyoming			50	50
Total	12,918	1,253	402	14,573

In addition to children now on the waiting lists there are large numbers of children crippled from heart disease who should be brought within the program. The cost of caring for these children in hospitals or convalescent homes is great and the period of treatment is prolonged. It is estimated on the other hand that if proper and early care is given to these children probably 60 percent can be restored to normal existence.

The sums of money included in the amendment to title V, parts 1 and 2, would provide for expansion of the present programs on the basis of urgent immediate need and for demonstration of methods of providing medical care in maternity and childhood. Full provisions for meeting the needs of mothers and children for health and medical services would still await action on a comprehensive national health program.

The increase in the authorization for maternity and child-health services under title V, part 1, would provide $1,020,000 to be added to the sum which must be matched by the States (sec. 502 (a)), and $1,000,000 to the fund allotted according to the financial need of each State for assistance in carrying out its State plan (502 (b)), for which there are no matching requirements.

The increase in authorization under title V, part 2, for services to crippled children is in the amount of $1,020,000 to be allotted to the States according to the financial need of each State for assistance in carrying out its State plan, a provision comparable with that for maternity and child-health services in section 502(b), for which there are no matching requirements. It was shown in testimony before the committee that prompt, effective service in meeting emergency conditions such as infantile-paralysis epidemics could not be given unless part of the appropriation was available for grants to the States on the basis of need without matching requirements.

Tables 11 and 12 showing a comparison of the distribution of funds for maternal and child health services and services for crippled children for the fiscal year 1939 and tentative distributions under proposed amendments to title V, parts 1 and 2, of the Social Security Act are as follows:

TABLE 11.—*Distribution of funds for maternal and child health services for fiscal year 1939 and tentative distribution under proposed amendments to title V, pt. 1, of the Social Security Act*

State or Territory	Present (fiscal year 1939)			Proposed (tentative distribution)		
	Total, fund A and fund B	Fund A [1]	Fund B [2]	Total, fund A and fund B	Fund A [3]	Fund B [2 4]
Total	$3 800, 000. 00	$2, 820, 000. 00	$980, 000. 00	$5, 820, 000. 00	[5]$3,820,000.00	$1, 980, 000. 00
Alabama	105, 854. 92	70, 206. 53	35, 648. 39	149, 942. 44	97, 946. 14	51, 996. 30
Alaska	34, 789. 28	21, 074. 85	13, 714. 43	47, 616. 52	21, 628. 22	25, 988. 30
Arizona	56, 752. 70	27, 971. 61	28, 781. 09	71, 365. 45	33, 276. 31	38, 089. 14
Arkansas	68, 468. 08	47, 994. 59	20, 473. 49	102, 624. 22	64, 578. 24	38, 045. 98
California	103, 295. 14	90, 572. 78	12, 722. 36	170, 296. 57	139, 213. 53	31, 083. 04
Colorado	54, 855. 72	35, 265. 91	19, 589. 81	80, 026. 81	44. 809. 26	35, 217. 55
Connecticut	48, 734. 96	38, 563. 96	10, 171. 00	58, 282. 80	48. 812. 14	9, 470. 66
Delaware	30, 764. 33	23, 275. 50	7, 488. 83	36, 190. 32	25, 509. 67	10, 680. 65
District of Columbia	54, 014. 08	29, 774. 72	24, 239. 36	51, 399. 29	35, 615. 54	15, 783. 75
Florida	76, 333. 29	43, 465. 52	32, 867. 77	95, 989. 72	57, 330. 30	38, 659. 42
Georgia	126, 365. 10	71, 494. 36	54, 870. 74	164, 725. 64	101, 045. 72	63, 679. 92
Hawaii	35, 890. 41	27, 680. 13	8, 210. 28	47, 451. 75	30, 856. 10	16, 595. 65
Idaho	43, 480. 92	28, 538. 68	14, 942. 24	58, 020. 86	33, 118. 17	24, 902. 69
Illinois	123, 967. 51	113, 677. 51	10, 290. 00	175, 317. 79	165, 847. 13	9, 470. 66
Indiana	72, 059. 42	65, 127. 10	6, 932. 32	104, 789. 78	90, 957. 54	13. 832. 24
Iowa	63, 900. 42	55, 673. 91	8, 226. 51	92, 040. 39	73, 268. 46	18, 771. 93
Kansas	68, 818. 89	45. 053. 16	23, 765. 73	78, 816. 39	57, 100. 06	21, 716. 33
Kentucky	101, 154. 46	66, 583. 60	34, 570. 86	119, 747. 36	91, 053. 70	28, 693. 66
Louisiana	98, 585. 36	56, 603. 43	41, 981. 93	129, 948. 34	78, 203. 74	51, 744. 60
Maine	45, 690. 20	32. 779. 64	12, 910. 56	69, 312. 17	39, 288. 22	30, 023. 95
Maryland	62, 165. 51	42, 205. 27	19, 960. 24	72, 238. 69	55, 093. 55	17, 145. 14
Massachusetts	78, 650. 91	71, 532. 78	7, 118. 13	113. 497. 47	98, 104. 29	15, 393. 18
Michigan	104, 559. 53	93, 850. 78	10, 708. 75	150, 063. 40	135, 809. 06	14, 254. 34
Minnesota	69, 467. 41	59, 733. 61	9, 733. 80	99, 087. 07	80, 771. 96	18, 315. 11

[1] Uniform apportionment of $20,000 to each State and apportionment of $1,800,000 on basis of ratio of live births in State to total live births.

[2] Allotment according to financial need for assistance in carrying out State plan, after number of live births is taken into consideration.

[3] Uniform apportionment of $20,000 to each State and apportionment of $2,800,000 on basis of ratio of live births in State to total live births.

[4] Subject to modification on basis of States' needs for financial assistance as shown in State plans to be submitted. Conditional distribution of $1,485,000 made as follows: $482,624.73, uniform grant; $334,125.27, sparsity of population: $334,125, excess infant mortality; $334,125, excess maternal mortality.

[5] Including $20,000 uniform allotment to Puerto Rico under sec. 502 (a). Distribution of amounts to States on basis of number of live births is tentative since it does not include proportionate amount for Puerto Rico.

TABLE 11.—*Distribution of funds for maternal and child health services for fiscal year 1939 and tentative distribution under proposed amendments to title V, pt. 1, of the Social Security Act*—Contnued.

State or Territory	Present (fiscal year 1939)			Proposed (tentative distribution)		
	Total, fund A and fund B	Fund A	Fund B	Total, fund A and fund B	Fund A	Fund B
Mississippi	$96,010.50	$61,295.37	$34,715.13	$137,164.27	$85,907.13	$51,257.14
Missouri	84,665.42	66,698.86	17,966.56	125,731.00	92,050.64	33,680.36
Montana	51,107.08	28,685.67	22,421.41	58,355.03	32,965.09	25,389.94
Nebraska	51,906.95	39,875.17	12,031.78	69,993.34	48,174.52	21,818.82
Nevada	50,551.60	21,185.10	29,366.50	48,720.00	22,203.85	26,516.15
New Hampshire	36,431.20	26,413.20	10,018.00	44,505.32	29,656.78	14,848.54
New Jersey	78,429.23	64,959.23	13,470.00	98,555.82	89,085.16	9,470.66
New Mexico	72,351.10	30,779.43	41,571.67	79,669.56	37,505.66	42,163.90
New York	172,391.00	172,391.00		267,326.58	254,684.80	12,641.78
North Carolina	114,829.18	83,624.24	31,204.94	172,198.65	120,046.77	52,151.88
North Dakota	43,827.63	31,333.97	12,493.66	61,838.87	35,987.50	25,851.37
Ohio	116,858.62	106,608.71	10,249.91	183,817.46	156,098.00	27,719.46
Oklahoma	89,873.93	54,922.25	34,951.68	104,845.26	72,447.39	32,397.87
Oregon	52,269.98	31,671.38	20,598.60	62,644.51	39,555.17	23,089.34
Pennsylvania	153,118.82	153,118.82		267,415.14	224,050.87	43,364.27
Rhode Island	33,506.94	28,506.94	5,000.00	42,903.99	32,954.96	9,949.03
South Carolina	100,143.34	52,815.15	47,328.19	125,527.00	71,418.84	54,108.16
South Dakota	49,091.89	30,756.04	18,335.85	59,528.26	35,065.20	24,463.06
Tennessee	84,975.53	62,234.93	22,740.60	126,792.17	85,708.50	41,083.67
Texas	146,981.49	113,205.64	33,775.85	267,029.62	166,827.60	100,202.02
Utah	43,700.98	30,482.10	13,218.88	59,983.74	36,058.34	23,925.40
Vermont	38,842.65	25,385.96	13,456.69	46,802.97	28,003.24	18,799.73
Virginia	94,599.73	62,799.50	31,800.23	128,071.79	85,723.70	42,348.09
Washington	51,205.94	39,522.73	11,683.21	73,997.07	51,673.88	22,323.19
West Virginia	68,598.84	54,118.84	14,480.00	100,221.28	73,439.23	26,782.05
Wisconsin	71,142.36	63,940.32	7,202.04	101,323.93	87,739.06	13,584.87
Wyoming	23,969.52	23,969.52		51,246.13	25,731.07	25,515.06
Reserved for allotment for special needs				495,000.00		495,000.00

TABLE 12.—*Distribution of funds for services for crippled children for fiscal year 1939 and tentative distribution under proposed amendments to title V, pt. 2, of the Social Security Act*

State or Territory	Total, present (fiscal year 1939)[1]	Proposed (tentative distribution)		
		Total	Fund A[2]	Fund B[3,4]
Total	$2,850,000.00	[5] $3,870,000.00	$2,850,000.00	$1,000,000.00
Alabama	69,313.49	84,878.26	69,313.49	17,112.47
Alaska	20,663.23	20,941.51	20,663.23	388.36
Arizona	35,424.16	37,720.27	35,424.16	2,728.50
Arkansas	45,331.51	55,960.11	45,331.51	12,080.48
California	107,724.93	129,466.17	107,724.93	20,027.46
Colorado	42,715.25	47,659.48	42,715.25	6,323.30
Connecticut	37,753.35	45,202.31	37,753.35	6,070.52
Delaware	22,560.67	23,635.08	22,560.67	1,052.27
District of Columbia	29,156.05	30,899.85	29,156.05	1,755.65
Florida	57,357.14	64,576.94	57,357.14	8,079.88

[1] Uniform apportionment of $20,000 to each State and apportionment of $1,830,000 according to need of each State after taking into consideration number of crippled children in need of services and cost of furnishing services. Distribution made as follows: $1,430,000 on basis of ratio of State population under 21 years to total population under 21 years; $400,000 on basis of need as shown in State plans after taking into consideration number of crippled children in need of services and cost of furnishing such services.

[2] Uniform apportionment of $20,000 to each State and apportionment of $1,830,000 according to need of each State after taking into consideration number of crippled children in need of services and cost of furnishing services. Based on 1939 distribution.

[3] Subject to modification on basis of States' needs for financial assistance as shown in State plans to be submitted.

[4] Amount for distribution according to financial need of each State for assistance in carrying out State plan after taking into consideration number of crippled children in need of services and cost of furnishing services. Includes children crippled from orthopedic conditions, heart disease, and certain other crippling conditions.

[5] Including $20,000 uniform allotment to Puerto Rico under sec. 512 (a). Distribution of amounts to States on basis of number of crippled children in need of care and cost of care is tentative since it does not include proportionate amount for Puerto Rico.

TABLE 12.—*Distribution of funds for services for crippled children for fiscal year 1939 and tentative distribution under proposed amendments to title V, pt. 2, of the Social Security Act*—Continued

State or Territory	Total, present (fiscal year 1939)	Proposed (tentative distribution)		
		Total	Fund A	Fund B
Georgia	$60,299.95	$77,209.02	$60,299.95	$18,691.32
Hawaii	25,017.24	27,122.38	25,017.24	2,937.86
Idaho	25,666.88	28,044.59	25,666.88	3,286.61
Illinois	99,714.05	133,160.50	99,714.05	30,751.81
Indiana	55,313.54	70,130.41	55,313.54	13,684.66
Iowa	57,576.94	69,147.68	57,576.94	12,074.87
Kansas	41,459.22	50,463.09	41,459.22	10,386.04
Kentucky	85,000.00	99,297.24	85,000.00	15,259.24
Louisiana	47,632.12	59,226.02	47,632.12	11,872.33
Maine	32,881.15	36,602.48	32,881.15	4,210.72
Maryland	54,138.56	61,749.15	54,138.56	6,504.59
Massachusetts	74,678.48	93,424.69	74,678.48	15,763.23
Michigan	100,000.00	122,821.23	100,000.00	19,799.02
Minnesota	69,325.05	81,629.27	69,325.05	13,078.67
Mississippi	47,961.78	59,693.99	47,961.78	13,795.55
Missouri	58,864.27	75,170.96	58,864.27	16,952.58
Montana	38,884.22	41,510.58	38,884.22	3,632.93
Nebraska	51,163.92	57,945.98	51,163.92	8,128.37
Nevada	20,865.04	21,227.99	20,865.04	452.17
New Hampshire	24,894.46	26,948.08	24,894.46	1,995.40
New Jersey	72,876.74	91,216.34	72,876.74	16,450.58
New Mexico	30,000.36	32,475.20	30,000.36	3,041.27
New York	147,056.50	200,366.92	147,056.50	47,257.14
North Carolina	96,537.05	116,063.08	96,537.05	20,740.45
North Dakota	29,222.60	33,092.22	29,222.60	4,780.81
Ohio	115,869.80	146,024.96	115,869.80	26,372.23
Oklahoma	77,543.52	90,842.41	77,543.52	14,611.90
Oregon	29,501.22	33,487.75	29,501.22	4,882.01
Pennsylvania	133,604.21	181,270.31	133,604.21	44,117.87
Rhode Island	27,611.59	30,805.26	27,611.59	2,676.65
South Carolina	50,647.13	61,673.05	50,647.13	11,563.75
South Dakota	28,776.08	32,458.35	28,776.08	4,463.66
Tennessee	54,253.92	68,626.19	54,253.92	14,353.85
Texas	99,111.92	130,339.11	99,111.92	34,468.93
Utah	30,000.00	32,918.43	30,000.00	4,072.86
Vermont	23,978.23	25,647.42	23,978.23	1,625.39
Virginia	72,040.08	85,483.47	72,040.08	13,372.21
Washington	52,265.38	58,900.13	52,265.38	7,463.38
West Virginia	53,672.75	63,605.37	53,672.75	9,427.23
Wisconsin	63,447.20	77,480.99	63,447.20	14,029.88
Wyoming	22,647.07	23,757.73	22,647.07	1,351.09
Reserved for allotment for special needs		400,000.00		400,000.00

PUBLIC-HEALTH WORK

The public-health titles of the Social Security Act represent an approach to a national health program—a balanced, comprehensive plan of preventive and medical services which must be our ultimate goal. The health provisions of the present act represent the first step toward the achievement of this objective. They seek to reduce drastically the volume of sickness and premature death by making available to all areas and all groups of the population in need of service the proven methods of prevention of these great causes of illness against which we have weapons of unquestioned power—prevention of deaths of mothers and babies; a Nation-wide attack on tuberculosis; prevention of deaths from pneumonia by prompt treatment with serum or simple chemicals; addition of useful years of life to those suffering from cancer by early diagnosis and appropriate medical care; the practical eradication of malaria, a major health problem in large areas of the South; promotion of industrial hygiene, with greatly intensified efforts toward the control of the occupational diseases, and integration of all phases of the preventive program for the health protection of the working population. Such activities as these form

a recognized part of the modern public-health program. In theory, their development is an inherent part of the public-health provisions of the Social Security Act. Accomplishments under the act have failed to realize the full potentialities of these services because of the limited funds available.

Finally, the public-health titles of the act are notable as a demonstration of the successful application of the grants-in-aid system to the field of health. The principle of Federal grants-in-aid for educational purposes has been accepted since the middle of the last century. Its extension to the field of health dates from the passage of the Social Security Act.

In matters concerned with the control of disease, the individuals of a community are interdependent. But the community of today is not the city, or the State—it is Nation-wide, a community of 48 States. Modern methods of transportation have intensified the means of disease spread. A person may be exposed to smallpox in Muncie, Ind., today and spread it to those at the world's fair tomorrow.

ACCOMPLISHMENT UNDER TITLE VI

In spite of the relatively small sums made available under the terms of the act, undoubtedly a greater advance has been made in public health in the United States in the past 3 years than ever before within a comparable period. Under title VI of the act, the major development has occurred in the expansion of the basic services designed to prevent illness—the control of acute communicable disease, public health nursing, sanitary control of water and milk supplies, the registration of vital statistics, laboratory service. This trend is a result of the widespread need for basic health organizations in urban, and especially in rural, areas of the country.

The record of accomplishment is tangible. At the end of the year 1936, only 946 of some 3,000 counties in the country were receiving health service under full-time county or district health organizations; at the close of 1938, the number had increased to 1,371, a gain of 425 counties in 2 years. Between 1937 and 1938, full-time public-health nurses employed by State and local agencies increased by 1,720. Over a third of these new nurses are serving rural areas and small cities under 10,000 population. Postgraduate training in public health was given to 3,820 persons between 1936 and 1938. Health officers, medical directors of special services such as tuberculosis and venereal-disease control, public-health nurses, sanitary engineers and other technicians have been equipped to staff newly organized local health departments, and to expand organizations lacking adequate personnel.

UNMET PUBLIC-HEALTH NEEDS

Measured in terms of public-health needs, only a beginning has been made. Federal funds available under title VI budgeted by the States for the fiscal year 1939 (including unexpended balances) amount to 9.7 million dollars.

The action of the States in giving major emphasis to basic health organizations is based on evident need. It is estimated that over one-half of the counties in the country are still not served by full-time health officers on a county or district basis. But the need is not

confined to rural areas—the proportion of cities without full-time health officers is almost as high. At the beginning of 1939, 745 counties in the country had no public-health nursing service. But areas having public-health nurses are by no means adequately supplied. In 18 States, the average rural population served by a public-health nurse is between 10,000 and 20,000; in 5 States, the ratio is 1 nurse for between 20,000 and 30,000 persons; in 2 States, the ratio exceeds 1 to 30,000.

Use of so large a proportion of funds available under title VI for the basic essentials of public-health work obviously leaves only a small margin for the special services which hold promise of great return in the promotion of health. In these special health services are included such activities as the control of tuberculosis, pneumonia, cancer, and malaria; services in industrial hygiene, and in dental hygiene. Only a million dollars of Federal funds have been budgeted by the States for these services in the current fiscal year—about 11 percent of the total funds available. In marked contrast to the widespread use of Federal funds for the expansion of the essential health services, allocation of funds for these special health services has been made by relatively few States. Only 6 States have designated Federal funds for cancer control, although 3 additional States are supporting activities in this field from State funds. Federal funds help pneumonia-control activities on a State-wide basis in 15 States. About half of the States have budgeted Federal funds for the control of tuberculosis, and industrial hygiene services. The meager development of these special health services permitted by funds authorized under the existing terms of title VI creates an urgent need for additional Federal funds for this purpose.

To expand public-health activities toward the solution of these urgent health problems, it is the consensus among the State health authorities that the sum authorized under section 601 of title VI should be increased from $8,000,000 to $12,000,000. In making use of these additional funds, particular emphasis would be placed on developing State programs for the control of tuberculosis and malaria, for the reduction of mortality from cancer and pneumonia, and for industrial-hygiene activities.

Vocational Rehabilitation

The basic act providing for the vocational rehabilitation of persons disabled in industry or otherwise was passed by the Congress in 1920. The purpose of this act is to assist physically disabled persons, through guidance, medical and surgical treatment, artificial appliances, retraining, placement, and other essential services, in entering or returning to suitable employment in order that they may support themselves and their dependents.

For carrying out its purposes the basic Vocational Rehabilitation Act authorized the appropriation of $1,000,000 annually to be allotted to the States on the basis of their population with the stipulation that, to receive its allotment, a State must accept the provisions of the Federal act and match its expenditures from Federal funds dollar for dollar with State funds.

The basic act was not a permanent and continuing one but was extended from time to time by the Congress until 1935, when the vocational rehabilitation program was incorporated as a part of the social

security program. Under the Social Security Act the Vocational Rehabilitation Act was made permanent, and the authorization for appropriations was increased to $1,938,000 annually, which when matched by State funds, makes available for rehabilitation purposes approximately $4,000,000 annually.

Few people are aware of the size of the problem of the physically disabled and its social and economic significance. Recent surveys by the United States Public Health Service and by a number of State rehabilitation departments show that at any one time at least 30 persons in each 1,000 of the general population are physically disabled. On this basis there are in this country nearly 4,000,000 physically disabled persons.

Each year in the United States at least 800,000 persons become physically disabled through industrial, home, automobile, and other accidents, and diseases, such as arthritis, tuberculosis, and heart trouble. The experiences of the State rehabilitation departments show that not all of these persons are disabled to the extent that they are unable after convalescence to enter or return to employment. About 67 percent are able to make their own employment adjustment. The remaining 33 percent require rehabilitation service to aid them to engage in remunerative employment.

Disabled persons who require assistance in their employment adjustment fall into three major groups:

1. Those who through training and other rehabilitation services can be returned to regular lines of competitive employment. This group comprises 60,000 persons annually.

2. Those whose disabilities are so serious that they cannot be restored to competitive employment but can be trained in small business enterprises or in sheltered workshops. This group numbers about 150,000.

3. Those who are so disabled that, if they are to be employed at all, they must be provided with suitable work in their homes. This group includes approximately 50,000 persons annually.

The first group (60,000) described above constitute the most pressing problem. Practically all of this group could and should be rehabilitated to complete self-support.

Experience of the States shows that it costs an average of $300 per case to rehabilitate a disabled person. On this basis the present program, with maximum efficiency in the expenditure of funds, cannot be expected to rehabilitate more than 12,500 persons per year. Thus each year 47,500 of those who could and should be made self-supporting cannot be rehabilitated because of lack of sufficient funds.

The cost of maintaining a dependent person in idleness averages about $500 per year. The maintenance of 47,500 disabled persons (of the 60,000 who could and should be rehabilitated to complete self-support in competitive employment) is now costing someone—relatives, communities, or the State and Federal Governments—$23,750,000 per year. The expenditure by the Federal and State Governments of $300 each for their rehabilitation would not only obviate the enormous annual cost of maintaining these persons in idleness, but would on the basis of 20 years' experience in rehabilitating the disabled, increase the economic income to the Nation by some $47,500,000 per year.

Obviously it would not be wise to appropriate at once funds sufficient to meet the whole vocational rehabilitation problem. It would appear, however, that a substantial increase over the present amount could be efficiently absorbed and would be a wise investment of public funds. The machinery for rehabilitating the disabled is already in existence. Hence, any additional funds provided could be used entirely for services to those who at present cannot be served.

The House bill increased the amount authorized to be appropriated annually for vocational rehabilitation to $2,938,000. Your committee have increased this amount to $4,000,000. Your committee have provided that the minimum allotment for any State shall be $30,000, instead of $10,000, as is provided in existing law, and also for an annual flat allotment to Hawaii of $15,000 instead of the $5,000 provided in existing law. The amendment made by your committee also provides an annual flat allotment to Puerto Rico of $15,000 instead of the House provision which placed Puerto Rico on the same basis as the States, and increases the authorization for appropriations for administrative expenses.

Aid to Puerto Rico

At the present time the act does not extend to Puerto Rico. The bill extends coverage to Puerto Rico for the purposes of titles V and VI of the Social Security Act (grants to States for maternal and child welfare, vocational rehabilitation, and public health work).

General

Two amendments of a general character are contained in the bill. These are:

1. An amendment to prohibit the disclosure of information obtained by the Board or its employees except under certain restricted conditions related to proper administration.
2. Penalties are provided for certain frauds and for impersonation in securing information concerning an individual's date of birth, employment, wages, or benefits of any individual.

DETAILED EXPLANATION OF THE BILL

Short Title

Section 1 of the bill provides that the act may be cited as the "Social Security Act Amendments of 1939."

Title I.—Amendments to Title I of the Social Security Act

CHANGES IN REQUIREMENTS FOR STATE OLD-AGE ASSISTANCE PLANS

Section 101: This section amends section 2 (a) of the Social Security Act. Section 2 (a) sets out in clauses (1) through (7) certain basic requirements which a State old-age assistance plan must meet in order to be approved by the Social Security Board. Clauses (5) and (7) are amended and a new clause, numbered (8), is added.

There are two amendments to clause (5). One amendment, which was included in the bill as passed by the House, merely makes it clear that the methods of administration of the State plan must be proper

as well as efficient. By the other amendment proposed by this committee, the matter in parentheses is stricken and language is inserted which specifically provides that, after January 1, 1940, the State plan must provide as part of the methods of administration under the plan, such methods relating to the establishment and maintenance of personnel standards on a merit basis as are found by the Board to be necessary for the proper and efficient operation of the plan. The committee believe that, under this provision, the several State and local agencies will be aided in their efforts to select adequately trained personnel, and to provide more efficient administration of the plan. This proposal would not authorize the Social Security Board to participate in or to require the selection of particular individuals to be employed by the State or local agency.

The present subject matter of clause (7) is stricken from section 2 (a) by the amendment and is treated in section 102 of the bill. The amended clause (7) is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming old-age assistance. This will make it clear that, regardless of its nature or source, any income or resources will have to be considered, including ordinary income from business or private sources, Federal benefit insurance payments under title II of the Social Security Act, and any other assets or means of support. The committee recommends this change to provide greater assurance that the limited amounts available for old-age assistance in the States will be distributed only among those actually in need and on as equitable a basis as possible.

The new clause, numbered (8), also effective July 1, 1941, requires that the State plan must 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.

PAYMENT TO STATES FOR OLD-AGE ASSISTANCE

Section 102: This section amends section 3 of the Social Security Act.

Subsection (a) of section 3 is amended so that its provisions will conform with section 1 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to *needy* aged individuals and increases the amount up to which the Federal Government will contribute one-half from $30 to $40.

Subsection (b) is amended so as to provide that the Board in making grants to States shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, 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.

The provision will include all recoveries made with respect to old-age assistance furnished under the State plan, such as, for example, recoveries from the estates of recipients, payments under mistake, etc.

A proviso eliminates, for the purpose of determining the amount of the offset, any amount recovered from the estate of a deceased recipient, not in excess of the amount expended by the State for the

funeral expenses of such deceased recipient in accordance with the State public assistance law upon which the State plan is based.

Section 103: This section amends section 6 so as to conform its provisions with section 1 of the Act, which authorizes appropriations to enable States to furnish financial assistance to aged *needy* individuals.

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

FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

This title amends title II of the Social Security Act. It revises and extends the present provisions for old-age insurance benefits. It includes benefits for qualified wives and children of individuals entitled to old-age insurance benefits and for qualified widows, children, and parents of deceased individuals, who, regardless of age at death, have fulfilled certain conditions. It also provides a lump-sum payment on death where no monthly benefits are then payable. It also advances the date for initial monthly benefit payments from 1942 to 1940. A Federal old-age and survivor insurance trust fund is established, and provision is made for a board of three trustees to manage the trust fund. A number of administrative changes are made, and there is provision for judicial review of decisions of the Social Security Board with respect to benefit rights. A detailed explanation of title II as amended follows.

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Section 201: This section creates a Federal old-age and survivors insurance trust fund in place of the present old-age reserve account, which is abolished by these amendments. The trust fund is to be held by a board of trustees composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. Amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act (formerly title VIII of the Social Security Act) are permanently appropriated to the trust fund, and old-age and survivors insurance benefits will be paid out of the fund. This should clarify the relationship between contributions under the social-security program in the form of taxes and the source of benefit payments.

Section 201 (a) creates the trust fund and provides that the fund shall consist of (1) the securities held by the Secretary of the Treasury for the present old-age reserve account, (2) the amount standing to the credit of such account on January 1, 1940, and (3) amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act, which are permanently appropriated to the trust fund.

Section 201 (b) creates a board of trustees of the Federal old-age and survivors insurance trust fund to be composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. The Secretary of the Treasury is designated as the managing trustee. The board of trustees created is similar to the set-up in the Postal Savings Act. The board of trustees, in addition to reporting annually to Congress on the status and operations of the trust fund, will be required

to report immediately to Congress whenever the board is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period and whenever it is of the opinion that the amount of the trust fund is unduly small.

Section 201 (c) directs the managing trustee of the trust fund to invest the surplus of the trust fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Special obligations bearing interest at a rate equal to the average rate of interest on the public debt, computed as of the end of the calendar month next preceding the date when the special obligations are issued, may be issued to the trust fund. However, the bill contains a provision that such special obligations shall be issued only if the managing trustee determines that the purchase of obligations in which the trust fund is permitted to invest on original issue or at the market price is not in the public interest.

Section 201 (d) authorizes the managing trustee to sell regular obligations acquired by the trust fund at the market price and to redeem the special obligations at par plus accrued interest.

Section 201 (e) provides that the interest on and the proceeds from the sale or redemption of obligations held in the trust fund shall be credited to and form a part of the trust fund.

Section 201 (f) sets up a procedure whereby the trust fund will be required to pay the cost of administration by the Social Security Board and the Treasury of the old-age and survivors insurance system. Monthly, the managing trustee will pay from the trust fund into the general fund of the Treasury the amount which he and the Chairman of the Social Security Board estimate will be expended during the month for the administration of the system.

Section 201 (g) provides that the trust fund shall be available for making benefit payments required under title II of the Social Security Act.

The only amendment recommended by your committee to this section and to section 202 (a) of the House bill changes the word "survivor" to "survivors."

OLD-AGE AND SURVIVOR INSURANCE BENEFIT PAYMENTS

Primary insurance benefits.

Section 202 (a): This subsection provides, for aged individuals, monthly "primary insurance benefits" (computed under sec. 209 (e)), which are based on an individual's "average monthly wage" (see sec. 209 (f)). These benefits are payable to an individual for each month until his death, upon condition that he (1) is at least 65 years of age, (2) is a fully insured individual (defined in sec. 209 (g)), and (3) has applied for them. Primary insurance benefits are payable beginning with the first month in which the individual becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months.

The first month for which a primary insurance benefit or any other benefit can be paid under section 202, is January 1940. All benefits under section 202 are payable as nearly as possible in equal

monthly installments, but a benefit for a particular month is not necessarily payable within that month.

Wife's insurance benefits.

Section 202 (b): This subsection provides for monthly "wife's insurance benefits" for an aged wife (defined in sec. 209 (i)) whose husband is living and is entitled to "primary insurance benefits" under subsection (a). The purpose of these wife's benefits, which are based on the wages of the husband, is to assure the wife of a monthly amount equal to one-half of the amount which her husband receives as a monthly primary insurance benefit. A benefit is payable to the wife for each month, upon condition that she (1) is at least 65 years of age, (2) has applied for the benefits, (3) was living with her husband at the time of filing such application, and (4) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than one-half of a monthly primary insurance benefit of her husband.

Benefit rate.—A wife's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the husband, but if the wife is or becomes entitled to a monthly primary insurance benefit under subsection (a), which is less than one-half of the monthly primary insurance benefit of her husband, then her wife's insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter is equal to the difference between one-half of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Wife's insurance benefits are payable beginning with the first month in which the wife becomes eligible for them, having met conditions (1), (2), (3), and (4) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits end when the wife dies, her husband dies, they are divorced, or she becomes entitled to a monthly primary insurance benefit under subsection (a) equal to or exceeding one-half of her husband's monthly primary insurance benefit.

Child's insurance benefits.

Section 202 (c): Paragraphs (1) and (2) of this subsection provide for monthly "child's insurance benefits" for a child (defined in sec. 209 (k)) whose parent is entitled to primary insurance benefits or whose deceased parent (regardless of his age at death) was a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of these child's benefits is to assure the child of a monthly amount based on the wages of the parent or deceased parent. A benefit is payable to a child for each month, upon condition that the child (1) has filed application for the benefits (or application has been filed for him), (2) was unmarried and had not attained age 18 at the time his application was filed, and (3) was "dependent upon" the parent at the time the application was filed, or, if the parent has died, was "dependent upon" him at the time of death.

Benefit rate.—A child's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the parent or deceased parent with respect to whose wages the child is entitled to receive the benefit. In the case of the deceased parent, such primary insurance benefit is the amount which such parent would have been entitled to receive if he had, before his death, met the conditions for payment of a primary insurance benefit under subsection (a). If there

is more than one such parent or deceased parent, the child is entitled to one-half of the primary insurance benefit which is largest.

Benefit period.—Child's insurance benefits are payable beginning with the first month in which the child becomes eligible for them, having met conditions (1), (2), and (3) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The child's benefits end when he dies, marries, is adopted, or attains age 18.

"Dependent upon" defined.—Paragraphs (3) and (4) of section 202 (c) define the term "dependent upon," as used in paragraph (1). As a child is normally dependent upon his father or adopting father, paragraph (3) provides that he shall be deemed so dependent unless, at the time the child's application for benefits is filed, or if such father or adopting father is dead, at the time of death, such individual was not living with the child or contributing to his support and (A) the child is neither the legitimate nor adopted child of such individual, or (B) the child had been adopted by some other individual, or (C) the child, at the time of such individual's death, was living with and supported by the child's stepfather.

As a child is not usually financially dependent upon his mother, adopting mother, or stepparent, paragraph (4) provides that, for the purposes of paragraph (1), a child shall not be deemed dependent upon any such individual unless, at the time the child's application for benefits is filed, or, if such individual is dead, at the time of death, no parent other than such mother, adopting mother, or stepparent was contributing to the support of the child and the child was not living with his father or adopting father.

Widow's insurance benefits.

Section 202 (d): This subsection provides for monthly "widow's insurance benefits" for an aged widow (defined in sec. 209 (j)) whose husband died a fully insured individual (defined in sec. 209 (g)). The purpose of these widow's benefits, which are based on the wages of the deceased husband, is to assure the widow of a monthly amount equal to three-fourths of the amount to which her husband was entitled, or would have been entitled if he had, before his death, met the conditions for a primary insurance benefit under subsection (a). A benefit is payable to the widow for each month, upon condition that she (1) is at least 65 years of age, (2) has not remarried, (3) has filed application for the benefits, (4) was living with her husband at the time of his death, and (5) is not herself entitled to a monthly primary insurance benefit which is equal to or greater than three-fourths of the monthly primary insurance benefit of her husband.

Benefit rate.—A widow's insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of the monthly primary insurance benefit of her husband, then her widow's insurance benefit for the month in which she becomes entitled to such primary insurance benefit, and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Widow's insurance benefits are payable beginning with the month in which the widow becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions

may be met in a single month, or part in one month and part in another month or months. Benefits end when the widow remarries, dies, or becomes entitled to a monthly primary insurance benefit equal to or exceeding three-fourths of the monthly primary insurance benefit of her husband.

Widow's current insurance benefits.

Section 202 (e): This subsection provides for "widow's current insurance benefits", which are based on the wages of a husband who died a fully or currently insured individual (as defined in sec. 209 (g) and (h)). The purpose of this subsection is to extend financial protection to the widow regardless of her age, while she has in her care a child of the deceased husband entitled to child's insurance benefits. It provides assurance for such a widow, before she becomes 65 years of age, of a monthly amount equal to three-fourths of the amount to which her husband would have been entitled if, before his death, he had met the conditions for a primary insurance benefit under subsection (a). When she becomes 65 such widow, if her husband was a fully insured individual, will become entitled to a widow's insurance benefit under subsection (d). If her husband was currently (but not fully) insured, she will continue to be entitled to her widow's current benefit under subsection (e) so long as there is a child of her husband who is entitled to receive child's insurance benefits. A benefit is payable to the widow for each month, upon condition that she (1) has not remarried, (2) is not entitled to receive a monthly widow's insurance benefit under subsection (d) or a monthly primary insurance benefit which is equal to or greater than three-fourths of a monthly primary insurance benefit of her husband, (3) was living with her husband at the time of his death, (4) has filed application for the benefits, and (5) at the time of filing such application has in her care a child of the deceased husband entitled to receive child's insurance benefits. By "in her care" is meant that she takes responsibility for the welfare and care of the child, whether or not she actually lives in the same home with the child at the time she files application.

Benefit rate.—A widow's current insurance benefit for a month is equal to three-fourths of the monthly primary insurance benefit of her husband, but, if she is or becomes entitled to a monthly primary insurance benefit under subsection (a) which is less than three-fourths of a monthly primary insurance benefit of her husband, then her widow's current insurance benefit for the month in which she becomes entitled to such primary insurance benefit and for each month thereafter, is equal to the difference between three-fourths of her husband's monthly primary insurance benefit and her monthly primary insurance benefit.

Benefit period.—Widow's current insurance benefits are payable beginning with the month in which the widow becomes entitled to them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. The benefits end when no child of the deceased husband is further entitled to receive a child's insurance benefit, the widow becomes entitled to receive a primary insurance benefit under subsection (a) equal to or exceeding three-fourths of a primary insurance benefit of the deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, or dies.

Parent's insurance benefits.

Section 202 (f): This subsection provides for "parent's insurance benefits" for an aged parent whose son or daughter died a fully insured individual (as defined in sec. 209 (g)), leaving no widow and no unmarried surviving child under age 18. The purpose of these benefits, which are based on the wages of the son or daughter, is to extend financial protection to the aged parent where the parent was wholly dependent upon and supported by the son or daughter at the time such son or daughter died, and where no such widow or child survives. It assures the parent, in such cases, of a monthly amount equal to one-half of the amount to which the son or daughter was or would have been entitled as a fully insured individual if such son or daughter before death, had met the conditions for a primary insurance benefit under subsection (a). A benefit may be payable to both a mother and a father of the same fully insured individual. A benefit is payable to the parent for each month, upon condition that such parent (1) has attained age 65, (2) was wholly dependent upon and supported by the son or daughter at the time of the son's or daughter's death and filed proof of such dependency and support within 2 years of the date of such death, (3) has not married since such death, (4) is not entitled to receive any other monthly insurance benefits of any kind or is entitled to receive one or more of such monthly benefits, the total of which is less than one-half of the monthly primary insurance benefit of the deceased son or daughter, and (5) has filed application for parent's insurance benefits.

Benefit rate.—The parent's insurance benefit for a month is equal to one-half of the monthly primary insurance benefit of the son or daughter with respect to whose wages the parent is entitled to a benefit. If there is more than one such son or daughter for a month in which the parent is entitled to parent's benefits, the parent is entitled to one-half the primary insurance benefit which is largest. If the parent is or becomes entitled to a monthly benefit or benefits (other than parent's insurance benefits) and such monthly benefit or the total of such monthly benefits is less than one-half of the monthly primary insurance benefit of the son or daughter, then the parent's benefit for the month in which the parent becomes entitled to such other benefit or benefits, and for each month thereafter, is equal to the difference between such other monthly benefit or the total of such other monthly benefits and one-half of the son's or daughter's monthly primary insurance benefit.

Benefit period.—Parent's insurance benefits are payable beginning with the month in which the parent becomes eligible for them, having met conditions (1), (2), (3), (4), and (5) above. All of such conditions may be met in a single month, or part in one month and part in another month or months. Benefits end when the parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than parent's insurance benefits) in a total amount equal to or exceeding one-half of a primary insurance benefit of the deceased son or daughter.

"Parent" defined.—Paragraph (3) of section 202 (f) defines the term "parent" to mean the mother or father of an individual, the stepparent of an individual by a marriage contracted before such individual attained age 16, and the adopting parent by whom such individual was adopted before he attained age 16.

Lump-sum death payments.

Section 202 (g): This section provides for the payment of a lump sum to a person hereinafter described, upon the death, after December 31, 1939, of a fully or currently insured individual (as defined in sec. 209 (g) and (h)) who left no surviving widow, child, or parent who would, on filing application in the month in which such fully or currently insured individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of this section.

Description of persons who may be entitled.—The lump-sum payments are made to the following persons under the conditions stated: (1) To the widow or widower of the deceased; (2) if no such widow or widower is living at the time of the fully or currently insured individual's death, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as provided by such law; (3) if no widow or widower and no such child and no such other person is living at the time of such death, to the parent or parents of the deceased. The Board is to determine the relationship under (1), (2), and (3) above, and if there is more than one person entitled hereunder, is to distribute the lump-sum payment among all who are entitled. If none of the persons described under (1), (2), and (3) is living at the time of the Board's determination, the amount due is to 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 the deceased (but no such payment for burial expenses may exceed the amount actually disbursed by the person or persons who paid such expenses).

It will be noted that your committee amendment limits payment of the lump sum, in cases arising under (3) above, to the parent or parents of the deceased, eliminating the provision of the House bill for distribution among persons who may be entitled under the law of the State to share as distributees with the parents of the deceased. The committee proposal would also provide that when more than one parent is entitled to a payment, each of them would share equally.

Amount of payment.—The lump-sum payment is an amount equal to six times a primary insurance benefit for a month (as defined in sec. 209 (e)) of the fully or currently insured deceased individual.

Application for lump-sum payment.—The lump sum is payable only if application is filed by or on behalf of the person entitled (whether or not legally competent) prior to the expiration of 2 years after the date of death of the fully or currently insured individual.

Delayed applications.

Section 202 (h): This subsection provides that an individual who would have been entitled to an insurance benefit under subsection (b), (c), (d), (e), or (f) of this section for any month, if he had filed his application for such benefit during such month, shall be entitled to such benefit for such month if he files application for it before the end of the third month immediately succeeding such month. The purpose of this section is to prevent the loss of benefits to individuals who might not know of their right to benefits or who, for some other reason, have delayed filing their applications. If, for example, in March a widow has fulfilled all eligibility conditions under section

202 (d) except the filing of her application, and files application in June, she will be entitled to a benefit for March, April, May, June, and thereafter, as if she had filed her application in March. Similarly, if she files application in July, she will be entitled to a benefit for April, May, June, July, and thereafter, just as if she had filed her application in April.

REDUCTION AND INCREASE OF INSURANCE BENEFITS

Section 203: This section provides a maximum and minimum for benefits payable under section 202, and for reduction or increase to such maximum or minimum, as the case may be, of the monthly amount of the benefit which would be payable except for this section. It provides also for deductions from benefits because of gainful employment for a stated amount of wages, and under certain other enumerated circumstances, and for deductions for lump-sum payments made prior to 1940 upon attainment of age 65.

Maximum benefits.

Section 203 (a): This subsection of the bill as passed by the House provides that any benefits payable on the basis of an individual's wages shall be reduced, so that the maximum for any benefit (if only one benefit for a month is payable with respect to the wages of an individual) or for the total of all benefits (if more than one benefit is payable for a month will respect to the wages of an individual) shall not exceed (1) $85, or (2) two times the primary insurance benefit of such individual, or (3) 80 percent of the average monthly wage of such individual, whichever is least. This takes the place of the provision now in the Social Security Act limiting the monthly rate of benefits to $85.

One of the effects of this provision is that there may in some cases be reductions so that there will be paid a maximum of $10 per month in monthly benefits whether there are one, two, or more dependents. Your committee feel that in such cases the reduction should not be so great as now provided in the House bill. For example, it is believed that the minimum total of benefits payable for a husband and wife should not be less than $15, and of a husband, wife, and child, or for four surviving dependent orphans, not less than $20.

The bill reported by your committee accordingly includes a proposed amendment which would change this provision of the House bill so that the reduction in the amount of a benefit will be required only where the total of benefits payable with respect to an individual's wages is more than $20, and provides that the total of benefits shall in such cases be reduced to (*a*) the least of the amounts referred to under (1), (2), and (3) above, or (*b*) $20, whichever is greater. It also strikes out reference to reduction of a single benefit as superfluous because of certain other proposed amendments which will be mentioned later in detail.

Minimum benefits.

Section 203 (b): This subsection provides that benefits payable on the basis of an individual's wages shall be increased so that the minimum for any benefit or for the total of benefits (where more than one benefit is payable for a month) is $10. This provision also prevents a reduction under subsection (a) to below $10 in the case where the average monthly wage is very low.

The parenthetical clause of the House bill making this subsection applicable after reductions under subsection (a) have been made would be made unnecessary by the amendment to subsection (a) proposed by the committee, since under the committee proposal no benefit or total of benefits could be reduced under subsection (a) to below $10. The clause is therefore eliminated.

Proportionate reduction or increase.

Section 203 (c): This subsection of the House bill provides that whenever a reduction or increase is required by subsection (a) or (b) and more than one benefit is payable for the month with respect to the wages of an individual, each of the benefits shall be proportionately increased or decreased, as the case may be.

Under this provision an individual's primary benefit might be subject to reduction. For example, an individual with a wife and two children entitled to benefits would have his $10 primary benefit reduced. Thus, in the example given, under the provision of the House bill there would be a reduction so that the husband's benefit would be reduced from $10 to $8 and the total benefits for wife and children would be $12. Your committee believe it would be more understandable for the primary benefit to remain at $10 and the total of benefits for wife and children to be reduced to $10.

The committee therefore recommend that subsection (c) be changed to except specifically primary insurance benefits from the proportionate reductions from each benefit required under that subsection.

Deductions because of employment, etc.

Section 203 (d): This subsection of the House bill provides that deductions shall be made from any benefits to which an individual is entitled, until such deductions total the amount of the benefit or of the benefits (where the individual is entitled to receive more than one insurance benefit) which such individual was entitled to receive for any month in which he (1) rendered services for wages of not less than $15; or (2) if a child over 16 and under 18 years of age failed to attend school regularly and the Board finds that such attendance was feasible; or (3) if a widow entitled to a widow's current insurance benefit did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

Section 203 (e): This subsection provides that deductions shall be made from any wife's or child's insurance benefit until the total equals the wife's or child's benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15. For example, if a child receives a benefit of $10 per month because of a father who is receiving a $20 per month primary insurance benefit, $10 is deducted from benefits payable to the child if the father works in a month for wages of $15 or more.

The House bill does not make it clear as to whether children serving as apprentices without pay shall be considered as attending school, and the proposed committee amendments to paragraph (2) of this subsection are to make it clear that apprentices serving without pay are to be regarded as attending school.

The other proposed amendment to this subsection makes it clear that the Board is authorized to determine the proper amount of each deduction to be made in any benefit and the month or months in

which the deduction or deductions are to be made. This also applies in the case of deductions under subsections (e) and (h).

Duplication of deductions prevented.

Section 203 (f): This subsection prevents the duplication of deductions under subsections (d) and (e). If, for example, a deduction is imposed because of the occurrence in a month of an event enumerated in subsection (d), there is no deduction because of employment in that month as set forth in subsection (e).

Report to Board of Employment.

Section 203 (g): This subsection of the House bill requires that the occurrence of any of the events enumerated in subsection (d) or (e) be reported to the Board by any individual whose benefits are subject to a deduction under those subsections. If the individual had knowledge of the occurrence of the event, failure to so report is penalized by doubling the deduction.

In some instances it should be the person receiving the payment rather than the individual on behalf of whom the benefit is received who should have the duty of making the report required under this subsection. For example, the guardian should report a minor's failure to attend school.

Your committee accordingly propose that this subsection be amended to require that the report be made by any individual who is in receipt of benefits subject to deduction, or who is in receipt of such benefits on behalf of another individual.

Deductions because of lump-sum payments.

Section 203 (h): An individual entitled to a benefit under these amendments may have been paid a lump sum upon attainment of age 65, under provisions of the Social Security Act in force prior to 1940. This subsection provides that deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to the wages of such individual, until such deductions total the amount of any such lump-sum payment to such individual. Deductions under subsections (d), (e), and (h) are made after any reductions or increases which may be required under subsections (a) and (b).

OVERPAYMENTS AND UNDERPAYMENTS

Adjustment of erroneous payments.

Section 204 (a): This subsection provides that errors in payments to an individual shall be adjusted by increasing or decreasing subsequent benefits to which such individual is entitled. If such individual dies before adjustment has been begun or completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual. Thus, if error is made in the payment of a primary insurance benefit to an individual, adjustment shall be made upon his death in favor of or against his widow, children, and parents, if any, who are entitled to receive benefits. If error is made in the payment of any benefit other than a primary insurance benefit, then upon the death of the individual receiving such benefit, adjustment shall be made in favor of or against the primary beneficiary on the basis of whose wages such erroneous payments were made, and in

favor of or against any other beneficiary whose benefits are payable on the basis of those wages.

Section 204 (b) waives any right of the United States to recover by legal action or otherwise in any case of incorrect payment to an individual who is without fault if adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience,

Section 204 (c) protects from liability any certifying or disbursing officer in any case where adjustment or recovery 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

Section 205: This section of the bill provides a detailed procedure in connection with benefit determination and payment. Administrative and judicial review provisions not now provided in the Social Security Act are included, and administrative provisions are included which are similar to those under which the Veterans' Administration operates.

Section 205 (a) clarifies the Board's power to make rules and regulations to carry out the provisions of title II and directs the Board to adopt regulations concerning the nature and extent of proofs to establish rights to benefits.

Section 205 (b) outlines the general functions of the Board in determining rights to benefits. It requires the Board to offer opportunity for a hearing, upon request, to an individual whose rights are prejudiced by any decision of the Board. The Board is also authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper, and may administer oaths and affirmations and examine witnesses. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

Section 205 (c) provides a procedure for the establishment, maintenance, and correction of wage records. Clause (1) directs the Board to maintain the records, and upon request to inform any wage earner, or after the wage earner's death, his wife, child, or parent, of the amount of his wages and periods of payments, shown by such records at the time of such request. The records are declared to constitute evidence of the amount of wages and the periods of payment, and the absence of an entry for any period constitutes evidence that no wages were paid in such period.

Clause (2) provides that, after the expiration of the fourth calendar year following any year in which wages were paid or alleged to have been paid, the Board's records shall be conclusive of the amount of wages and periods of payment except as provided in clauses (3) and (4).

Clause (3) authorizes the Board to correct its records prior to the expiration of such fourth year. Written notice of any revision which is adverse to the interests of any individual shall be given to such individual in any case where he has been previously notified by the Board of the amount of wages and the periods of payment shown by the records. Upon request prior to the expiration of such fourth year or within 60 days thereafter, the Board shall afford any wage earner, or after his death, his wife, child, or parent, a hearing with respect to any alleged error in its records.

Clause (4) provides for a limited correction of the records after the expiration of the fourth year. The procedure is the same as that provided in clause (3), but no change can be made under this clause except to conform the records with tax returns and other data submitted under title VIII of the Social Security Act or subchapter A of chapter 9 of the Internal Revenue Code, and regulations thereunder.

Clause (5) provides for judicial review of decisions under this subsection in the same manner as is provided in subsection (g).

Section 205 (d) authorizes the Board to issue subpenas requiring the testimony of witnesses and the production of evidence.

Section 205 (e) authorizes Federal courts to order obedience to the subpena of the Board and to punish as contempt any disobedience of the court's order.

Section 205 (f) provides that the privilege against self-incrimination shall not excuse any person from testifying but that he shall not be prosecuted or subjected to a penalty or forfeiture on account of any matter concerning which he is compelled to testify after claiming his privilege against self-incrimination.

Section 205 (g) provides that any individual may obtain a review of any final decision of the Board made after a hearing to which he was a party, by commencing a civil action in the appropriate district court of the United States within 60 days after notice of the decision is mailed to him. The present provisions of the Social Security Act do not specify what remedy, if any, is open to a claimant in the event his claim to benefits is denied by the Board. The provisions of this subsection are similar to those made for the review of decisions of many administrative bodies. The Board's decisions on questions of law will be reviewable, but its findings of fact, if supported by substantial evidence, will be conclusive. Where a decision of the Board is based on a failure to submit proof in conformity with a regulation, the court may review only the question of conformity of the proof with the regulation and the validity of the regulation. Provision is made for remanding of proceedings to the Board for further action, or for additional evidence.

Section 205 (h) provides that the findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing and that there shall be no review of the Board's decisions by any person, tribunal, or governmental agency except as provided in subsection (g). Actions may not be brought against the United States, the Board, or any of its officers or employees under section 24 of the Judicial Code to recover on any claim arising under title II.

Section 205 (i) incorporates substantially the provisions of the present section 207 of the act with respect to certification by the Board of the individuals entitled to payments, except that certification is made to, and payment is made by, the managing trustee. It is provided that the Board may withhold certification pending court review under subsection (g).

Section 205 (j) provides that the Board may, where it appears that the interest of the applicant would be served thereby, whether he is legally competent or incompetent, make certification for payments directly to him or to a relative or some other person, for the use and benefit of such applicant.

Section 205 (k) provides that any payments hereafter made under conditions set forth in subsection (j), any payments made before January 1, 1940, to, or on behalf of, legally incompetent individuals, and any payments made after December 31, 1939, to a legally incompetent individual without knowledge by the Board of such 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.

Section 205 (l) authorizes the Board to delegate the powers conferred upon it by this section. This includes the power to issue subpenas, conduct hearings, make determinations of the right to benefits, and make certification of payments. It also authorizes the Board to appear by its own attorneys in court proceedings under subsection (e) for the enforcement of Board subpenas.

Section 205 (m) provides that applications for benefits filed prior to 3 months before the applicant becomes entitled to receive benefits, shall be invalid.

Section 205 (n) authorizes the Board to certify to the managing trustee any two or more individuals in the same family for joint payment of the total benefits payable to such individuals.

REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

Section 206: This section authorizes the Board to prescribe regulations concerning the practice of attorneys, agents, and other persons in the preparation or presentation of claims for benefits before the Board, and the Board may require of such agents or other persons (other than attorneys) as a condition to recognition that they show that they are of good character and good repute and are competent to represent claimants. An attorney in good standing who is admitted to practice before the highest court of a State, Territory, or District, or before the Supreme Court of the United States or an inferior Federal court, is entitled to represent claimants before the Board. Under certain conditions an individual may be suspended or prohibited from further practice before the Board. While it is not contemplated that the services of an agent or attorney will be necessary in presenting the vast majority of claims, the experience of other agencies would indicate that where such services are performed the fees charged therefor should be subject to regulation by the Board, and it is so provided. The provision is similar to the statute (5 U. S. C., sec. 261) giving the Treasury Department comparable authority. For the purpose of protecting claimants and beneficiaries a penalty is provided for violation of Board regulations prescribing fees and for deceiving, misleading, or threatening claimants or beneficiaries with intent to defraud.

ASSIGNMENT

Section 207: This section is identical with section 208 of the Social Security Act which provides that a right to payment under this title shall not be transferable or assignable nor shall any moneys paid or payable be subject to execution or other legal process.

PENALTIES

Section 208: This section is designed to protect the system against fraud. The present penal provisions are broadened and clarified so as to specifically apply to the making of false statements such as in tax returns, tax claims, etc., for the purpose of obtaining or increasing benefits, and to apply to the making of false statements, affidavits, or documents in connection with an application for benefits, regardless of whether made by the applicant or some other person.

DEFINITIONS

Definition of wages.

Section 209 (a): This subsection continues the present definition of wages, clarifies it in certain respects, and excludes certain payments heretofore included. Paragraph (2) in the House bill excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. Your committee have added an exclusion of payments on account of death (including life insurance) where it is clear that the employee while living does not have certain rights and options. Generally, such payments are excluded under existing law if the employee does not have those rights and options, but it is deemed desirable for purposes of certainty to provide an express exclusion. The payments under paragraph (2) of the House bill and under the bill, as amended, would be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund would likewise be excluded from wages. Paragraph (3) expressly excludes from wages, payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

The exclusion of remuneration paid prior to January 1, 1937, is merely a technical change. Such remuneration has never been any basis for the benefits under this title, being excluded in the provisions providing the benefits. Such provisions are simplified by transferring the exclusion to the definition of wages.

Your committee have proposed an amendment, effective in 1940, to the Federal Insurance Contributions Act, giving a tax rebate to employees with total salary of more than $3,000, who, because they work for more than one employer in a year, have taxable wages in excess of $3,000 for the year. Your committee accordingly propose an amendment to section 209 (a) of the House bill, so that no more than $3,000 total remuneration for any calendar year is counted for such year for benefit purposes.

Definition of employment.

Section 209 (b): This term is defined in the House bill to mean any service performed prior to January 1, 1940, which would be included under existing law for purposes of credit toward benefits; and to mean any service performed after December 31, 1939, 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 (defined in subsec. (d)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on, and in connection with, the vessel when outside the United States. No substantive change in existing law is made by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. Your committee, however, propose another substantive change to the introductory paragraph—the provision relative to service performed by an individual after he attains age 65. Under the House bill the Federal Insurance Contributions Act is amended and taxes wages from such services after 1939. Accordingly, the House bill includes such services performed after 1939 in the definition of employment. One of your committee's proposed amendments would make wages from such services performed after 1938 taxable, and it is proposed that the introductory paragraph of section 209 (b) of the bill as it passed the House be amended accordingly. The purpose is to give the opportunity for an additional year of coverage to those who become 65 before 1939. This extension is designed to include, with the qualifications noted, all service which is attached to, or connected with, the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, would not be included, because their service has no connection with the vessel. Service performed on, or in connection with, an American vessel within the United States will be on the same basis as regards inclusion as other services performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (1) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law and is considered advisable because of the possibility offered by such employment for collusion in building up credits in certain cases which offer a high return for a small amount of contributions.

Paragraph (5), which takes the place of the existing exclusion of service on documented vessels, excludes service performed on or in connection with a vessel not an American vessel, if the employee is employed on and in connection with such vessel when outside the United States. This provision excludes all service, although performed within the United States, which is rendered by an employee who was rendering service on and in connection with such a vessel upon its entry into the United States or who is rendering such service upon departure of the vessel from the United States. Thus, officers and members of the crew and other employees whose service is rendered both on and in connection with the vessel (such as employees of concessionaires and others whose service is similarly connected with the vessel) when on its voyage are excluded even though the vessel is within the United States, if they come into or go out of the United States with the vessel.

Paragraph (6) continues the exemption of service performed in the employ of the United States but, with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within this title of the act certain Federal instrumentalities not falling within clause (A) or (B), above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1410 of the Internal Revenue Code (formerly sec. 804 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) continues without change the present provisions of law exempting services of employees covered by the railroad-retirement system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to the railroad retirement system even though the individual receives remuneration in a form, e. g., tips, not recognized as compensation under the Railroad Retirement Act and subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers' Taxing Act of 1937), and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segregation of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social-security system and the railroad-retirement system.

Paragraph (10) provides several new exclusions from employment. Clause (A) exempts certain service in any calendar quarter performed in the employ of an organization exempt from income tax under section 101 of the Internal Revenue Code, if (i) the remuneration for such service does not exceed $45; or (ii) without regard to amount of remuneration, if the service is performed in connection with the collection of dues or premiums (away from the home office) for a fraternal beneficiary society, order, or association, or is ritualistic service (wherever performed) in connection with such an organization; or (iii), without regard to amount of remuneration, if the service is performed by a student enrolled and regularly attending classes at a school, college, or university. Organizations so exempt from income tax and thus within this provision include the following: Certain labor, agricultural, and horticultural organizations, mutual savings banks, fraternal beneficiary societies, building and loan associations, cooperative banks, credit unions, cemetery companies, business leagues, chambers of commerce, real estate boards, boards of trade, civic leagues, local associations of employees, social clubs, local benevolent life insurance associations, mutual irrigation and telephone companies, farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations, farmers' cooperative marketing and purchasing associations, corporations organized to finance crop operations, voluntary employees' beneficiary associations, and religious or apostolic associations or corporations.

Paragraph (10), clause (B), of the House bill excepts service in the employ of an agricultural or horticultural organization, regardless of the amount of remuneration. The committee report of the Ways and Means Committee states that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The proposed amendment of your committee would be to clarify the provision.

Paragraph (10), clause (C), excepts service in the employ of a voluntary employees' beneficiary association, providing for 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. This exemption is identical with that of these organizations under section 101 (16) of the Internal Revenue Code and will have the same scope.

Paragraph (10), clause (D), of the House bill excepts all 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 designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are 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. The proposed amendment is merely clarifying.

Paragraph (10), clause (E), excepts service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax, if such service is performed by a student enrolled and regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45. In determining the remuneration, for purposes of the $45 limitation, the value of room, board, and tuition, if furnished by the school, college, or university as part of the remuneration, would be excluded.

A calendar quarter is any period of 3 calendar months ending on March 31, June 30, September 30, or December 31.

Paragraph (11) excepts service performed in the employ of a foreign government, and paragraph (12) similarly excepts, on a basis of reciprocity, service performed in the employ of an instrumentality wholly owned by a foreign government. These paragraphs are, by section 902 (f) of the bill, made retroactively effective to the date of the enactment of the Social Security Act.

Paragraph (13) excepts service performed as a student nurse in the employ of a hospital or a nurse's training school by an individual who is enrolled and is regularly attending classes in such a school chartered or approved pursuant to State law; and service performed as an interne (as distinguished from a resident doctor) 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.

Paragraph (14) is a new paragraph proposed by your committee. This amendment would exclude fishermen from coverage. It would also exclude officers and members of crews (even though not fishermen) of any vessel less than 400 tons or of any sail vessel regardless of tonnage if the vessel is engaged in specified fishing activities. The tonnage of vessels will be determined by methods employed for determining tonnage for the purpose of registry.

Paragraph (15) is a new paragraph proposed by your committee, which would exclude services performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house delivery of newspapers or shopping news, including handbills and other similar types of advertising material It does not include the handling of newspapers and advertising material prior to time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution.

Section 209 (c): This section of the House bill relates to an employee who has performed both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to

the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad-retirement system. The proposed amendment by your committee is merely clarifying.

Definition of American vessel.

Section 209 (d): This term is defined to mean any vessel documented or numbered under the laws of the United States; and also to include any vessel neither so documented nor numbered nor documented under the laws of any foreign country while the crew is in the employ only of citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

"Primary insurance benefit" defined.

Section 209 (e) of the House bill defines the term "primary insurance benefit" and is the basis for the computation of benefits under section 202. "Primary insurance benefit" means an amount equal to the sum of the following: (1) (A) 40 percent of the amount of an individual's average monthly wage, if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 percent of $50, plus 10 percent of the amount by which such average monthly wage exceeds $50, and (2) an amount equal to 1 percent of the amount computed under (1) above multiplied by the number of years in which $200 or more of wages were paid to such individual. This section sets forth the method of computing the amount of a primary insurance benefit for a month. In the case of a living individual such amount is the amount payable as a benefit under section 202 (a). Such amount also serves as the basis for computing, in the case of a living or deceased individual, any other benefit (or a lump sum) which may be payable on the basis of such individual's wages.

The amendment proposed by your committee to clause (1) places a limit of $250 on the average monthly wage upon which computation of the benefit may be based. While it will be impossible to exceed this average from employment after 1939 under your committee's proposal in connection with tax rebates, in an occasional case a person earning large amounts with several employers, prior to 1940 and retiring in the near future, might otherwise receive unjustifiably large benefits.

This proposal would also liberalize the House bill in this respect by providing that the minimum primary insurance benefit shall be $10 and, under the amendments proposed to section 203, this minimum primary insurance benefit would not be subject to reduction as a primary insurance benefit would be under the provisions of the House bill.

Average monthly wage.

Section 209 (f) of the House bill defines the term "average monthly wage" as used in the formula set forth in subsection (e) to mean the quotient obtained by dividing the total wages paid an individual before the year in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by 12 times the number of years elapsing after 1936 and before such year in which he died or became so entitled, excluding any year prior to the year in which he attained the age of 22 during which he was paid less than $200. In no case, however, shall such total wages be divided by a number less than 36.

Your committee's proposal would amend the House bill by substituting quarters for years, and eliminating the minimum divisor of 36. Thus the wages which would be counted toward benefits would be those paid before the quarter in which the individual dies or retires rather than before the year in which such event occurs. The minimum divisor in determining monthly average wages would be 18 instead of 36 as 6 quarters are provided in title II as the minimum requirement for benefits. It would also eliminate from the computation quarters which occurred prior to 1939 and which occurred after an individual already 65 had attained that age, thus tending more accurately to reflect his wage loss on retirement.

Fully insured individual.

Section 209 (g) of the House bill defines the term "fully insured individual."

Paragraph (1) of the definition provides that individuals who attain age 65 prior to the year 1940, in order to become fully insured individuals, must have not less than 2 years of coverage and have been paid not less than $600 in wages. This is a flat minimum requirement which applies without regard to the particular year in which an individual attained age 65.

Paragraph (2) of the definition applies to individuals who die or attain age 65 after 1939 and before 1946. It provides a formula for determining the requirements for becoming a fully insured individual, based on the number of years elapsing after 1936 and up to and including the year of death or attainment of age 65. If an individual dies in 1940, he must have at least 3 years of coverage and $800 in wages. Every second year after 1940 (beginning in 1942) the number of years of coverage required increases by 1 year, and every year after 1940 the amount of wages required increases by $200 over the amount required for the preceding year. Thus, an individual dying or attaining age 65 in 1945 must have 5 years of coverage and $1,800 in wages to be fully insured.

Paragraph (3) provides a formula for determining the requirements for individuals who die or attain age 65 in 1946 or thereafter. The determination is based on the number of years elapsing after 1936 or after the year in which an individual attained age 21 (if he attained that age after 1936) and up to and including the year of death or attainment of age 65, subject to a minimum of 5 years of coverage and minimum wages of $2,000. The provision continues the same rate of increase in coverage requirements from year to year, as provided under paragraph (2), but in no event are wages in excess of $2,000 required. The minimum coverage provisions are applicable only in cases where the number of years of coverage determined in accordance with the formula is below the minimum. Thus, if an individual attains age 21 in 1950 and dies in 1956, the formula would require only 4 years of coverage, which, by operation of the minimum, would be increased to 5 years of coverage. The total wages required would, of course, be $2,000.

Under paragraph (4) any individual who has accumulated 15 years of coverage is fully insured, whether or not he earns any wages thereafter.

Your committee propose an amendment to this subsection of the bill, which, while preserving its general principles, would somewhat liberalize and simplify the requirements. The proposal is in substance

that a person would be a fully insured individual if he had half as many quarters of coverage as there were quarters elapsing after 1936 (or his twenty-first birthday, if later), and before he attained age 65 (or died prior to 65). In meeting this requirement, quarters of coverage are counted though occurring after the individual is 65. A quarter of coverage is defined as a calendar quarter in which an individual is paid at least $50. In addition, the amendment would provide that an individual who has 40 quarters of coverage would be fully insured regardless of whether he earned any wages thereafter.

Currently insured individual.

Section 209 (h) defines the term "currently insured individual" to mean any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than 6 of the 12 calendar quarters immediately preceding the quarter in which he died. The purpose of this provision is, while avoiding an unwarranted drain on the trust fund, to provide protection for the surviving dependents of individuals who are paid a certain minimum amount of wages in covered employment within the last 3 years before death, but who have not worked in such employment long enough and have not been paid sufficient wages to have qualified them as fully insured individuals.

Section 209 (i) of the House bill defines the term "wife" to mean the wife of an individual who was married to him prior to January 1, 1939, or if later, prior to the day upon which he attained the age of 60.

Section 209 (j) of the House bill defines the term "widow" (except as used in sec. 202 (g)) as the surviving dependent wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died. Your committee propose a change in section 209 (i) and (j) by eliminating the requirement as to the date of marriage in any case where the wife is the mother of a son or daughter of the insured individual.

Section 209 (k) defines the term "child" (except as used in sec. 202 (g)) as the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of 60 and prior to the beginning of the twelfth month before the month in which he died.

Definition of "agricultural labor."

Section 209 (l): The present law exempts "agricultural labor" without defining the term. It has been difficult to delimit the application of the term with the certainty required for administration and for general understanding by employers and employees affected.

Your committee believes that greater exactness should be given to the exception and that it should be broadened to include as "agricultural labor" certain services not at present exempt, as such services are an integral part of farming activities. In the case of many of such services, it has been found that the incidence of the taxes falls exclusively upon the farmer, a factor which, in numerous instances, has resulted in the establishment of competitive advantages on the part of large farm operators to the detriment of the smaller ones.

The definition of "agricultural labor" contained in the bill as reported by the committee is in substantially the same form as in the

House bill; however, the committee does recommend some changes designed to further clarify the extent of the exemption.

Paragraph (1) of this subsection exempts service performed on a farm, in the employ of any person, in cultivating the soil, or in 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 other wildlife. Such services are exempt under existing law only if performed in the employ of the owner or tenant of the farm on which they are rendered. Services performed on a farm in the raising, feeding, and management of fur-bearing animals, such as foxes, not now exempted, will be exempt under paragraph (1). This paragraph also continues the existing exclusion of services performed on a farm in the raising or harvesting of horticultural commodities, including flowers and nursery products, such as young fruit trees, ornamental plants, and shrubs.

Paragraph (2) of the subsection excepts services in the employ of the owner (whether or not such owner is in possession) 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, if the major part of those services are performed on a farm. Under this language certain services are to be regarded as agricultural even though they are not performed in conducting any of the operations referred to in paragraph (1). Services exempt under this paragraph may include, for example, services performed by carpenters, painters, farm supervisors, irrigation engineers, bookkeepers, and other skilled or semiskilled workers whose services contribute in any way to the proper conduct of the farm or farms operated by their employer. Some of these services at present constitute covered employment under some circumstances but not under other circumstances. It is stipulated that the services referred to in this paragraph must be performed in the employ of the owner or tenant or other operator of the farm so that the exemption will not extend to services performed by such persons as employees of a commercial painting concern, for example, which contracts with a farmer to renovate his farm properties.

Paragraph (3) extends the exception to services performed in connection with certain specified products and operations. Ordinarily these services are performed on a farm or are of such a character as to warrant no different treatment than is accorded services performed in connection with farming activities. In order that a uniform rule may be applied in the case of these services, they will be excepted whether or not performed on a farm or in the employ of the owner or tenant of a farm. In the case of maple sap, the exemption will extend to services in connection with the processing of the sap into maple sugar or maple sirup, but not in the subsequent blending or other processing of such sugar or sirup with other products. Under the present exception services performed in connection with the production of maple sirup or maple sugar do not constitute "agricultural labor." Similarly, the existing exception does not extend to services performed in connection with the growing, harvesting, processing, packing, and transporting to market of oleoresin, gum spirits of turpentine, and gum resin. Under this paragraph, however, the exception will apply to services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree and of

the following products as processed only by the original producer of the crude gum (oleoresin): Gum spirits of turpentine and gum resin, as defined in the Agricultural Marketing Act, as amended. Services performed in connection with any hatching of poultry and in connection with the ginning of cotton will also be excepted. Services performed in connection with the raising or harvesting of mushrooms constitute "agricultural labor" under existing law, only when performed on a farm. The fact that mushrooms are not usually grown under ordinary field conditions but are grown in cellars, caves, barns, or in sheds specially constructed for the purpose has resulted in the employees of some growers being covered while employees of others are not. Under this paragraph all such services will be excepted. Service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes will also be excepted under this paragraph. Thus, all service performed in the employ of an organization operating exclusively for the purpose of supplying water to farms would be exempt. Most of such organizations are exempt under the present law as governmental agencies. The others are usually nonprofit companies formed by the farmers who use the water.

Paragraph (4) of the subsection extends the exemption to service (though not performed in the employ of the owner or tenant or other operator of a farm) performed in the handling, planting, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of the paragraph, however, do not extend to services performed in connection with commercial canning or commercial freezing, nor to services performed in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption. The expression "as an incident to ordinary farming operations" is, in general, intended to cover all services of the character described in the paragraph which are ordinarily performed by the employees of a farmer or by employees of a farmers' cooperative organization or group, as a prerequisite to the marketing, in its unmanufactured state, of any agricultural or horticultural commodity produced by such farmer or by the members of such organization or group. The expression also includes the delivery of such commodity to the place where, in the ordinary and natural course of the particular kind of farming operations involved, the commodity accumulates in storage for distribution into the usual channels of commerce and consumption. To the extent that such farmers, organizations, or groups, engage in the handling, etc., of commodities other than those of their own production or that of their members, such handling, etc., is not regarded as being carried on "as an incident to ordinary farming operations." In such a case the rules set forth in subsection (c) of this section apply.

In the case of fruits and vegetables, however, whether or not of a perishable nature, services performed in the handling, drying, packing, etc., of those commodities constitute "agricultural labor" even though not performed as an incident to ordinary farming operations, provided

they are rendered as an incident to the preparation of such fruits or vegetables for market. Under this portion of the paragraph, for example, services performed in the sorting, grading, or storing of fruits or in the cleaning of beans, as an incident to their preparation for market, will be excepted irrespective of whether performed in the employ of a farmer, a farmers' cooperative, or a commercial handler of such commodities.

Since the services referred to in this paragraph must be rendered in the actual handling, drying, etc., of the commodity, the paragraph does not exempt services performed by stenographers, bookkeepers, clerks, and other office employees in the employ of farmers, farmers' cooperative organizations or groups, or commercial handlers. To the extent that services of this character are performed in the employ of the owner or tenant of a farm, however, and are rendered in major part on a farm, they may be exempt under the provisions of paragraph (2).

The last sentence of the subsection makes it clear that the term "farm" as used in this subsection has a broad and comprehensive meaning. The term, for example, includes fur-bearing animal farms. Under present law, services performed in connection with the operation of such farms constitute covered employment. The term also includes greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, regardless of their location. Under the existing exception, labor performed in some greenhouses is excepted while labor in others is not. The inclusion of greenhouses of the kind specified, within the meaning of the term "farm," will make for a more uniform treatment of greenhouse labor and lessen the administrative difficulties which this class of cases presents. Greenhouses used primarily for purposes such as storage or display purposes or for the fabrication of wreaths and corsages (usually in connection with the operation of a retail establishment) do not, of course, come within the exception.

Section 209 (m) provides that determination of whether an applicant is the wife, widow, parent, or child of an individual is to be made by applying such law as the courts of the State of domicile of the individual would apply in determining the devolution of intestate personal property or if such individual was not domiciled in a State, by the courts of the District of Columbia; also that applicants who according to such law have the same status as a wife, widow, parent, or child shall be deemed such.

Section 209 (n) provides that a wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and that a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household at the time of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

PAYMENTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

Section 301: This section substitutes the word "for" for the word "in" in the phrase "during the fiscal year in which such payment is to be made" in the first sentence of section 302 (a) of the Social Security Act. This amendment is recommended in order to authorize the Board to certify unemployment compensation administration grants for proper administrative expenses, regardless of whether incurred within the fiscal year in which the grant is made. This amendment is necessary because of the practical difficulty of determining and certifying with exactness grants to finance all expenses incurred during the fiscal year before the end of that year. The substitution of the phrase "proper and efficient administration" for the phrase "proper administration" in this subsection is made to conform the language of this subsection with similar language in the amended sections 2 (a), 402 (a), 503 (a), 513 (a), and 1002 (a) of the Social Security Act. This insertion does not effect any substantive changes in this subsection. The reference in this subsection to the Internal Revenue Code recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 302: This section makes certain amendments to the requirements made by section 303 (a) of the Social Security Act which a State unemployment compensation law must meet in order to qualify for grants for administrative expenses.

The reference to the Internal Revenue Code, contained in the introductory sentence, recognizes the substitution of provisions of the code for the pertinent provisions of title IX of the Social Security Act (the old reference).

The committee recommend an amendment to the parenthetical clause in paragraph (1) which will make it necessary, after July 1, 1941, for the State law to include as part of its provisions for methods of administration, such methods relating to the establishment and maintenance of personnel standards on a merit basis, as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due. The committee believe that, under this provision, the several State agencies will be aided in their efforts to select adequately trained personnel, and to provide more efficient administration of the law. This amendment would not authorize the Social Security Board to participate in or require the selection of particular individuals to be employed by the State agency.

The amendments made by this section to paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act are designed to make clear that the State may refund contributions paid into the State fund by mistake, and also that cooperative arrangements may be made for payment of compensation (in the case of workers who have moved from the State in which their compensation rights were earned) by one State through employment offices in another State. In addition, the amendments would authorize the refund of contributions paid

with respect to a taxable year by national banks and other instrumentalities of the United States under the proposed amendment to section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) if the State law under which such contributions were collected is not certified by the Board with respect to that year under section 1603.

Another change in paragraph (5) substitutes a reference to the State unemployment fund for the (Federal) unemployment trust fund. This is done because the (Federal) unemployment trust fund is in substance merely a place of deposit for State moneys rather than a fund out of which benefit payments are to be made.

The amendment makes no change in paragraphs (3) and (6).

New paragraphs (8) and (9) would make it necessary for the State law to include provision for the expenditure of funds paid to the State for the administration of its unemployment compensation law only for the purposes of and in the amounts found necessary by the Board for the proper and efficient administration of the State law; and for the replacement within a reasonable time of any such funds which by any action or contingency have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper and efficient administration of the State law. The purpose of these requirements is to minimize the possibility of the Board having to refuse to certify an amount for State administrative expenses because of misapplication or loss of previously granted funds for administrative purposes.

In order to enable the States to make the necessary changes in their unemployment compensation laws without incurring the expense of special legislative sessions, the effective date of these two paragraphs is postponed until July 1, 1941.

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

CHANGES IN REQUIREMENTS FOR STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 401: This section amends section 402 (a) of the Social Security Act. Section 402 (a) sets out in clauses (1) through (6) certain basic requirements which a State plan for aid to dependent children must meet in order to be approved by the Social Security Board.

Section 401 (a) contains two amendments to clause (5). One relates to the requirement of "proper" administration and the other concerns the inclusion in State plans, after January 1, 1940, of provisions for personnel standards on a merit basis. These amendments are similar to those made to clause (5) of section 2 (a) of the Social Security Act by section 101 of the bill.

Section 401 (b) adds a new clause, numbered (7), which becomes effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of any child claiming aid under this title. It also adds a new clause, numbered (8), effective July 1, 1941, which requires that the State plan must provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO DEPENDENT CHILDREN

Section 402: Subsection (a) of this section amends section 403 of the Social Security Act and will become effective on January 1, 1940. Existing law provides for a Federal grant to States having an approved plan for aid to dependent children in an amount equal to one-third of the total of the sums expended under any such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 for any month with respect to one such dependent child and $12 for such month with respect to each of the other dependent children. The bill as passed by the House increases the Federal share to one-half and conforms subsection (b) (1) to this change.

Your committee recommend changing the House provision and existing law by eliminating the present maxima and by providing that the Federal share for each quarter shall be one-half of the sums expended by the State in carrying out its plan, not counting so much of such expenditure as aid to dependent children for any month as exceeds an average of $18 multiplied by the total number of dependent children receiving aid for the month. Your committee believes that this change in the House bill will enable the States to meet more adequately the demands of this type of program.

Subsection (b) of this section provides that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act, except that it does not include the proviso relating to funeral expenses of a deceased recipient.

DEFINITION OF DEPENDENT CHILD

Section 403: This section amends the definition of "dependent child," contained in section 406 (a) of the Social Security Act, so that its provisions will conform to section 401 of the act, which authorizes appropriations to enable States to furnish financial assistance to *needy* dependent children. Section 403 of the bill as passed by the House also amends section 406 (a) of the Social Security Act by including within the meaning of the term "dependent child," a child under the age of 18 if found by the State agency to be regularly attending school. The present definition includes only children under the age of 16. The change will assist the States to aid children who are over 16 and under 18 years of age but are still attending school.

The only change made by your committee in this provision of the House bill is inclusion of language placing nonremunerated apprentices in the same class as children regularly attending school, with respect to the liberalization of the age limitation.

TITLE V—AMENDMENTS TO TITLES V AND VI OF THE SOCIAL SECURITY ACT

PUBLIC WELFARE SERVICES

Your committee have included in the bill a number of changes in the provisions of the Social Security Act relating to maternal and child-welfare services, services for crippled children, vocational rehabilitation, and public-health work. The provisions relating to maternal and child-health services and services for crippled children are administered by the Children's Bureau of the Department of Labor. The provisions relating to public-health work and vocational rehabilitation are administered, respectively, by the Public Health Service and the Office of Education.

INCREASE IN AUTHORIZATION OF APPROPRIATIONS FOR MATERNAL AND CHILD-HEALTH SERVICES

Section 501. This section of the bill increases the authorization of appropriations for grants to States for maternal and child-health services for each fiscal year as provided in section 501 of the Social Security Act from $3,800,000 to $5,820,000.

ALLOTMENTS TO STATES FOR MATERNAL AND CHILD-HEALTH SERVICES

Section 502. This section of the bill amends section 502 of the Social Security Act, which provides the method by which the appropriations authorized by section 501 shall be allotted. Under subsection (a) of section 502 of the existing law, a flat annual allotment of $20,000 is made to each State; $20,000 of the increased authorization is attributable to the fact that Puerto Rico under an amendment to section 1101 of the Social Security Act is included in these provisions as a State. Under subsection (a) of section 502 of the existing law, $1,800,000 is authorized to be allotted to the various States in the proportion that live births in the State bears to the total number of live births in the United States, using the latest calendar year for which the Bureau of the Census has available statistics. Subsection (a) of this section of the bill increases this amount to $2,800,000. This amount is required by provisions of section 504 of the Social Security Act to be matched by the State on 50–50 basis.

Under subsection (b) of section 502 of existing law, $980,000 is authorized to be allotted, apportioned according to the financial need of each State in carrying its plan for maternal and child-health services, taking into consideration the number of live births in the State. Subsection (b) of this section of the bill increases this amount to $1,980,000. This amount is not required to be matched.

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR MATERNAL AND CHILD-HEALTH SERVICES

Section 503: This section contains two amendments to clause (3) of section 503 (a) of the Social Security Act. These amendments are similar to those made to clause (5) of section 2 (a) of the Social Security Act by section 101 of the bill.

INCREASE IN AUTHORIZATION OF APPROPRIATION FOR SERVICES FOR CRIPPLED CHILDREN

Section 504: This section of the bill increases the authorization of appropriations for grants to States for services to crippled children for each fiscal year as provided in section 511 of the Social Security Act from $2,850,000 to $3,870,000.

ALLOTMENTS TO STATES FOR SERVICES TO CRIPPLED CHILDREN

Section 505: This section of the bill amends section 512 of the Social Security Act by designating the existing law as subsection (a) and writing therein the amount ($1,830,000) to be allotted thereunder in addition to the flat allotments of $20,000 for each State (including Puerto Rico). This additional amount is allotted to the States on the basis of the need of each State taking into consideration the number of crippled children in such State in need of services for crippled children and the cost of furnishing such services. The States are required under section 514 of the Social Security Act to match on a 50–50 basis the allotments under this subsection.

The additional appropriation ($1,000,000) is to be allotted under a new subsection (b) according to the financial need of each State for assistance in carrying out its State plan, after taking into consideration the number of crippled children in such State in need of services for crippled children and the cost of furnishing such service to them. The States are not required to match the allotments under this subsection.

Subsection (c) of the bill designates existing subsection (b) (relating to allotments remaining unpaid at the end of any fiscal year) as subsection (c).

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR SERVICES FOR CRIPPLED CHILDREN

This section contains two amendments to clause (3) of section 513 (a) of the Social Security Act. These amendments are identical with those made to clause (5) of section 2 (a) of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES

Section 507: Subsection (a) of this section of the bill amends section 514 of the Social Security Act by striking out "section 512" and inserting "section 512 (a)." This is a technical change to make it clear that matching of these funds by the State is required only in reference to those allotted under subsection 512 (a).

Subsection (b) of this section of the bill adds subsection (c) to section 514 of the act to provide the method of paying the amounts allotted under amended section 512 (b).

VOCATIONAL REHABILITATION

Section 508: This section increases the authorization of appropriations for grants to the States and Hawaii for vocational rehabilitation of disabled persons by increasing the amount authorized for this purpose for each fiscal year by section 531 of the Social Security Act.

The House bill increased the amount authorized to be appropriated annually for vocational rehabilitation to $2,938,000. The committee amendment further increases this amount to $4,000,000. It also provides that the minimum allotment for any State shall be $30,000, instead of $10,000 as is provided in existing law, and provides an annual flat allotment to Hawaii of $15,000 instead of the $5,000 provided in existing law. The amendment made by your committee also provides an annual flat allotment to Puerto Rico of $15,000 instead of the House provision which placed Puerto Rico on the same basis as the States, and increases the authorization of appropriations for administrative expenses.

APPROPRIATIONS FOR PUBLIC-HEALTH WORK

Section 509: This section of the bill increases the authorization of appropriations, for each fiscal year, for grants to States and their political subdivisions for public-health work, as provided in section 601 of the Social Security Act, from $8,000,000 to $12,000,000.

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

FEDERAL INSURANCE CONTRIBUTIONS ACT

TAXES UNDER SECTIONS 1400 AND 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTIONS 801 AND 804 OF THE SOCIAL SECURITY ACT)

Sections 601 and 604: Under the existing provisions of sections 1400 and 1410 of the Internal Revenue Code (formerly secs. 801 and 804, respectively, of the Social Security Act) the rate of tax on employees and the rate of tax on employers are each scheduled to increase on January 1, 1940, from 1 percent of the wages to 1½ percent, with a further increase of ½ percent at the expiration of succeeding 3-year periods until the maximum rate of 3 percent on employees and 3 percent on employers is reached in 1949. Under the amendment the increase scheduled for January 1, 1940, would be eliminated, and the rate of each tax would be as follows:

	Percent
For the calendar years 1939, 1940, 1941, and 1942	1
For the calendar years 1943, 1944, and 1945	2
For the calendar years 1946, 1947, and 1948	2½
For the calendar year 1949 and subsequent calendar years	3

A further change is made by this amendment. Sections 1400 and 1410 of the Internal Revenue Code now provide that the rate of tax applicable to wages is the rate in effect at the time of the performance of the services for which the wages are paid. This will unnecessarily complicate the making of returns and the collection of the taxes in later years when the rate of tax has been increased. For example, in 1943 the rate of tax increases from 1 percent to 2 percent. Thus, wages which are paid in 1943 for services performed in 1942 will be subject to the 1-percent rate, while wages paid in 1943 for services performed in that year will be subject to the 2-percent rate. Provision must therefore be made in the return for 1943 for the reporting of wages subject to the different rates, and, in auditing the returns, it will be necessary to ascertain not merely the time when the wages were paid and received, but also the year of the rendition of the services for which the wages are paid. If employers have failed to make the

proper distinction, many refunds and additional assessments will doubtless be necessary and confusion will result. Under the amendment the rate applicable would be the rate in effect at the time that the wages are paid and received without reference to the rate which was in effect at the time the services were performed.

ADJUSTMENTS OF OVERPAYMENT AND UNDERPAYMENT OF EMPLOYEES' TAX, AND SPECIAL REFUNDS OF EMPLOYEE'S TAX

Section 602 (a): Present section 1401 (c) of the Internal Revenue Code (formerly sec. 802 (b) of the Social Security Act) is designed to permit the employer to adjust, without interest, overpayments and underpayments of employees' tax without the necessity in the former case of requiring the filing of a claim for refund and in the latter case of the making of a demand by the collector for the additional tax. The existing provisions of the section require that the adjustment be made in connection with subsequent wage payments. The different types of situations obtaining at the time the error is discovered and should be corrected are numerous. For example, the employee may be continuously employed and receiving remuneration at regular intervals, or he may be entitled to no remuneration for some time to come, or if he is entitled to remuneration, it may not be taxable because his service is rendered temporarily, or for an indefinite time, in a foreign country, or because he has already received $3,000 from the employer for services rendered during the calendar year, the maximum taxable remuneration under section 1426 (a) of the Internal Revenue Code (formerly sec. 811 (a) of the Social Security Act), or the employee's connection with the employer who made the error may have been severed. Moreover, undercollections require a procedure different from that in the case of overcollections. The use of the term "wage payments" causes difficulty since the term "wages" has a restricted meaning for the purpose of this tax. Furthermore, it may prove desirable in certain circumstances to provide for adjustments at times other than in connection with subsequent payments of remuneration to the individual. This amendment, by use of the word "remuneration" instead of "wage" and by leaving the manner and time of the adjustment to be prescribed by regulations, will enable the administrative officers to meet the varied situations which arise.

Section 602 (b): Your committee has added this subsection to section 602 of the House bill, which would add a new subsection (d) to section 1401 of the Internal Revenue Code. Under existing law, remuneration received by an employee with respect to employment during any calendar year is taxable up to and including $3,000 received by the employee from each employer he may have during the year. Hence, an employee who has more than one employer may be required to pay the old-age-insurance employee's tax on aggregate wages in excess of $3,000. The committee believe this bears harshly on the individual having more than one employer during a calendar year, and has accordingly incorporated an amendment which permits the employee to obtain a refund, without interest, of the tax paid on the aggregate in excess of $3,000 earned after December 31, 1939, provided a timely claim is filed. For administrative reasons the committee has not disturbed the liability of the employee having more than one employer for tax on each $3,000 of wages from each employer or the requirement that each employer shall deduct the

employee's tax from wages which he pays his employee within the $3,000 maximum. No ground for relief exists in the case of the employer's tax. Each employer will and should be liable for tax with respect to the first $3,000 paid to each employee notwithstanding the employee may be receiving, or may later in the year receive, wages from another employer. No refund is authorized in any case unless the employee's tax with respect to at least $3,000 of wages for employment during the calendar year has been actually deducted and paid to the collector of internal revenue.

RECEIPTS FOR EMPLOYEES

Section 603: This section amends subchapter A of chapter 9 of the Internal Revenue Code (formerly title VIII of the Social Security Act) by inserting a new section in such subchapter. Subsection (a) of the new section requires every employer to furnish each employee with a written statement or statements, in a form suitable for retention by the employee, showing the taxable wages paid to the employee after December 31, 1939, for services rendered in his employ, and the amount of tax imposed by section 1400 with respect to such wages. In addition, the names of the employer and employee, and the period covered by the statement, are to be shown. Each statement, or receipt, must cover one or more, but not more than four, calendar quarters. Under existing Treasury regulations the employer is required to file a return for each calendar quarter with the collector of internal revenue, showing the amount of wages paid to each employee. By requiring the receipts to cover one or more calendar quarters, the employer is enabled, in making out such receipts, to use the amounts of wages of each employee as shown on the copies of the quarterly returns which the employer retains. Returns, under existing Treasury regulations, must be filed with the collector within the calendar month following the close of the quarter. The section gives employers an additional month within which to furnish their employees with the receipts. However, when an employee leaves the employ of the employer, the final receipt, covering the period from the termination of the period covered by the last preceding receipt furnished the employee, is to be given the employee when the final payment of wages is made to him. If the employer chooses, he may under the section furnish a receipt to an employee at the time of each payment of wages during a calendar quarter, in lieu of covering in a single receipt the total wages paid to the employee during such quarter.

Subsection (b) provides that any employer who willfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5.

TAXES UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE (FORMERLY SECTION 804 OF THE SOCIAL SECURITY ACT)

Section 604: See section 601, supra.

ADJUSTMENT OF EMPLOYERS' TAX

Section 605: The amendment made by this section to section 1411 of the Internal Revenue Code (formerly sec. 805 of the Social Security Act), relating to adjustments of employers' tax, is intended to ac-

complish the same purpose as the corresponding amendment to section 1401 (c) of the code, relating to adjustments of employees' tax. See section 602 (a), supra.

DEFINITIONS

Section 606: This section, effective January 1, 1940, amends section 1426 of the Internal Revenue Code, containing definitions applicable in the case of the old-age insurance taxes.

Definition of Wages.

Section 1426 (a): This subsection continues the present definition of wages, clarifies it in certain respects, and excludes certain payments heretofore included. Paragraph (2) in the House bill excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions) or disability benefits (including medical and hospitalization expenses), but not life insurance. Your committee have added an exclusion of payments on account of death (including life insurance) where it is clear that the employee while living does not have certain rights and options. Generally, such payments are excluded under existing law if the employee does not have those rights and options, but it is deemed desirable for purposes of certainty to provide an express exclusion. The payments under paragraph (2) of the House bill and under the bill, as amended, will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Your committee has made no change in paragraphs (3) and (4) of the House bill. Paragraph (3), which merely clarifies existing law, expressly excludes from wages the payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of the Social Security Act) and employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment.

Section 1426 (b): This term is defined to mean any service performed prior to January 1, 1940, which constituted employment as defined in this section prior to such date; and to mean any service performed after December 31, 1939, 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 (defined in subsection (h)) under a contract of service entered into within the United States or during the performance of which the vessel touches a port therein, if the employee is employed on and in connection with the vessel when outside the United States. No substantive change in existing law is effected by the introductory paragraph of this provision except the extension of the definition to include service on American vessels. This extension is designed to include, with the qualifications noted, all service which is attached

to or connected with the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted sense, such as an employee of an American department store going abroad, will not be included because such service has no connection with the vessel. Service performed on or in connection with an American vessel within the United States will be on the same basis as regards inclusion as other service performed within the United States.

Under existing law service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinctions on account of citizenship or residence apply in the case of seamen. The number of foreign seamen who may be employed on American vessels engaged in trade is limited under our shipping laws.

The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (h) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club, or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the house mother, performed for these local clubs and chapters, are exempt.

Paragraph (3) continues the present exception of casual labor not in the course of the employer's trade or business.

A new paragraph (4) excludes 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 parent. This exclusion is already contained in the Federal unemployment tax provisions of the existing law. The old paragraph (4), which excluded service performed by an individual who has attained the age of 65, is repealed. (See sec. 905 (a) of the bill, which makes such repeal effective January 1, 1939.)

Paragraphs (5) to (15), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis of such paragraphs see the explanation of such section 209 (b) in this report.

Section 1426 (c): This subsection relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded.

The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is

covered under subchapter B of chapter 9 of the Internal Revenue Code (formerly the Carriers Taxing Act of 1937). The amendment proposed by your committee to the last sentence of this subsection is merely clarifying.

Definitions of employee and employer.

The House proposal to extend coverage to salesmen who are not employees has been stricken out by the committee. It is believed inexpedient to change the existing law which limits coverage to employees. This action of the committee renders unnecessary the new definition of employer which was contained in subsection (e) of section 1426 as passed by the House. Subsection (e) is therefore stricken, and subsequent subsections of section 1426 have been relettered.

Section 1426 (e) and (f), defining the terms "State" and "person," respectively, makes no change in the existing definitions of those terms.

Definitions of American vessel and agricultural labor.

Subsections (g) and (h) of section 1426 are identical with subsections (d) and (l) of section 209 of the Social Security Act. For detailed analysis see discussion of those subsections in this report.

SHORT TITLE

Section 607: This section inserts a new section in subchapter A of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Insurance Contributions Act."

Federal Unemployment Tax Act

TAXES UNDER SECTION 1600 OF THE INTERNAL REVENUE CODE (FORMERLY SEC. 901 OF THE SOCIAL SECURITY ACT)

Section 608: This amendment changes the basis for determining tax liability under subchapter C of chapter 9 of the Internal Revenue Code (formerly title IX of the Social Security Act) from "wages payable" to "wages paid." That subchapter is thus brought into conformity with subchapter A of chapter 9 (formerly title VIII of the Social Security Act), which also imposes a tax on "wages paid." Wages, for the purpose of these taxes, are considered paid when they are actually paid, or when they are constructively paid, i. e., credited to the account of, or set apart for, the wage earner so that they may be drawn upon by him at any time although not then actually reduced to possession.

Under the existing law wages are "payable" with respect to employment during a calendar year, even though the amount of wages is not fixed and no right exists to enforce payment at any time during that year. Thus a bonus paid in 1939 for services performed in 1938 constitutes "wages payable" for 1938, even though the amount of the bonus may not have been known in 1938 and no obligation to pay it existed in that year.

In cases in which remuneration for services of an employee in a particular year is based on a percentage of profits, or on future royalties, the amount of which cannot be determined until long after the close of the year, the employer has been required to estimate unascertained

amounts and pay taxes and contributions on that basis. If he has overestimated, subsequent corrections on the return must be made with consequent refunds. If the employer has underestimated, additional taxes may become due and he may also be compelled to pay additional State contributions, which are usually not allowable as credit because not timely paid. The attendant difficulties and confusion cause a burden on employers and administrative authorities alike. The placing of this tax on the "wages paid" basis will relieve this situation.

With both the old-age-insurance tax and the unemployment-compensation tax on the wages paid basis, the keeping of records by employers will be simplified.

The new basis of taxation will apply to all wages for services rendered after the beginning of 1939. Insofar as the amendment would be retroactive with respect to the year 1939, it would not increase the tax liability of any taxpayer.

CREDIT AGAINST TAX

Section 609: This section relates only to the tax with respect to services rendered in 1939 and thereafter.

Contributions to State unemployment funds.

Section 1601 (a): The present section 1601 (a) of the Internal Revenue Code (formerly sec. 902 of the Social Security Act) provides that a taxpayer may credit against the Federal tax only contributions paid by him under a State law "with respect to employment," as defined in section 1607 of the Code (formerly sec. 907 of the act). Since the definition of employment in section 1607 restricts the meaning of the term to certain types of service, the taxpayer is not given credit for contributions made under a State law with respect to services not covered by the Federal law. Subdivision (1) eliminates the references in existing law to "employment" thus allowing the taxpayer to credit against the tax the contributions which he is required to pay, and which he actually pays, under a State law. The amendment also includes a requirement that credit shall be allowed only for contributions to an unemployment fund which has been maintained during the taxable year as specified in the amendment to section 1607 (f) of the Internal Revenue Code. (See sec. 614, infra.)

Subdivision (2) provides that credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such year. This effects no substantive change in the present law.

Subdivision (3) liberalizes existing law by giving employers more time within which to pay their contributions to the State and secure credit therefor against the Federal tax. Under existing law credit is allowable only for contributions with respect to the taxable year paid to the State before the due date of the Federal return for such year. The amendment permits full credit for contributions paid on (as well as before) the due date. The amendment further permits a credit for contributions paid after the due date of the Federal return but on or before June 30 next following the due date, but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions if they had been paid on or before the due date. For example, if an employer's gross liability for

Federal tax at the 3-percent rate is $100, and his liability for the same year for State contributions is also $100, and he paid such contributions on or before the due date of the Federal return, he would be entitled to the maximum credit (under the limitation provided in sec. 1601 (c)) of 90 percent of the Federal tax, or $90, and his net Federal tax would be $10. If, however, the employer paid the $100 in contributions after the due date but not later than June 30 next following, his credit would be 90 percent of $90, or $81, and his net Federal tax would be $19. No credit is allowable for contributions paid after June 30.

Thus, substantial relief is given employers for 1939 and future years. The Committee on Finance agrees with the House that further liberalization of the conditions under which this credit would be allowable might endanger the orderly functioning of the system. It is desirable not to remove the aid provided in existing law to the State unemployment-compensation systems which has been secured through the inducement to employers to pay their State contributions promptly. Furthermore, any change should be avoided which would impede the audit of the Federal returns or delay final determination of the taxpayer's liability beyond a reasonable time after the returns are filed. In proposing this amendment consideration has been given these factors as well as to the need for liberalization in favor of the taxpayers.

Certain exceptions to the foregoing general rule are made in the amendment, however, to meet cases of genuine hardship.

Subdivision (3) removes the time limitation for payment of State contributions in those cases where the assets of the taxpayer are in the custody or control of a court at any time beginning with the due date and ending with the next following June 30, both dates inclusive.

Subdivision (4) grants relief in cases of payments made through mistake under the wrong unemployment-compensation law. In such a case payment under the proper State law with respect to the remuneration in question will be deemed, for the purposes of credit against the Federal tax, to have been made on the date of the erroneous payment. If the taxpayer's experience under the law of the wrong State had entitled him to cease paying any contributions for services subject to that law and by reason thereof the taxpayer had actually paid no contributions with respect to the remuneration in question, payment to the proper State will be treated, for such tax-credit purposes, as having been made on the date on which the Federal tax return was actually filed.

Subdivision (5) provides for refund of any tax (including any penalties and interest) which has been collected but with respect to which credit allowable under this section has not been taken. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Additional credit.

Section 1601 (b) (formerly section 909 (a) of the Social Security Act): This amendment changes in some particulars the existing law, relating to additional credit allowance.

It expressly conditions the allowance of an additional credit upon certification of the State law under section 1603 (c) of the Internal Revenue Code (formerly section 903 (b) of the Social Security Act)

and under the proposed amendment to section 1602 (c). (See section 610, infra.)

It extends the additional credit to reduced rates of contributions required under a State law with respect to employment not covered by the Federal tax, thus bringing this subsection into conformity in that regard with the proposed amendment of subsection (a) (relating to contributions to State unemployment funds).

Under the amendment, additional credit allowance will be based on the difference between the amount of contributions the taxpayer was required to pay under the State law and the amount he would have paid if throughout the taxable year he had been subject to the highest rate applied under the State law in the taxable year to any employer, or to a rate of 2.7 percent, whichever rate is lower. This change, in addition to measuring the credit by the applicable percent of the pay roll with respect to which contributions are required under the State law, also eliminates the possible necessity for measuring additional credits in terms of periods of less than 1 year. The elimination of the new section 1602 (b) of the code, contained in the House bill, has made unnecessary the House bill amendment of this section, establishing only 2.7 percent of pay roll as the measure for additional credit allowances.

Limit on total credit.

Section 1601 (c) restates the existing law limiting total credits against the Federal tax to not in excess of 90 percent of such tax. Since both the provision with respect to credits for contributions actually paid and the provisions with respect to additional credits are now included in one section of the law as subsections (a) and (b), respectively, it is unnecessary to include the limitation separately in respect to each subsection.

CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

Section 610: This subsection amends the provisions of existing law (sec. 1602 of the Internal Revenue Code; formerly section 910 of the Social Security Act) relating to the requirements with respect to additional credit allowance.

The terms "employers," "employment," and "wages," which are defined in section 1607 and have special meanings not applicable here, are replaced by terms such as "persons having individuals in their employ," "services," and "remuneration," in order to make the requirements of this subsection more easily understandable in their application to State laws whose coverage differs from that of the Federal law. The phrase "person (or group of persons)" has been used in the standards and definitions with respect to all types of State funds, to make clear that a State law may measure, for individual experience-rating purposes, either an individual employer's record, or may permit two or more employers to combine their records and be treated, for experience-rating purposes, as if they were a single legal entity. Several verbal changes are suggested in this subsection in the interest of clarity.

In order to facilitate the administration of provisions in State laws allowing variations in rates of contributions, the term "computation date," defined in subsection (c) (7) of this section of the code, has been adopted, and the phrase "year preceding the computation date" substituted for terms such as "preceding year" and "year," to permit

the States to compute reduced rates as of a date prior to the date on which such reduced rates will become effective.

State standards.

The House bill amended section 1602 (a) of the code by adding a new standard with respect to the allowance of additional credit, which requires that irrespective of the type of fund maintained under the State law, the State law will contain provisions whereby variations in rates of contributions as between different employers will be so computed as to yield, with respect to each year, a total amount of contributions substantially equivalent to 2.7 percent of the total pay rolls of employers, subject to the contribution requirements of the State law. Your committee has deleted this new standard because it believes that at this time, the addition of a new standard with respect to individual employer-experience rating is premature.

Paragraph (1): In order to permit States which have pooled fund unemployment compensation laws to allow variations in rates of contributions at an earlier date, the committee has changed this paragraph as amended in the House bill, to permit the allowance of reduced rates of contributions under pooled fund laws on the basis of one rather than three years of experience by an employer with respect to unemployment or other factors bearing a direct relation to unemployment risk, but only after compensation has been payable under the State law with respect to such employer for one year. In other respects this paragraph incorporates the standards of existing law applicable to a pooled fund or partially pooled account, except that the phrase "years of compensation experience" in the present law has been replaced by a broader phrase permitting the use of an employer's "experience with respect to unemployment" or an employer's experience with respect to "other factors bearing a direct relation to unemployment risk" as a basis for individual-experience rating under a pooled fund. This change is made in order to extend the possible bases by which State laws may measure eligibility for reductions in employers' rates of contributions to a pooled fund, thus adding flexibility to the present law. Because of this change, the definition of the phrase "year of compensation experience" in subsection (c) of this section of the code is no longer necessary.

Paragraphs (2), (3), and (4): The reserve requirements with respect to reserve accounts (under the amended new paragraph (3) to become effective January 1, 1942) and guaranteed employment accounts have been restated in terms of 2½ percent of the pay roll for 3 years, rather than 7½ percent of the pay roll for 1 year. The term "pay roll" includes only the pay roll subject to the contribution requirements of the State law. This basis of measuring an employer's reserve or guaranteed employment account is more equitable from both the point of view of the employer and the State, since it permits the averaging of pay-roll experience over 3 years and avoids the unreasonable fluctuations in rates which may occur if pay rolls are substantially increased or decreased for a particular year. Because the standard rate of contributions under most laws is 2.7 percent (a very few State laws require a standard rate of 3 percent), employers could not accumulate a reserve equal to 7½ percent of their annual pay roll in less than 3 years, except in very unusual situations. Hence, it is believed that the change in the reserve requirement to 2½ percent of pay

rolls for 3 years in place of 7½ percent of pay roll for 1 year will not, in practical effect, alter the present reserve requirements. The additional requirement with respect to 3 years of contributions is deemed necessary to clarify the provision relating to reserves equal to 2½ percent of the pay roll for 3 years. Unless the employer has actually been subject to the contribution requirements of the State law for 3 years, the provision measuring the reserve in terms of 2½ percent of pay rolls for the 3 preceding years would operate to reduce the reserve requirements. Under these two paragraphs, an employer may not be permitted a reduced rate of contributions to his guaranteed employment account unless he has fulfilled his guaranty with respect to the preceding year, and an employer may not be permitted a reduced rate of contributions to his reserve account unless compensation has been payable from his account throughout the preceding year.

Paragraph (4) incorporates the new standards with respect to individual reserve accounts. In order to permit States maintaining such accounts to conform therewith without incurring the expense of special legislative sessions, these new standards will not become effective until January 1, 1942. Prior to that date, the standards in paragraph (3), which incorporate the present law, will be applicable.

The House bill added a new subsection (b) to section 1602 of the code, under which a State would be permitted to adopt either of two alternative courses of action if its law meets the standards set forth in paragraphs (1) and (2) of the new subsection: (1) It might reduce all employers' rates uniformly; or (2) it might vary individual employers' rates of contributions under experience-rating provisions which comply with the applicable standards in paragraph (2) or (3) or (4) of subsection (a) of this section as amended in the House bill, but without so calculating the respective rates as to secure an annual yield of an amount substantially equivalent to 2.7 percent of the State pay roll, the requirement of paragraph (1) of subsection (a) of this section as amended in the House bill. The Finance Committee has deleted this new subsection because it believes that the States' short experience in the payment of compensation and lack of experience in the actual operation of their present provisions for variations in rates of contributions does not warrant substantial changes in the Federal standards.

Certification by the Board with respect to additional credit allowance.

Section 1602 (b): This is a new subsection, requiring the Social Security Board to certify to the Secretary of the Treasury, in the same manner as it certifies State laws under section 1603 (c), State laws which it finds comply with the requirements of subsection (a) of this section. Provision is made for partial certification where two kinds of funds are maintained under the same State law, one of which fails to comply with subsection (a) of this section, or where a contribution is divided between two kinds of funds under a State law, so that additional credits will be allowed only with respect to reduced rates allowed in compliance with the requirements of this section.

Under these provisions a State law which complies in all respects with the requirements of this section will receive an unqualified certification. In some States, provision is made for the maintenance of two parallel systems (such as a reserve account system and a guaranteed employment account system). In such States, some

employers may be covered by the one system and other employers may be covered by the other. In such States there would be no difficulty in certifying one system, even though the other failed to comply with the requirements of this section, and the Board would accordingly be directed to do so by paragraph (2) of this subsection. In other States, contributions with respect to particular wage payments are required to be divided between two kinds of funds (such as the requirement that a part of each employer's contribution be credited to his own reserve account and a part to a "partially pooled" fund which is operated as a reinsurance fund). If in this type of situation the provisions of the State law with respect to one or the other such fund do not comply with the requirements of this section, the Board is directed to make such certification as will permit the allowance of additional credits only with respect to those reduced rates which have been allowed in accordance with the requirements of this section.

In addition, this new subsection includes a paragraph requiring the Social Security Board to advise the States, in the same manner as it advises the States of its findings under section 1603, whether or not their laws comply with the requirements of this section; after finding such compliance, the Board may thereafter deny certification of a State law for additional credit purposes only after prior notice and opportunity for hearing to the State, and only if it finds the State law no longer contains the applicable provisions specified in subsection (a) or the State has failed to comply substantially with any such provision. The present subsection (b) of this section is eliminated because its purpose is achieved by the foregoing provisions.

Definitions.

Section 1602 (c): Paragraphs (1) and (4) of this subsection are amended to make clear that from a particular employer's reserve account or guaranteed employment account, all compensation payable on the basis of services performed for him and only compensation payable on the basis of services performed for him, is to be paid. This incorporates in part the exception clause in the present definition of a pooled fund, i. e., that compensation may not be paid from a partial pool or reinsurance fund unless the reserve account or guaranteed employment account of the employer on the basis of whose services the benefit claimant had earned his benefit rights, is exhausted or terminated.

The present paragraph (2) is revised and divided into paragraphs (2) and (3) in order to distinguish more clearly between a fully pooled fund and a partially pooled (or reinsurance) fund. The new paragraph (3) permits the maintenance of a partially pooled fund in connection with a guaranteed employment account, as well as in connection with a separate reserve account. The definition of the partially pooled account also makes clear that a State may, without endangering its compliance with the definitions of the term "reserve account" and "guaranteed employment account," provide for transfers from reserve accounts or guaranteed employment accounts to a partially pooled account. Several State laws now provide for such transfers.

Paragraph (4) (old paragraph (3)) amends the present law to permit guarantees of employment to be operative only with respect to individuals who continue to be available for suitable work in the guaranteed establishment. This provision is deemed necessary because

under the present provision it is not clear whether employers are relieved from their guarantees with respect to individuals who quit voluntarily, or are unable to work because of some incapacity, or are out on strike, etc. This paragraph is also amended to make clear the general understanding with respect to its requirements concerning the probationary service period, i. e., that the probationary period must be served within a continuous period immediately following the employee's first week of service and may not be claimed repeatedly with respect to intermittent periods of employment which never exceed 12 consecutive weeks. The last clause of this definition is amended to clarify the point that guaranteed remuneration and unemployment compensation are not the same, and that the guaranteed remuneration is not to be payable out of the guaranteed employment account.

Paragraph (5) (old par. (4)) deletes the definition of the term "year of compensation experience," because that term is no longer used in paragraph (1) of section 1602 (a). The definition of the term "year," in this paragraph, is designed to permit States to allow reduced rates on the basis of 12 consecutive months, as well as on the basis of a calendar year.

Paragraph (6), defining the term "balance," is a new definition added to make clear that the amount of the reserve required to be accumulated by employers with respect to whom a reserve account or a guaranteed employment account is maintained, is to be made up of payments by such employers and may not be made up of employee contributions or funds from other sources. If employee contributions are required under a State law which provides for the maintenance of reserve accounts or guaranteed employment funds, such contributions may be payable into the reinsurance fund. The exception contained in this definition, which permits the inclusion within a "balance" of payments other than payments by employers if made to a reserve account or guaranteed employment account prior to January 2, 1940, is designed to relieve the States of complicated computations where payments, other than payments by employers, have been paid to such accounts during early months of the State's experience.

Your committee has advanced this date one year beyond that prescribed in the House bill in order to avoid a hardship in one State.

Paragraph (7) defines the term "computation date" to include any date occurring within 27 weeks prior to the date that a reduced rate goes into effect. As above indicated, this provision is designed to give the States ample time within which to make their computations with respect to variations in rates of contributions. Such computations are to be made at least once in each calendar year.

Paragraph (8), defining the term "reduced rate," is designed to make clear that the requirements of subsection (a) are not applicable to a reduction from an increased rate to a standard rate, i. e., situations in which employers with bad employment experience have been required to pay increased rates and are subsequently permitted to pay the standard or normal rate.

Section 610 (b) of the House bill has been rendered unnecessary by the committee amendment deleting from the House bill, the new Federal standard incorporated in section 1602 (a) (1) of the code.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

Section 611: The changes made in paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code (formerly sec. 903 (a) of the Social Security Act) by this section correspond to those made in paragraphs (2), (4), and (5) of section 303 (a) of the Social Security Act by section 302, supra.

EXTENSION OF TIME FOR FILING TAX RETURNS UNDER SUBCHAPTER C OF CHAPTER 9 OF THE INTERNAL REVENUE CODE

Section 612: This section amends section 1604 (b) of the Internal Revenue Code to authorize a longer extension of time for filing the return of the Federal unemployment tax. Existing law permits an extension of as much as 60 days. The amendment would provide an additional 30 days, or 90 days in all. The extensions under section 1604 (b) are granted under rules and regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury. An employer finding it impossible to make his return on January 31, the due date prescribed in section 1604 (a), or to pay his State contributions by that date, may make application in accordance with such rules and regulations for an extension of time for filing his Federal return. If granted, the employer has until the extended due date, as granted, to make his return and pay his State contributions. No delinquency penalty will be incurred for late filing and no loss of credits will be suffered if the return is filed, and the contributions paid to the State, on or before such extended due date.

INTERSTATE OR FOREIGN COMMERCE AND FEDERAL INSTRUMENTALITIES

Section 613: This section designates existing section 1606 of the Internal Revenue Code (formerly sec. 906 of the Social Security Act) as subsection (a). A clarifying amendment to the provision makes it clear beyond any possible doubt that an employer engaged in foreign commerce is on the same basis as respects authority of a State to require payments into an unemployment fund as employers engaged in interstate commerce.

This section also amends section 1606 by adding subsections (b) and (c), relating to Federal instrumentalities, and (d), relating to employment on lands held by the Government.

Subsection (b) as passed by the House confers on State legislatures authority to require instrumentalities of the United States (except those wholly owned by the United States or exempt from the taxes imposed by sections 1410 and 1600 of the Internal Revenue Code (formerly secs. 804 and 901, respectively, of the Social Security Act) by any other provision of law) to comply with State unemployment compensation laws. Since only the unemployment tax is involved, your committee has stricken from the House bill the reference to the old-age tax imposed by section 1410. Under this amendment the States would be able to cover under their unemployment compensation systems national banks and certain other Federal instrumentalities. Protection against any possible discrimination against instrumentalities of the United States is afforded by the two provisos, which make the permission to require compliance with the

State law conditional upon equality of treatment and upon the approval and certification of the State law under section 1603 of the Internal Revenue Code (formerly sec. 903 of the Social Security Act).

Subsection (c) makes provision for examination by the Comptroller of the Currency of returns and reports made to the States by national banks.

Subsection (d) authorizes the States to cover under their unemployment compensation laws services performed upon land held by the Federal Government, such as services for hotels located in national parks.

DEFINITIONS

Section 614: This section, effective January 1, 1940, amends section 1607 of the Internal Revenue Code, containing definitions applicable in the case of the Federal unemployment tax.

Section 1607 (a): *Definition of employer.* The House made no change from existing law in this definition. Your committee have inserted a clarifying amendment providing expressly that, in determining whether a person employs eight or more employees, only those employees employed in employment (as defined in sec. 1607 (c)) are to be counted.

Definition of wages.

Section 1607 (b): This subsection continues the present definition of wages, clarifies it in certain respects and excludes certain payments heretofore included. Paragraph (1) excludes that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year. Paragraph (2) in the House bill excludes all payments made by the employer to or on behalf of an employee or former employee, under a plan or system providing for retirement benefits (including pensions), or disability benefits (including medical and hospitalization expenses), but not life insurance. Your committee has added an exclusion of payments on account of death (including life insurance) where it is clear that the employee while living does not have certain rights and options. Generally, such payments are excluded under existing law if the employee does not have those rights and options, but it is deemed desirable for purposes of certainty to provide an express exclusion. The payments under paragraph (2) of the House bill and under the bill, as amended, will be excluded even though the amount or possibility of such payments is taken into consideration in fixing the amount of remuneration and even though such payments are required, either expressly or impliedly, by the contract of employment. Since it is the practice of some employers to provide for such payments through insurance or the establishment and maintenance of funds for the purpose, the premiums or insurance payments and the payments made into or out of any fund will likewise be excluded from wages. Your committee has made no change in paragraphs (3) and (4) of the House bill. Paragraph (3), which merely clarifies existing law, expressly excludes from wages the payment by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employee's tax imposed by section 1400 of the Internal Revenue Code (formerly sec. 801 of Social Security Act) and

employee contributions under State unemployment compensation laws. Paragraph (4) excludes dismissal payments which the employer is not legally obligated to make.

Definition of employment.

Section 1607 (c): The definition of the term "employment" under the amendment, as applied to service rendered prior to January 1, 1940, retains the exemptions contained in the present law. The definition applicable to service rendered on and after that date continues unchanged some of the present exemptions, revises others, and adds certain additional ones. No substantive change in existing law is effected by the introductory paragraph of the definition.

Paragraph (1) continues the exception of agricultural labor, but a new subsection (l) defines the term for purposes of the exclusion.

Paragraph (2) continues the present exception of domestic service in a private home, but adds to the exception such service in a local college club or local chapter of a college fraternity or sorority (not including alumni clubs or chapters). Thus services of cook, waiter, chambermaid, and the housemother, performed for these local clubs and chapters, are exempt.

Paragraph (3) adds an exception of casual labor not in the course of the employer's trade or business. This exception is already contained in amended section 209 (b) of the Social Security Act and amended section 1426 (b) of the Internal Revenue Code.

Paragraph (4) continues the existing exception of service performed as an officer or member of the crew of a vessel on the navigable waters of the United States.

Paragraph (5) continues the existing exception of 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.

Paragraph (6) continues the exemption of service performed in the employ of the United States, but with respect to instrumentalities of the United States, limits the exemption to those instrumentalities which are (A) wholly owned by the United States or (B) exempt from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by virtue of any other provision of law. The change in this provision brings within the unemployment tax provisions certain Federal instrumentalities not falling within clause (A) or (B) above, such as national banks.

Paragraph (7) continues the exemption of service for State governments, their subdivisions and instrumentalities, but limits the exemption with respect to instrumentalities so that it applies only to an instrumentality which is wholly owned by a State or political subdivision or which would be immune from the tax imposed by section 1600 of the Internal Revenue Code (formerly sec. 901 of the Social Security Act) by the Constitution. The amendment thus narrows the present exemption and in no case broadens it.

Paragraph (8) continues the exemption of religious, charitable, scientific, literary, or educational organizations, but brings the language of the exemption into conformity with the corresponding exemption from income tax under section 101 (6) of the Internal Revenue Code, by adding a specific disqualifying clause applicable where any substantial part of the activities of the organization is

carrying on propaganda or otherwise attempting to influence legislation.

Paragraph (9) excepts services of employees covered by the railroad unemployment insurance system. This provision leaves unchanged the exemption of the service of an individual in the employ of an employer subject to such system even though the individual receives remuneration in a form (e. g., tips) not recognized as compensation under the Railroad Unemployment Insurance Act, and leaves unchanged the inclusion of service in case it is performed by an employee in the segregable nonrailroad activities of an employer where segregation of the railroad activities from nonrailroad activities is found necessary in the interpretation and administration of the laws relating to the social security system and the railroad unemployment insurance system.

Paragraphs (10) to (13), inclusive, are identical with the same paragraphs in section 209 (b) of the Social Security Act. For detailed analysis see the explanation of such paragraphs in this report.

Paragraph (14) eliminates from coverage insurance agents and solicitors if the remuneration for which they perform their services is on a commission basis solely. If any part of such remuneration is a fixed salary the agent or solicitor is covered and the tax is computed on the basis of his aggregate remuneration (for example, salary or salary plus commissions). No similar exclusion is made from coverage under the Federal Insurance Contributions Act.

Paragraph (15) is identical with paragraph (15) of section 209 (b) of the Social Security Act. For detailed analysis see the explanation of that section in this report.

Section 1607 (d): This section relates to an employee who has both included and excluded service for the same employer during a pay period. It provides that if one-half or more of the services constitutes included employment, all of such service will be included; but that if less than one-half constitutes included employment, all will be excluded. The provision does not apply to the service of an employee in a pay period if any of the service of the employee in the pay period is covered under the railroad unemployment-insurance system. The amendment made by your committee to the last sentence is merely clarifying.

Section 1607 (e), defining "State agency," makes no change in the existing definition of that term.

Definition of unemployment fund.

Section 1607 (f): This definition is amended by adding two new sentences. The first of these added sentences is a clarifying amendment providing that all sums standing to the credit of the State in the (Federal) unemployment-trust fund and money withdrawn from that fund by the State but unexpended shall constitute a part of the State fund. This removes any possible doubt whether such moneys remain a part of the State fund. The second added sentence provides that an unemployment fund shall be deemed to be maintained during a taxable year only if no part of the moneys of such fund was expended for purposes other than payment of unemployment compensation and refunds of sums erroneously paid into the fund. This provision, in conjunction with an amendment to section 1601 (a) (see supra, sec. 609), makes it clear that an employer is entitled to credit against the Federal tax only so long as the State uses its fund for a proper purpose.

Definition of contributions.

Section 1607 (g): This provision is changed so as to avoid use of defined terms and thus to include in the term "contributions" payments required by a State law with respect to services not covered by the Federal law.

Definition of compensation.

Section 1607 (h): No change in existing law is made in this definition.

Definition of employee.

Section 1607 (i): The term "employee" is defined as in existing law to include an officer of a corporation.

By the amendment to subsection (c), contained in paragraph (10) (A) thereof, uncompensated officers of any organization exempt from income tax under section 101 of the Internal Revenue Code are excluded from the count in determining whether the organization is an employer of eight or more and liable for the tax. However, uncompensated officers of corporations not so exempt are not excluded for purposes of such determination merely because they are uncompensated.

Section 1607 (j) and (k), defining the terms "State" and "person," respectively, make no change in the existing definitions of those terms.

Definition of agricultural labor.

Section 1607 (l) is identical with section 209 (l) of the Social Security Act. For detailed analysis see discussion of that section in this report.

Section 615: This section inserts a new section in subchapter C of chapter 9 of the Internal Revenue Code which provides that the subchapter may be cited as the "Federal Unemployment Tax Act."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

CHANGE IN REQUIREMENTS FOR STATE PLANS FOR AID TO THE BLIND

Section 701: This section amends section 1002 (a) of the Social Security Act. Section 1002 (a) sets out certain basic requirements which a State plan for aid to the blind must meet in order to be approved by the Social Security Board.

Sec. 701 (a) contains two amendments to clause (5). One relates to the requirement of "proper" administration and the other concerns the inclusion in State plans, after January 1, 1940, of provisions for personnel standards on a merit basis. These amendments are identical with those made to clause (5) of section 2 (a) of the Social Security Act by section 101 of the bill.

Section 701 (b) adds a new clause, numbered (8), which is effective July 1, 1941. Under this clause the State plan must provide that the State agency shall, in determining need, take into consideration any income and resources of an individual claiming aid to the blind. It also adds a new clause, numbered (9), effective July 1, 1941, which requires that the State plan must 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. These new provisions are similar to those added to title I of the Social Security Act by section 101 of the bill.

PAYMENT TO STATES FOR AID TO THE BLIND

Section 702: This section amends section 1003 of the Social Security Act.

Subsection (a) of section 1003 is amended so that its provisions will conform with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to *needy* individuals who are blind.

Subsection (b) (2) is amended so as to provide that the Board, in making grants to States, shall reduce the amount to be paid to any State for any quarter by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan.

A proviso eliminates from consideration for the purpose of determining the amount of the offset any amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State for the funeral expenses of such deceased recipient, in accordance with the State public-assistance law upon which the plan is based. The provision is a new one and is similar in scope and operation to the one included by section 102 of the bill in section 3 (b) (2) of title I of the Social Security Act.

Section 703: This section amends section 1006 so as to conform its provisions with section 1001 of the Social Security Act, which authorizes appropriations to enable States to furnish financial assistance to blind individuals who are *needy*.

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

DEFINITIONS

Section 801: This section amends the definition of "State" contained in section 1101 (a) of the Social Security Act so as to include Puerto Rico for the purposes of titles V (except sec. 531) and VI of such act.

The House proposal to extend coverage to salesmen who are not employees has been stricken out by the committee. It is believed inexpedient to change the existing law which limits coverage to employees. This action of the committee renders unnecessary the new definition of employer which was contained in paragraph (6) of subsection (a) of section 1101 as amended by the House. Paragraph (6) of subsection (a) of the present law therefore would remain unchanged under the committee proposal, and paragraph (7) of that subsection as added by the House, would be eliminated.

PENALTY SECTIONS

Section 802: This section amends title XI of the Social Security Act by adding the following two sections:

Disclosure of information in possession of Board.

Section 1106: This section prohibits the disclosure, except pursuant to Board regulations, of any returns or statements filed with the Commissioner of Internal Revenue under title VIII of the Social

Security Act or the Federal Insurance Contributions Act, or regulations thereunder, which have been transmitted by the Commissioner to the Board. The prohibition against disclosure, except pursuant to Board regulations, also extends to any file, record, report, paper, or information obtained by the Board or any of its officers or employees in the course of official duties, and any such material obtained by any person from the Board or any of its officers or employees. Violation of the prohibition is punishable as a misdemeanor.

Penalty for fraud and misuse of Board's name.

Section 1107 (a) provides that anyone who makes any false representation, with intent to defraud any person, knowing the representation to be false, concerning the requirements of this act, or the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, shall be guilty of a misdemeanor.

Section 1107 (b) provides that anyone who, with intent to obtain information as to the date of birth, employment, wages, or benefits of any individual, falsely represents to the Board that he is such individual or the wife, parent, or child of such individual, or such individual's agent, or the agent of such wife, parent, or child, or falsely represents to any person that he is an employee or agent of the United States, shall be guilty of a misdemeanor.

TITLE IX—MISCELLANEOUS PROVISIONS

Section 901: This section makes clear that the amendment of title III of the Social Security Act and section 1603 of the Internal Revenue Code shall not be construed to amend or alter those provisions of the Railroad Unemployment Insurance Act which provide limited exceptions to the provisions of section 303 (a) (4) and (5) of the Social Security Act and 1603 (a) (3) and (4) of the Internal Revenue Code.

Section 902: Subsections (a), (b), (c), and (d) substantially liberalize the conditions of allowance of credit against the Federal unemployment tax imposed by title IX of the Social Security Act for the years 1936, 1937, and 1938. This committee agree with the House that the periodical granting of relief after the close of the taxable year affected would destroy the effectiveness of the conditions of allowance of the credit provided in permanent law and would prove costly in that it would call for the reopening and reconsideration of cases previously closed, the adjustment of claims, the abatement of assessments, and the payment of refunds. However, the need should not arise in the future for granting relief of the type provided in the present section, since substantial liberalization for 1939 and subsequent years is provided in section 609 of the bill, amending section 1601 (a) of the Internal Revenue Code.

Subsection (a) provides for the allowance of credit against the tax for 1936, 1937, or 1938, for contributions paid to the State for such year before the sixtieth day after the date of enactment of this act. Under section 810 of the Revenue Act of 1938 taxpayers were allowed credit against the tax for 1936 for contributions paid before July 27, 1938. Since a few taxpayers did not take advantage of that relief provision, it is felt desirable to include credit against the tax for 1936 in the present provisions. Thus, the same final date for paying contributions to the State, in order to secure credit against the tax—namely, the fifty-ninth day after the date of enactment of this act—is

provided for the tax for each of the 3 past years during which the tax has been in effect.

Under clause (2) of subsection (a) credit is allowable for contributions paid on or after the sixtieth day after the date of enactment of this act with respect to wages paid after the fortieth day after such date of enactment. This is designed to permit credit in cases in which, because the "wages payable" basis of the tax for the years 1936, 1937, and 1938 is still retained, credit would otherwise be lost since some wages are still being paid with respect to those years, and it may not be possible to estimate the amount thereof or the amount thereof may have been underestimated.

Clause (3) of subsection (a) permits credit for contributions paid to the State, without regard to the date of payment, if the assets of the taxpayer are in the custody or control of a fiduciary appointed by, or under the control of, a court of competent jurisdiction at any time during the 59-day period following the date of enactment.

Subsection (b) of this section makes the same provision with respect to the taxable years 1936, 1937, and 1938 as are made in section 1601 (a) (4) of the Internal Revenue Code, as amended, for the taxable year 1939 and thereafter for cases in which the taxpayer pays his contributions to the wrong State. (See sec. 609, supra.)

Subsection (c) preserves the definitions of section 907 of the Social Security Act, the 90-percent maximum credit against the Federal tax, and other provisions of title IX of the Social Security Act, essential to the operation of the relief provisions in subsections (a), (b), and (h) of this section for the taxable years 1936, 1937, and 1938.

Subsection (d) provides for refund of any tax (including penalties and interest) which has been collected but with respect to which credit is allowable under this section. The law (including statutes of limitations) applicable in the case of erroneous or illegal collection of tax will apply to such refunds. No interest will be paid on any such refund.

Subsection (e) of this section is designed to permit credit against the tax for the years 1940, 1941, and 1942 if in those years wages are paid for services rendered after December 31, 1938, but during a year prior to that in which payment occurs, and contributions with respect to such wages have not been credited against the tax for any prior taxable year. This provision relieves cases of hardship which might arise by reason of the change in the basis of the Federal tax from "wages payable" to "wages paid." (See sec. 608, supra.)

Subsection (f) is designed to make retroactive to the date of enactment of the Social Security Act the exemptions from Federal insurance and unemployment compensation coverage contained, respectively, in amended sections 209 (b) (11) and (12) of the Social Security Act and amended sections 1426 (b) (11) and (12) and 1607 (c) (11) and (12) of the Internal Revenue Code of service in the employ of foreign governments and certain of their instrumentalities. If any tax (including interest and penalties) has been collected with respect to service thus exempt, it is to be refunded, without allowance of interest, in accordance with the provisions of law (including statutes of limitations) applicable in the case of erroneous or illegal collection of the tax.

Subsection (g) provides that no lump-sum payments shall be made under the provisions of section 204 of the Social Security Act after the date of the enactment of this bill, except to the estate of an individual who dies prior to January 1, 1940.

In the case of individuals dying prior to January 1, 1940, the lump-sum payments provided under sections 203 and 204 of the present act will be payable to the estate (or to the persons entitled thereto under State law) whether application for such payment is filed prior to January 1, 1940, or on or after January 1, 1940.

Subsection (h) grants relief to taxpayers as well as States in cases in which the highest court of a State has held contributions paid under the State law with respect to the taxable years 1936 or 1937 not to have been required payments under the State law. For example, certain States enacted their unemployment compensation laws during the latter portion of 1936, levying contributions thereunder retroactively with respect to services performed on and after January 1 of that year. State taxpayers in good faith paid such contributions and claimed and received credit therefor against their Federal tax. If sometime later, the retroactive imposition of such contributions is held by the highest court of such State to have been invalid, such taxpayers may be entitled to refunds under the State law, but by virtue of that fact, such taxpayers also become liable for the full Federal tax with respect to such year.

Under this subsection, so much of any such payments as are not refunded to the taxpayer may be credited against the tax imposed by section 901 of the Social Security Act for the calendar year 1936 or 1937. Moreover, if, in the example cited, the State had paid benefits with respect to unemployment occurring during 1938, this section safeguards the status of the State law under section 903 of the Social Security Act by providing that so much of such payments as are not returned to the taxpayer shall be considered "contributions" for the purposes of that section. This section also postpones the periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code in the case of the tax for 1936 or 1937 of any such taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

Subsection (i) has been added by your committee. The Federal unemployment tax is a uniform tax on employers of eight or more levied at the rate of 3 percent of their taxable pay rolls. If the conditions prescribed by the law imposing such tax are satisfied, an employer may credit against the tax the amount of contributions, which he has paid or has been relieved from paying into a State unemployment fund, not exceeding 90 percent of the Federal tax against which such contributions are credited. If those conditions are not satisfied, the employer is liable for the full 3 percent tax. Several district courts have held that the collection of the full 3 percent Federal tax (without allowance of the 90 percent credit) from a bankrupt estate, which failed to qualify for credit, is not prohibited by section 57j of the Bankruptcy Act, as amended, which section provides that debts owing to the United States "as a penalty or forfeiture shall not be allowed." However, some district courts have held otherwise. Subsection (i) effects no substantive change in the law but is designed to set at rest the question involved by expressly providing that no part of the tax imposed by the Federal Unemployment Tax Act or by title IX of the Social Security Act shall be deemed a penalty or forfeiture within the meaning of section 57j of the Bankruptcy Act, as amended. The new subsection does not affect the liberalization in subsection (a), or in section 1601 (a) (3) of the Federal Unemploy-

ment Tax Act, of the conditions for credit in the case of an employer whose assets are in the custody of a court.

Section 903: This section amends section 1430 of the Internal Revenue Code by striking out the reference therein to section 3762 of the code and inserting in lieu thereof a reference to section 3661. The change merely corrects a typographical error made in section 1430 when the code was enacted.

Section 904: This amendment to the House bill merely conforms the reference in section 1428 of the Internal Revenue Code to the revision of the numbering of the paragraphs in section 1426 (b) of the code.

Section 905: This amendment to the House bill would include in the measure of the employer's and employee's taxes, wages paid, with respect to employment after December 31, 1938, to employees who have attained age 65. The liability of the employer for the employee's tax with respect to service performed prior to the enactment of this act is limited, however, to the amount of wages in the control of the employer at any time after 90 days after the enactment of the act. This confines the employer's liability for the employee's tax to situations where ample opportunity exists for the employer to deduct the employee's tax from his employee's wage.

Section 906: This is a new section which the committee has added to the House bill to relieve certain States from an undue hardship which would otherwise result from the failure on the part of such States' legislatures to enact necessary legislation within the time required under the Railroad Unemployment Insurance Act, approved June 25, 1938. Under that act, the Social Security Board is required to determine for each State certain sums described in the act as the State's "preliminary amount" and the State's "liquidating amount." These sums represent an approximation of the difference between the total amount collected by the State from railroad employers who have ceased to be subject to the State laws and have become subject to the Railroad Unemployment Insurance Act, and the total amount of compensation paid by the States on the basis of wages earned from such employers. The railroad act requires the Social Security Board to withhold administrative grants under title III of the Social Security Act from each State whose first regular legislative session after the date of enactment of that act did not authorize the timely filing by the State of its authorization and direction to the Secretary of the Treasury to transfer from the State's account the unemployment trust fund to the railroad unemployment insurance account in the unemployment trust fund, the sums as determined by the Social Security Board.

The committee has been advised that in a limited number of States, regular legislative sessions which convened during 1939 have adjourned without enacting the necessary legislation required under the Railroad Unemployment Insurance Act and without making any provision for financing the administrative expenses of their unemployment compensation laws during the period with respect to which the Social Security Board is required to withhold from them grants under title III of the Social Security Act. In order to permit the continued administration of the unemployment compensation laws in each of these few States, this section extends until 30 days after the close of such States' next regular legislative session, the time within which such States may effect the necessary transfers of funds. The net effect of this postponement

will not deprive the Railroad Unemployment Insurance Account of any moneys to which it is entitled under the present provisions of the Railroad Unemployment Insurance Act. The section will apply only to States in which the first regular legislative session which began after June 25, 1938, has adjourned prior to 30 days after the date of enactment of this act. This limitation is necessary in order that States whose first regular legislative sessions which begin after June 25, 1938, and after the date of enactment of this act, will not be authorized to postpone the enactment of the legislation required under the Railroad Unemployment Insurance Act.

Section 907 is a new amendment proposed because in the case of persons 65 or over there may be benefit credits because of wages earned during any part of 1939. This amendment would provide that where the employee's tax has not been deducted from the employee over 65 and where the employer has not made any tax payment for his employment in 1939, deduction of an amount equal to the employee's tax without interest would be made from his monthly benefits or other benefits payable with respect to his wages.

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Calendar No. 793

76TH CONGRESS
1ST SESSION

H. R. 6635

[Report No. 734]

IN THE SENATE OF THE UNITED STATES

JUNE 12, 1939

Read twice and referred to the Committee on Finance

JULY 7 (legislative day, JULY 6), 1939

Reported by Mr. KING (for Mr. HARRISON), with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1939".

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the

State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND ~~SURVIVOR~~ *SURVIVORS* INSURANCE BENEFITS

"FEDERAL OLD-AGE AND ~~SURVIVOR~~ *SURVIVORS* INSURANCE TRUST FUND

"SEC. 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 ~~Survivor~~ *Survivors* Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and ~~Survivor~~ *Sur-*

vivors Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements

to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND ~~SURVIVOR~~ *SURVIVORS* INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which

she becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance

benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or

exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance

benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has not married since such individual's death, (D) is not entitled

to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such

benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection ~~(b),~~ (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was

domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or *to the* parents of the ~~deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law~~ *deceased, in equal shares.* A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the ~~benefit or~~ total of benefits under section 202, payable for a month with respect to an individual's wages, *is more than $20 and* exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such ~~benefit or~~ total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount *or to $20, whichever is greater.*

"(b) Whenever the benefit or total of benefits under section 202 ~~(or as reduced under subsection (a))~~, payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit, *except the primary benefit*, shall be proportionately decreased or increased, as the case may be.

"(d) Deductions, *in such amounts and at such time or times as the Board 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 for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, *not an apprentice serving without remuneration*, failed to attend school regularly and the Board finds that attendance was feasible *or, if serving as an apprentice without remuneration, failed to so serve regularly and the Board finds that such service was feasible;* or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual ~~whose benefits are~~ *in receipt of benefits* subject to deduction under subsection (d) or (e) *(or who is in receipt of such benefits on behalf of another individual)*, because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such

individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 subsec-

tion (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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such

hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged

to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder,

the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction that any

Division of Disbursement 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 Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attor-

ney 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board 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 Board 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, 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 the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year *prior to 1940,* is paid to such individual by such employer with respect to employment during such calendar year;

"(2) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar year after 1939, is paid to such individual with respect to employment during such calendar year;

"~~(2)~~ *(3)* The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance *or annuities,* or into a fund, to provide for

any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, *or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer*;

"~~(3)~~ *(4)* The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"~~(4)~~ *(5)* Dismissal payments which the employer is not legally required to make; or

"~~(5)~~ *(6)* Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to ~~such date~~ *January 1, 1940* (except service performed by an individual after he attained the age of sixty-five *if performed prior to January 1, 1939*), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service per-

formed by a child under the age of twenty-one in the employ of his father or mother;

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable,

scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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 *exempt from income tax under section 101 (1) of the Internal Revenue Code*;

"(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 per centum 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 any calendar quarter in the employ of a school, college, or university, not

exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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.~~ *law;*

"(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a vessel other than a sail vessel of less than four hundred tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

"(15) 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.

"(c) 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 ~~for an employer~~ in a pay period *by an employee for the person employing him*, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average

monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds ~~$50,~~ ~~and~~ *$50 and does not exceed $250, and*

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual. *Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.*

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the ~~year~~ *quarter* in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by ~~twelve~~ *three* times the number of ~~years~~ *quarters* elapsing after 1936 and before such ~~year~~ *quarter* in which he died or became so entitled, excluding any ~~year~~ *quarter* prior to the ~~year~~ *quarter* in which he attained the age of twenty-two during which he was paid less than ~~$200~~ *$50* of wages~~; but in no case shall such total wages be divided by a number less than thirty-six~~ *and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939.*

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) (A) he attained age sixty-five prior to 1940, and

"(B) he has not less than two years of coverage, and

"(C) the total amount of wages paid to him was not less than $600; or

"(2) (A) within the period of 1940–1945, inclusive, he attained the age of sixty-five or died before attaining such age, and

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, which-

~~ever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or~~

~~"(4) he had at least fifteen years of coverage.~~

~~"As used in this subsection, the term 'year' means calendar year. and the term 'year of coverage' means a calendar year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number. for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.~~

"(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

"(2) He had at least forty quarters of coverage.

"As used in this subsection, and in subsection (h) of this section, the term 'quarter' and the term 'calendar quarter' mean a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term 'quarter of coverage' means a calendar quarter in which the individual has been paid not less than $50 in wages. When the number of quarters specified in paragraph (1) of this

subsection is an odd number, for purposes of such paragraph such number shall be reduced by one.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who *either (1) is the mother of such individual's son or daughter, or (2)* was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who *either (1) is the mother of such individual's son or daughter, or (2)* was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior

to the beginning of the twelfth month before the month in which he died.

"(l) 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 other 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,* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, *or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.*

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

"(m) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Board shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual

is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such

amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after July 1, 1941, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the

Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such methods of administration (~~other than those relating to selec-~~

~~tion, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

~~SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".~~

~~(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:~~

SEC. 402. Effective January 1, 1940—

(a) Subsection (a) of section 403 of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing January 1, 1940, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total of the sums expended during such quarter under such plan, not counting so much of such sums expended as aid to dependent children for any month as exceeds $18 multiplied by the total number of dependent children receiving aid to dependent children for such month."

(b) Paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(c) Paragraph (2) of subsection (b) of such section is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivi-

sion thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school *or serving as an apprentice without remuneration,* who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO ~~TITLE V~~ *TITLES V AND VI* OF THE SOCIAL SECURITY ACT

SEC. 501. Section 501 of such Act is amended by striking out "$3,800,000" and inserting in lieu thereof "$5,820,000".

SEC. 502. (a) Subsection (a) of section 502 of such Act is amended by striking out "$1,800,000" and inserting in lieu thereof "$2,800,000".

(b) Subsection (b) of such section 502 is amended by striking out "$980,000" and inserting in lieu thereof "$1,980,000".

SEC. ~~501~~ *503.* Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are necessary for the proper and efficient operation of the plan."

SEC. 504. Section 511 of such Act is amended by striking out "$2,850,000" and inserting in lieu thereof "$3,870,000".

SEC. 505. (a) Subsection (a) of section 512 of such Act is amended by striking out the words "the remainder" and inserting in lieu thereof "$1,830,000".

(b) Such section is further amended by inserting after subsection (a) the following new subsection:

"(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States $1,000,000 (in addition to the allotments made

under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, 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."

(c) Subsection (b) of such section 512 is amended by striking out the letter "(b)" at the beginning thereof and inserting in lieu thereof the letter "(c)".

SEC. ~~502~~ *506.* Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are necessary for the proper and efficient operation of the plan."

SEC. 507. (a) Subsection (a) of section 514 of such Act is amended by striking out "section 512" and inserting in lieu thereof "section 512 (a)".

(b) Such section 514 is further amended by inserting at the end thereof the following new subsection:

"(c) The Secretary of Labor 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 Division of Disbursement 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 Labor."

~~SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".~~

SEC. 508. (a) Section 531 (a) of such Act is amended by—

(1) Striking out "$1,938,000" and inserting in lieu thereof "$4,000,000".

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000".

(3) Inserting after the word "Hawaii" the following: "and Puerto Rico, respectively,".

(4) Inserting before the period at the end thereof a colon and the following: "Provided, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $30,000".

(b) Section 531 (b) of such Act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000".

SEC. 509. Section 601 of such Act is hereby amended to read as follows:

"SEC. 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1940, the sum of $12,000,000 to be used as hereinafter provided."

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

SEC. 602. *(a)* Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

(b) Such section 1401 is further amended by adding at the end thereof the following new subsection:

"(d) SPECIAL REFUND.—If by reason of an employee rendering service for more than one employer during any calendar year after the calendar year 1939, the wages of the employee with respect to employment during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400, deducted from such wages and paid to the collector, which exceeds the tax with respect to the first $3,000 of such wages paid. Refund under this section may

be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (1) the employee makes a claim, establishing his right thereto, after the calendar year in which the employment was performed with respect to which refund of tax is claimed, and (2) such claim is made within two years after the calendar year in which the wages are paid with respect to which refund of tax is claimed. No interest shall be allowed or paid with respect to any such refund."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished

to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remu-

neration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance *or annuities,* or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, *or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit,*

to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection ~~(i)~~ *(h)* of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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 *exempt from income tax under section 101 (1)*;

"(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 per centum 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 *offi-*

cers 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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.~~ *law;*

"(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a vessel other than a sail vessel of less than four hundred tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

"(15) Service performed by an individual under the age of eighteen in the delivery or distribution of news-

papers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 ~~for an employer~~ in a pay period *by an employee for the person employing him,* where any of such service is excepted by paragraph (9) of subsection (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation. ~~It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a~~

~~person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (2) such services are not in the course of such individual's principal trade, business, or occupation.~~

~~"(e) EMPLOYER.—The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.~~

"~~(f)~~ *(e)* STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"~~(g)~~ *(f)* PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"~~(h)~~ *(g)* AMERICAN VESSEL.—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.

"~~(i)~~ *(h)* AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services 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 other 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,* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, *or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.*

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before

the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the

erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law *to the*

highest rate applied thereunder in the taxable year to any person having individuals in his employ, or to a rate of 2.7 per centum, *whichever rate is lower.*

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"~~(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and~~

"~~(2)~~ *(1)* No reduced rate of contributions to a pooled fund or to a partially pooled account is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to un-

employment risk during not less than ~~the three consecutive years~~ *a one-year period* immediately preceding the computation date, *throughout which compensation has been payable under such law*; ~~or~~

"~~(3)~~ *(2)* No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; ~~or~~

"~~(4)~~ *(3)* Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus

the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"~~(5)~~ *(4)* Effective January 1, 1942, paragraph ~~(4)~~ *(3)* of this subsection is amended to read as follows:

"'~~(4)~~ *(3)* No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

~~"(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b)~~

with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than two

calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law or will be determined on the basis of such fractional part of an individual's total earnings (with respect to which contributions were required under such State law) during that calendar quarter within such period in which such earnings were highest, as will produce a reasonable approximation of such full-time weekly earnings, and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

"(D) compensation will be paid under such State law to any such individual whose earnings in

~~any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and~~

~~"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.~~

~~"(c)~~ *(b)* CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) ~~or (b)~~ of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more

than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) ~~or (b)~~ of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) ~~or (b)~~ of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection ~~(d)~~ *(c)* of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) ~~or (b)~~ of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates

of contributions to a type of fund or account, as defined in subsection ~~(d)~~ *(c)* of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) ~~or (b)~~ of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) ~~or (b)~~ of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"~~(d)~~ *(c)* DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions

of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, ~~1939~~ *1940*, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, ~~1939~~ *1940*.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed."

~~(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after De-~~

~~cember 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.~~

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the ~~taxes imposed by sections 1410 and~~ *tax imposed by section* 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law

approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring

any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were ~~in his employ~~ *employed by him in employment* for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance *or annuities*, or into a fund, to provide for

any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, *or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer*;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and

any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumen-

tality 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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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 *exempt from income tax under section 101 (1)*;

"(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 per centum 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 Unted 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 gov-

ernment, 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 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.~~ *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; or

"(15) 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 ~~for an employer~~ in a pay period *by an employee for the person employing him,* where any of such service is excepted by paragraph (9) of subsection (c).

"(e) STATE AGENCY.--The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund established by section 904 of the Social Security Act, as

amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in ~~connection with~~ cultivating the soil, or in ~~connection with~~ raising or harvesting any agricultural or horticultural commodity, including the raising, *shearing,* feeding, *caring for, training,* and management of livestock, bees, poultry, and fur-bearing animals *and other 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,* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, *or in connection*

with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5) provide such methods of administration (~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, and stating the amount appropriated or made available by the State and its polit-

ical 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, ~~1940—~~

~~(a)~~ ~~clause~~ *1940, paragraph* (1) of section 1101 (a) of such Act is amended to read as follows: "(1) the term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act (~~including~~ *except* section 531) includes Puerto Rico."

~~(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:~~

~~"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are not in the course of such individual's principal trade, business, or occupation.~~

~~"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."~~

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. No provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date

the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been

credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

(i) No part of the tax imposed by the Federal Unemployment Tax Act or by title IX of the Social Security Act, whether or not the taxpayer is entitled to a credit against such tax, shall be deemed to be a penalty or forfeiture within the meaning of section 57j of the Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

SEC. 904. Effective January 1, 1940, section 1428 of the Internal Revenue Code is amended by striking out "paragraphs (9) and (10)" and inserting in lieu thereof "paragraph (9)".

SEC. 905. (a) No service performed at any time during the calendar year 1939 by any individual shall, by reason of the individual having attained the age of sixty-five, be excepted from employment as defined in section 1426 (b) of subchapter A of chapter 9 of the Internal Revenue Code. Paragraph (4) of such section (which excepts such service from employment) is repealed effective January 1, 1939. The tax on employees imposed by section 1400 of such subchapter and the tax on employers imposed by section 1410 of such subchapter, and the provisions of law applicable to such taxes, shall apply with respect to remuneration paid after December 31, 1938, for service which, by reason of the enactment of this section, constitutes employment as so defined.

(b) Notwithstanding any other provision of law, no employer shall be liable for the tax on any employee, imposed by section 1400 of such subchapter (unless the employer collects such tax from the employee), with respect to service per-

formed before the date of enactment of this Act which constitutes employment by reason of the enactment of this section, except to the extent that the employer has under his control at any time on or after the ninetieth day after such date amounts of remuneration earned at any time by the employee.

SEC. 906. If the Social Security Board finds with respect to any State that the first regular session of such State's legislature which began after June 25, 1938, and adjourned prior to thirty days after the enactment of this Act (1) had not made provision to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such session or July 1, 1939, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "preliminary amount", or to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such session or January 1, 1940, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "liquidating amount", or both; and (2) had not made provision for financing the administration of its unemployment-compensation law during the period with respect to which grants therefor under section 302 of the Social Security Act are

required under section 13 of the Railroad Unemployment Insurance Act to be withheld by the Social Security Board, notwithstanding the provisions of section 13 (d) of the Railroad Unemployment Insurance Act the Social Security Board shall not begin to withhold from certification to the Secretary of the Treasury for payment to such State the amounts determined by it pursuant to section 302 of the Social Security Act and to certify to the Secretary of the Treasury for payment into the railroad unemployment-insurance account the amount so withheld from such State, as provided in section 13 of the Railroad Unemployment Insurance Act, until after the thirtieth day after the close of such State's first regular or special session of its legislature which begins after the date of enactment of this Act and after the Social Security Board finds that such State had not, by the thirtieth day after the close of such legislative session, authorized and directed the Secretary of the Treasury to transfer from such State's account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund such State's "preliminary amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security Board, and such State's "liquidating amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security

Board. Notwithstanding the provisions of section 13 (e) of the Railroad Unemployment Insurance Act, any withdrawal by such State from its account in the Unemployment Trust Fund for purposes other than the payment of compensation of the whole or any part of amounts so withheld from certification with respect to such State pursuant to this Act shall be deemed to constitute a breach of the conditions set forth in sections 303 (a) (5) of the Social Security Act and 1603 (a) (4) of the Internal Revenue Code. The terms "preliminary amount" and "liquidating amount", as used herein, shall have the meanings defined in section 13 of the Railroad Unemployment Insurance Act.

SEC. 907. In addition to any other deductions made under section 203 of the Social Security Act, as amended, deductions shall be made from any primary insurance benefit or benefits to which an individual is entitled or from any other insurance benefit payable with respect to such individual's wages, until such deductions total 1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code have not been deducted by his employer from his wages or paid by such employer.

Passed the House of Representatives June 10, 1939.

Attest: SOUTH TRIMBLE,

Clerk.

Calendar No. 793

76TH CONGRESS
1ST SESSION

H. R. 6635

[Report No. 734]

AN ACT

To amend the Social Security Act, and for other purposes.

JUNE 12, 1939
Read twice and referred to the Committee on Finance
JULY 7 (legislative day, JULY 6), 1939
Reported with amendments

AMENDMENT OF SOCIAL SECURITY ACT

Mr. HARRISON. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that House bill 6635, to amend the Social Security Act, and for other purposes, be taken up by the Senate for consideration.

The VICE PRESIDENT. Is there objection to the request of the Senator from Mississippi?

Mr. NEELY. Mr. President, reserving the right to object, will the Senator from Mississippi yield to me in order that I may propound an inquiry to the majority leader, the Senator from Kentucky [Mr. BARKLEY].

Mr. HARRISON. I yield.

Mr. NEELY. My inquiry is this: Provided there is no objection to the request of the Senator from Mississippi, may I be assured that at the conclusion of the consideration of House bill 6635 no effort will be made or approved by the majority leader further to displace S. 280, the so-called moving-picture bill, with any other proposed legislation, excepting actual emergency measures?

Mr. BARKLEY. And conference reports?

Mr. NEELY. Certainly; including conference reports and other privileged matters. If I may have this assurance, I shall withhold my objection. Otherwise, I shall be compelled to make it.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. BARKLEY. In the first place, let me say that there has been no effort made to sidetrack consideration of Senate bill 280. When it was taken up it was understood by every Member of the Senate that emergency matters, such as the relief bill, the monetary bill, and the social security bill, would be taken up if they came before the Senate. Automatically Senate bill 280, without any motion, is the unfinished business as soon as the bill referred to by the Senator from Mississippi is disposed of. It comes up automatically, as I understand, when it is laid aside temporarily and action has been completed on the matter for which it was laid aside. So far as I am concerned, I have not only no intention but no desire in any way to interfere with the consideration of that bill, because I imagine I am as anxious as are other Members of the Senate to have it disposed of one way or the other at the earliest possible date. I do not know of any emergency matter that would come in unless it is a conference report or something of that sort.

The VICE PRESIDENT. The Chair understands that the Senator from Mississippi asks unanimous consent temporarily to lay aside the unfinished business in order that he may ask for consideration of House bill 6635. Is there objection?

Mr. NEELY. Mr. President, in view of the statement of the Senator from Kentucky, which I construe to mean that he will not countenance any effort that may be made further to displace Senate bill 280 and that in the absence of emergency legislation, and privileged matters, we shall proceed to the consideration of this bill just as soon as the social-security bill is out of the way. I withhold my objection.

Mr. CONNALLY. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. CONNALLY. Is it not in order to move to displace the unfinished business and take up the bill proposing to amend the Social Security Act?

The VICE PRESIDENT. Of course, such a motion is in order. The Senator from Mississippi is trying to take the road of least resistance and least friction, as the Chair understands, by asking unanimous consent temporarily to lay aside the unfinished business in order that he may ask for consideration of the social-security measure.

Mr. CONNALLY. Mr. President, I should like to ask the Senator from Mississippi a question. It seems to me the conditions imposed by the Senator from West Virginia [Mr. NEELY] are so nebulous and uncertain as to extort from the majority leader some promise that if so-and-so happens and if something else happens the movie bill will not be laid aside. It is very unusual for the Senate to regulate its conduct in that way.

Mr. BARKLEY. Mr. President, if the Senator will permit me, I will say that under the rules of the Senate, when a bill which is the unfinished business is temporarily laid aside for consideration of some other bill, when that bill is disposed of, then automatically the previous unfinished business comes before the Senate for consideration.

I cannot control the activities of anyone else. Any Senator could move to take up some other bill, and if such a motion should prevail by majority vote the consideration of that bill would displace the unfinished business. I certainly have no intention or desire to do such a thing, and if any other Senator attempts to do it, it will not be done with my consent, unless it is an emergency matter which could not be delayed.

I hope that satisfies the Senator.

The VICE PRESIDENT. Is there objection to the request of the Senator from Mississippi [Mr. HARRISON]?

There being no objection, the Senate proceeded to consider the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, which had been reported from the Committee on Finance, with amendments.

Mr. HARRISON. Mr. President, now that the social-security measure is before the Senate I am informed by the Senator from Louisiana [Mr. OVERTON] that he wishes to present a conference report on the District of Columbia revenue bill and that it must go before the House at an early date, because it is a very urgent and necessary matter.

The VICE PRESIDENT. The Senator from Mississippi has asked unanimous consent that the social-security measure be considered. That request has been agreed to, and the measure is now pending before the Senate. Does the Senator from Mississippi wish to have the formal reading of the bill dispensed with and the bill read for amendments?

Mr. HARRISON. I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. HARRISON. Mr. President, I wish to accommodate the Senator from Louisiana. I have no objection to the consideration of the conference report, at the conclusion of which I shall explain the details of the social-security measure briefly and answer any questions that may be asked with respect to it.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the first amendment reported by the committee.

Mr. HARRISON obtained the floor.

Mr. BARKLEY. Mr. President, will the Senator yield to me? This is an important matter, and I think as many Senators as possible should hear the Senator's explanation of it. If he will permit me to do so, I should like to suggest the absence of a quorum.

Mr. HARRISON. Mr. President, I do not want to object to the Senator's suggestion; but, as Senators are at luncheon at this time, it is very difficult to keep them in the Chamber.

Mr. BARKLEY. If they knew that the Senator from Mississippi was about to speak on this bill, I think probably they would come in. At any rate, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Ellender	Lee	Schwellenbach
Andrews	Frazier	Lodge	Sheppard
Austin	George	Logan	Shipstead
Barbour	Gerry	Lucas	Slattery
Barkley	Gibson	Lundeen	Smith
Bilbo	Gillette	McKellar	Stewart
Bone	Glass	McNary	Taft
Borah	Green	Maloney	Thomas, Okla.
Bridges	Guffey	Mead	Thomas, Utah
Bulow	Gurney	Miller	Townsend
Burke	Hale	Minton	Truman
Byrd	Harrison	Murray	Tydings
Byrnes	Hatch	Neely	Vandenberg
Capper	Hayden	Norris	Van Nuys
Chavez	Herring	Nye	Wagner
Clark, Idaho	Hill	O'Mahoney	Walsh
Clark, Mo.	Holman	Overton	Wheeler
Connally	Holt	Pittman	White
Danaher	Johnson, Calif.	Radcliffe	Wiley
Davis	Johnson, Colo.	Reed	
Donahey	King	Reynolds	
Downey	La Follette	Schwartz	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present.

Mr. HARRISON. Mr. President, the proposed legislation is so important that I shall occupy the time of the Senate to make a brief explanation of the more important changes made in the present law by the bill passed by the House and the changes made by the Finance Committee in the House provisions.

I shall not burden the Senate with a discussion of the high purposes of social-security legislation. When the Social Security Act was passed, in 1935, both the reports of the committees accompanying the legislation and the pages of the CONGRESSIONAL RECORD attested the object and applauded the purposes of the legislation.

We all knew when we passed that legislation that it was not perfect, and that in the course of time it would have to be supplemented and changed in many material respects. I shall confine my remarks to a brief explanation of some of the more important substantive amendments which have been adopted by the House or which have been proposed by the Senate committee and which are now before the Senate.

The major changes proposed relate to old-age insurance. It will be recalled that when the law was passed in 1935 an old-age insurance tax beginning at 1 percent on the employer and the employee was imposed, and that rate was to continue until 1940, at which time it was to be increased to 1½ percent on the employer and employee, that rate to be in effect until 1943. The rate then was to increase to 2 percent on each until 1946, and would reach the maximum of 3 percent on each in 1949.

The House bill provides for freezing the tax at the present rate for 1940, 1941, and 1942; and the Committee on Finance recommends the adoption of this proposal.

I see before me the senior Senator from Michigan [Mr. VANDENBERG], and I wish to give to him full credit for the sentiment that was created, and for what has come out of the suggestions he and others made with reference to the freezing of the tax.

Mr. VANDENBERG. Mr. President, the Senator is very generous, but nothing would have resulted without the hos-

pitable cooperation of the able chairman of the Committee on Finance.

Mr. HARRISON. I thank the Senator, of course, but he made the suggestion, and it has now received the practically unanimous recommendation of both the Ways and Means Committee of the House and the Finance Committee of the Senate. So this tax will not be increased in 1940 but will be frozen and will remain at 1 percent on the employer and 1 percent on the employee.

It has been estimated that this tax reduction will amount to some $275,000,000 in 1940, and, for the 3-year period, to some $825,000,000.

The old-age benefit provisions in the present law have been greatly liberalized. Under the present law, old-age insurance benefits are based on an individual's total wages in covered employment before 65 years of age. The only monthly benefits payable are to the individual who earns these wages; and if he dies before getting any benefits, an amount equal to 3½ percent of his wages is paid to his estate. If he gets some benefits, but less than 3½ percent of his total wages, the difference is paid to his estate. Under the system, no regard is had as to whether he has a dependent wife, or whether he dies leaving a child, widow, or parents.

No monthly benefits are payable until 1942, and the number receiving benefits then would not be large, because before being entitled to benefits under the present law, a person must have total wages of at least $2,000, and must have been in covered employment in at least some part of each of 5 separate calendar years after 1936.

It is not in a spirit of criticism that I state that the present provisions afford very little protection in the early years, and will be very expensive in the later years. I should like to remind the Senate, however, that it is because of this fact that we find the pay-roll taxes necessary to finance the system under the law would greatly exceed the amount paid out in the early years, and the reserves built up from these taxes to finance the benefits in the later years would be very large indeed.

The amendments before the Senate in the bill now presented would modify this system by beginning the monthly benefit payments in 1940, instead of 1942, and would base the benefits on average wages rather than total wages. Under the present law the total wage received, before one is eligible to be covered in, is $2,000. The amendments would also include a system of benefits for aged wives, which is not in the present law, and for widows who are aged or who have dependent orphans in their care, for aged dependent parents, and for orphans. Where there are no surviving dependents, reasonable burial expenses will be provided.

In my opinion, the provisions with reference to these old-age benefits have been immeasurably liberalized, and will be of inestimable benefit to that large portion of our population.

The amendments of the law ought to have a very great effect on the large appropriations, which have been necessary and which have been made by Congress for the relief of unemployment in this country, because with the liberal treatment afforded by the proposed legislation to the people who have been working and who will obtain the benefits after 1940, while in some instances the payments will not be large, they will be large enough so that it will not be necessary for those people to be placed on relief rolls, and there will be less pressure on the Federal Treasury for such enormous amounts.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. VANDENBERG. In most of the instances where changes have been made the sum total outgo over the next 30 or 40 years will remain the same, I understand.

Mr. HARRISON. The Senator is correct.

Mr. VANDENBERG. In other words, the amendments reduce the payments at the farther end of the period and increase them at this end of the period?

Mr. HARRISON. That is true.

Mr. VANDENBERG. But the sum total will remain the same, so that the system will remain reasonably in actuarial balance. But there is one point at which the committee made an amendment which will increase the outgo during the next 15 years some five or six hundred million dollars. Is the Senator intending to discuss that in particular?

Mr. HARRISON. I shall call the attention of the Senate to that matter.

I should like to mention the effect of these provisions for more liberal benefits in connection with the reserve account. Not only is there less disparity between the tax receipts and the benefit payments, but the bill provides that regular reports shall be made to Congress each year as to whether the proceeds of the pay-roll taxes will result in a reserve greater than three times the highest annual expenditure required in the ensuing 5 years. Congress can act in the light of these reports if they indicate the need for any change in the tax structure, and the maximum reserve should never exceed $15,000,000,000, even in the later years. Those who have expressed so much concern over the size of the reserve which is incident to the present law should feel comforted at this change.

I might add that the measure authorizes a permanent appropriation, so that without the necessity of an annual appropriation, as is now the case, the total of the old-age insurance tax collections will go into the reserve.

Further, the bill sets up a board of three trustees, the Secretary of the Treasury, the Chairman of the Social Security Board, and the Secretary of Labor, and the funds will be in a trust fund, which is to be called the "Federal Old-Age and Survivors Insurance Trust Fund."

I may say in this connection that under the present law these funds have been used for the purchase of Government bonds, and that the rate of interest was fixed at 3 percent. We have changed that in this proposal, and while special obligations may be issued, such obligations will bear interest at a rate equal to the average rate of interest on the public debt, in effect at the date of issue of the obligations.

Mr. VANDENBERG. Mr. President, if it will not interfere with the Senator's narrative, I should like to have the RECORD clear at this point with respect to the full reserve to which the Senator has referred.

Under the original proposal the full reserve would have reached $47,000,000,000 in 1980. Under the amendment pending, as the Senator has stated, nothing like $47,000,000,000 will ever be contemplated, but the maximum reserve will probably not exceed $15,000,000,000.

Mr. HARRISON. The Senator is correct.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. WAGNER. Under the freezing of the tax for a period of 3 years and the contributions that are to be made over a period of years, will there come a time before 1980 when the amount of money required to pay the benefits will exceed the amount of contributions received under the taxes?

Mr. HARRISON. I am fearful that that is true. I do not think there is any doubt about that.

Mr. WAGNER. So there will come a time when we will have to make up our minds either to increase those contributions or have a Government contribution?

Mr. HARRISON. Yes; I think the committee understands that is probably true.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. VANDENBERG. I think the Senator from New York is completely correct in his statement. There must be a general public contribution to offset what would have been the contribution obtained through the interest on the reserve fund, and our contention has been from the beginning that we might as well make it frankly in the form of a straight contribution rather than to make it through the detour of interest on the reserve.

Mr. WAGNER. Yes; I would be in favor of a contribution from the Federal Government at the present time as all other countries have. I wanted to have that appear clearly on the record.

Mr. HARRISON. Mr. President, I do not think there is any doubt about that being true.

Just before mentioning the reserve, I stated that under the provisions of the House bill, supplementary benefits would be payable, and that there would be an increased liberality in the amount of all monthly benefits. The Finance Committee has approved this liberalized schedule of benefits. Your committee has, however, offered perfecting amendments with respect to eligibility for benefits.

I may say also that in the committee hearings there were certain matters—questions which were propounded by the Senator from Wisconsin [Mr. LA FOLLETTE], and from those questions there was shown to be certain anomalies and we made certain changes. These were made with the approval of the Social Security Board. I think these changes, if adopted, would greatly improve the bill.

One of these amendments is to better take care of the situation of people who are already 65 or over. It is felt that these people should be permitted to earn credits at the earliest possible date, and your committee proposes an amendment which would make coverage of employment after 65 effective January 1 of this year, instead of January 1 of next year, as is proposed in the House measure. This will permit earlier retirement for these people, and in some instances, where they will not be able physically to work much longer, will mean the difference between their receiving benefits and not receiving benefits.

Mr. VANDENBERG. Mr. President, is this the amendment which increases the total cost $600,000,000 in the next 15 years?

Mr. HARRISON. Yes; it is estimated that over a period of 15 years that would entail a cost of about $600,000,000 plus, but that comes out of the trust fund financed by the pay-roll taxes.

Mr. VANDENBERG. Yes; but the fund was not figured in contemplation of that payment.

Mr. HARRISON. No; we have liberalized it to that extent in order to take care of these people who would not receive the benefit if they worked the time required in the amendments offered in the House and in the present law without the proposed changes. It will cost the fund $600,000,000 plus by virtue of these changes. I might mention that this is only a small fraction of the increase contemplated in the benefits payable in the next 15 years.

Mr. VANDENBERG. Yes. The only point I was making was that the changes are utterly humane and thoroughly justified by every heart consideration that a man may have. Yet they are not justified on the basis of the tax which is being collected to pay for social security under title II, and if we are to continue liberalizing the benefit payments to an extent which will increase the sum total of benefit payments we have either got to increase the tax rate sooner or later, or we are merely fooling folks by inviting them into a system that is going bankrupt one of these days.

Mr. HARRISON. The Senator is absolutely correct. But we felt that the liberal treatment could be accorded even though over a 15-year period it will be very costly. We felt the action justified, however.

Mr. KING. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. KING. I assent to the statement made by the able Senator from Michigan, and I desire to supplement that statement. We are liberalizing, as has been said, many provisions of the bill, and that will only lead to demand for further liberalization at the next session of Congress, and additional liberalization, until within a short time the fund will be bankrupt and we will be utterly unable to meet the demands which will be made upon it. Demand will then be made that we resort to the Federal Treasury, and I make the prophecy—although I am not a prophet nor the son of a prophet—that within 4 or 5 years, under the policy which we are pursuing, we will have a bankrupt organization in some branches of this important security agency.

Mr. HARRISON. Mr. President, the second perfecting amendment is to change the basis of eligibility from a required number of years' employment to a required number of quarters' employment.

In the House bill eligibility for retirement benefits for those now 65 would require that they must earn in covered employment $200 per year for 2 years and earn a total before retirement of $600.

The Senate committee proposal substitutes the requirement of six quarters with wages of $50 a quarter, which would amount to $300. This shows the liberality that actuated the committee.

Your committee feels that the general principle of the House bill should be followed, so that persons who will have a longer period to be in the system will be required to be in the system half of the quarters after 1936, rather than one-half of the years, as is provided in the House bill. The provision of the House bill makes people eligible who will not have been in the system one-half the time after 1936 and before they reach 65, if they are in the system 15 years before they retire. Your committee proposes to substitute 40 quarters for the 15 years' retirement.

It is felt that changing the eligibility requirements from years to quarters and giving coverage for 1939 to those now over 65 will very greatly increase the number who will be in a position to retire during 1940.

To increase the adequacy of benefits for married men who will retire after having earned very low average wages, your committee proposes to make the minimum benefit which will be paid the wage earner with an aged wife $10, as is the case now under the House bill, where no wife's benefit is payable. Under the Senate proposal then, the minimum benefit to an aged couple would be $15, $10 for the wage earner and $5 for the aged wife. Under the House bill, it would be $6.67 for the wage earner and $3.33 for his wife.

The measure before you contains changes not only relating to old-age insurance, but to unemployment compensation. As you will recall, there is a Federal Unemployment Compensation pay-roll tax, which is at the rate of 3 percent. This tax is at present levied on a wages-earned basis, and is imposed only on the employer. For example, the tax would be due on commissions earned by an employee in a tax year, whether paid or not. Frequently a situation later arises so that the calculated amount on which the tax was paid is found to be erroneous and readjustment is required.

It would be much simpler to have the tax apply when the wages are actually paid, as is the existing law in the case of old-age insurance taxes. Your committee accordingly recommends that the amendments be adopted which will effect this change, placing the employment-compensation tax on the same basis as the old-age insurance tax in that particular.

Unemployment-compensation taxes are based on all wages an employer pays his employee, regardless of the amount, while the old-age insurance tax is effective only as to the first $3,000 paid in a year. For instance, at present the tax under the law is on the entire salary paid an employee, even if it is $100,000 a year. We have proposed the limit of $3,000 and the tax imposed accordingly, placing it on the same basis as is the present law on old-age insurance.

Under the House proposal the $3,000 limit would be placed in the unemployment-compensation tax, and your committee recommends the adoption of this proposal.

A further amendment which is proposed allows refunds and abatements, giving relief to employers who paid their 1936, 1937, and 1938 unemployment compensation contributions late. Because of failure to pay on time, many employers have lost their 90-percent credit against the Federal tax. The proposed provisions would permit this credit, and would take care of the future by giving a longer time for payment of contributions. For example, if contributions are paid by June 30 following the due date of the Federal return, while there would be no credit under existing law, the employer would lose but 10 percent of his credit under the proposed amendments. These amendments also have provisions taking care of situations in which late payment is occasioned by assets of the taxpayer being in the custody

of the court, or because the employer made a mistake and paid his contribution to the wrong State. It is felt that all of these amendments are equitable and should go a long way toward correcting hardships under the present law.

There are several important revisions proposed to the present coverage of the act. Certain services are exempt, including those for agricultural and horticultural associations, voluntary employees' beneficiary associations, local or ritualistic services for fraternal beneficiary societies, and services of employees earning nominal amounts—less than $45 per quarter—from nonprofit institutions exempt from income tax. Newsboys and boys distributing the Shopping News are excluded. Family employment, such as employment of a son by his father, will be excluded in the old-age insurance tax. This exclusion is existing law as to the unemployment-compensation tax.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. DAVIS. The provision as to the Shopping News is limited to boys under 18 years of age, is it not?

Mr. HARRISON. Yes. This is true also as to newsboys.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. DANAHER. What provision is there for independent contractors, such as insurance salesmen?

Mr. HARRISON. I am coming to that question.

There is also a clarification and extension of the agricultural labor exemption of the present law. The present law exempts "agricultural labor" without defining the term. This bill defines the term so that the law will prescribe more definitely the extent of the exemption. The definition is so drawn that all service of the sort ordinarily performed on or about a farm, in connection with its operation or in producing crops or livestock, will be exempt from the act, and so that other services which are closely related to or an integral part of farming activities will also be exempt, even though they may not be performed on a farm.

There is a clarification of the present law relating to Federal and State instrumentalities. At present some institutions, such as banks, are exempt as national banks and State member banks of the Federal Reserve System. This proposal was very carefully studied, and there is a general approval of the clarification by those affected.

No opposition was expressed by the banking institutions of the country.

There is a proposal in the House bill for the extension of coverage to salesmen. Under the present law, whether a salesman is covered depends upon the test of whether he is an employee in the legal sense, and your committee believes that it would be unwise at this time to attempt any change. In this connection, however, your committee does propose an amendment with respect to the unemployment-compensation tax. Several States have exempted insurance salesmen from coverage, and your committee believes that it would be wise to exclude from the Federal unemployment-compensation tax insurance salesmen whose sole pay is by way of commission. This would, of course, still leave the States free to cover this employment when they choose to do so, but it would eliminate the present situation, where the entire Federal tax, without any offset for State unemployment contributions, comes to the Federal Government where the State exempts this employment. The principal class of insurance salesmen which would be affected is that class engaged in what is generally called industrial insurance. The proposed amendment of your committee would not affect the rights of any insurance salesman to old-age insurance, but would leave their situation as to being covered or not covered just as it is under existing law.

The House bill proposes to cover maritime employment for old-age insurance purposes, but not for the unemployment-compensation tax.

American seamen have expressed a strong desire for coverage, and there has been practically no opposition to this request. Your committee concurs in this proposal, but with an amendment excluding services by fishermen and by the crews of fishing vessels. No request for coverage has come from this group, and it is not felt expedient to extend coverage until a special study has been made of the particular problems and desires of those who would be affected.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. DAVIS. One of the leaders of the fishermen called on me this morning. They are objecting to the exemption.

Mr. HARRISON. They want to be included?

Mr. DAVIS. They want to be included.

Mr. HARRISON. What kind of fishermen does he represent?

Mr. DAVIS. All kinds of fishermen.

Mr. HARRISON. In many places an oyster or shrimp gatherer who has perhaps one or two employees goes out in his own boat. He sells his oysters or shrimp to the cannery. We have had no request from such people to be included. There was no suggestion to the committee that they be included, and we felt that the matter required study. In the course of time the Social Security Act will have to be further amended. It is not yet perfect. I think we have helped it greatly. However, as long as we are here we shall have to make certain amendments to it. We have exempted fishermen with the feeling that this is the practical approach. Their wishes in the matter should be known before we determine on their coverage.

The remaining matters affecting unemployment compensation are of a highly technical nature. I shall merely mention the Finance Committee action in proposing an amendment to strike out the McCormack amendment and the 2.7 amendment relating to additional credit.

No doubt many Senators have received letters with reference to the so-called McCormack amendment, giving the Social Security Board authority to fix certain standards for States. Certain States have enacted laws giving ratings to certain groups of employees. It would be necessary for the legislatures of such States to change the present State laws. We considered that matter very carefully.

Under the existing law employers who have merit rating under State laws containing certain standards with respect to merit rating experience may receive credit against the Federal unemployment compensation tax for a full 90 percent, when their contributions are reduced under the State law. The McCormack amendment proposed that when certain standards as to adequacy of benefits were met, and the State funds were equal to one and one-half times the largest annual contribution to the fund or the largest annual expenditure from the fund, there could be a general reduction of contributions required of all employers, and these employers would retain their full credit against the Federal tax.

The 2.7 provision requires States which do not meet the benefit and reserve standards set up in the McCormack amendment to provide that the employers in the State will make a total of contributions equal to that which would be paid in if each employer were contributing at a 2.7 rate. In other words, if some employers are to receive credit against the Federal tax for reductions in their contributions, other employers would have to contribute more than 90 percent of the 3-percent Federal tax.

Your committee heard considerable testimony as to these proposals and felt after the hearings that it would be unwise at this time to make such material changes in the existing law. The representative of many State unemployment compensation agencies appeared before us and objected to the standards laid down in the House bill. They felt that they were getting along very well under the present law. The problem should be very carefully worked out. Your committee took the view that under the circumstances it would be dangerous for us to tamper with the present law, and I hope the Senate will also take that view of it.

The last thing I should like to mention is the change in some of the present provisions for grants-in-aid to States.

Under the House bill the Federal matching for dependent children was increased from one-third to one-half. Your committee concurs in this proposal. Under the present law

the Federal Government contributes a third. The House bill provides for equal contributions.

Your committee also recommends an amendment which changes the maximum payment toward which the Federal Government will contribute from the existing law of $18 for the first and $12 per additional dependent child to an average of $18. This gives much more flexibility to the matching, eliminates much auditing, and allows exceptional circumstances to be met more equitably. The cost of the proposed amendment of your committee would be very small. The estimate of the increased matching ratio will range from thirty to sixty million, depending upon State action.

Your committee also proposes amendments authorizing increased appropriations for maternal and child-health services from the present three million eight hundred thousand to five million eight hundred and twenty thousand, and for crippled children from two million eight hundred and fifty thousand to three million eight hundred and fifty thousand.

The House bill increased the authorization for vocational rehabilitation from $1,938,000 to $2,938,000 and included Puerto Rico. Your committee recommends that the amount be increased from $1,938,000 to $4,000,000. Each State would receive an allocation of not less than $30,000 under your committee's amendment.

It is also proposed that the authorization for the public-health work be increased from the present limitation of $8,000,000 to $12,000,000. The Senate committee was very much impressed with the services rendered by the Public Health Service, the Children's Bureau, and the Office of Education and approved these increased authorizations. We believe the increases are justified by the facts. The Children's Bureau, under Miss Lenroot, has worked wonders, and the effects of its work is seen among children throughout the country. The allocations to the various States for public-health work in the rural sections throughout the country have been of great benefit to many unfortunate persons who were far away from a doctor or from any attention they might need.

I may say that the Finance Committee went very carefully into all these proposals and feels that the proposed changes in the existing law are amply justified.

As to old-age assistance and blind assistance, there is a proposed change in the House bill raising the amount the Federal Government will match from $15 to $20. Under the present law, as Senators know, the Federal Government matches the contributions of the States up to $15. So if a State can contribute $15 to a needy person who is 65 years of age or over, the Federal Government will likewise contribute $15. The House raised that limit to $20 upon the part of the State and provided that the Federal Government would match the State contribution up to $20.

About the only contest in the Finance Committee arose over the question of requiring the Federal Government to extend greater assistance to States for our elderly people. There were two proposals before the committee. One was suggested by the Senator from South Carolina [Mr. BYRNES], who is chairman of the Unemployment and Relief Committee, which was appointed at the last session of the Congress to study the question of unemployment and relief and to try to solve that problem. He appeared before the committee and endeavored to have it carry out the recommendations of his committee and to make allocations to the States on the basis of the per capita income of residents of the State to the per capita income of the Nation as a whole. That would have assisted greatly many needy States. I may say to the Senate I voted for that amendment not only as a member of the Byrnes committee on unemployment but I voted for it in the Finance Committee. I was very hopeful that it would be adopted, because there are many States in the Union that cannot respond even to the $15 maximum that is provided in the present law. My State is among the number of the States so situated. No man can get any glory from answering criticisms that the old people residing in his State receive only about $7—half from the State and half from the Federal Government. I have an abiding conviction that some States have about reached the maximum of their ability to pay under present conditions and unless the Federal Government provides additional aid the old people who are in need will have to suffer.

Someone may say that the poorer States have spent a great deal of money for roads. Of course they have. They have spent money for roads because they wanted to get out of the mud; and they have also had to spend money for schools. There are many problems that affect some sections of the country that do not affect other sections; but the States have to carry those loads. So I felt that the amendment offered by the Senator from South Carolina was entirely justified. When it was defeated the distinguished Senator from Texas [Mr. CONNALLY], a member of the committee, offered an amendment that up to $15 would require the Federal Government to put up $2 to the State's $1. That would have practically insured to every old person in need about $15. The increase would apply to the poorer States and the richer States, because all would have contributed alike up to $15, on the matching basis of $2 by the Federal Government and $1 by the State. The cost involved under the amendment of the Senator from Texas was estimated at about $80,000,000 per year, and under the Byrnes amendment the cost was estimated to be from $30,000,000 to $40,000,000 per year.

Those questions will come before the Senate during the further debate on the pending bill. I never like to vote against my committee—I always am a committee man—yet in this one case, I may say to the Senate, when these amendments are offered I shall vote for the proposals. I believe they are justified by the facts, and have advised the Finance Committee that I shall support them.

I may say in connection with liberalizing benefits, that while I am not for the Townsend plan, and never have been for it, nevertheless, credit must be given Dr. Townsend for helping to bring the needs of the aged before the American people. To him should be given a part of the credit for what the House has done with reference to raising the Federal contribution limit even to $20, though, in my opinion, very few States will get any advantage. I believe there are only three or four States that would profit by the change the House has made, as only those who pay pensions in excess of $30 would get any additional Federal assistance.

Mr. DOWNEY. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. DOWNEY. I am sure that if Dr. Townsend were here he would ask me to extend his appreciation for the very courteous remarks made concerning him by the Senator from Mississippi.

Mr. HARRISON. Mr. President, there is nothing that has touched me more than the plight of our needy aged people. I know if I go to one of the departments in an effort to assist one who is 50 or 55, or older, in getting employment, the door is not open to him. I am told, "Go over to some other bureau or some other department." I have been unable to assist many such persons, many of whom needed assistance, to obtain Government employment.

If the same person goes to a private corporation in this day and time and endeavors to obtain employment, is he employed? Oh, no; the corporations want the younger men and women. So the older person is left out in the cold, but we ought to see to it that, at least up to $15, every individual in this country, if in need, whether he lives in Mississippi, or New York, or Masschusetts, or California, through Federal cooperation with the States, shall be given $15 a month.

Someone may say that will not help them much. It will help them a great deal everywhere in this country, if we provide a means whereby under State old-age assistance an aged person with no other means of support will be assured a minimum of $15 a month.

Mr. President, I have said all that I desire to say. I hope we may expedite consideration of this bill. I think the bill is a fine and constructive piece of legislation. It is not perfect, but it is along the right lines of endeavor.

The PRESIDING OFFICER. The first amendment reported by the committee will be stated.

The first amendment of the Committee on Finance was, under the heading "Title I—Amendments to Title I of the Social Security Act," on page 2, line 9, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis", so as to read:

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (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) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

Mr. LA FOLLETTE. Mr. President, when the original Social Security Act was pending in the Congress there were provided in the act certain standards which the State plans must meet before they could be approved by the Board. Greatly to my disappointment, Congress saw fit to exclude from among the various items which must be approved those relating to the selection, tenure of office, and compensation of personnel. The result was that the Social Security Board had no right to require that the State plan should include provisions for the selection of State personnel under the merit system.

Senators who have followed the history of the administration of the Social Security Act since it went upon the statute books are familiar with the fact that in several States of the Union such a condition has resulted from the provision of law which is now sought to be stricken from the bill that the Board has had to take the extreme action of denying their benefits to elderly persons under the system set up. But this drastic action was the only recourse left to the Board under the existing law.

The Finance Committee has now included in the provisions which must be included in every State plan after January 1, 1940, methods relating to the establishment and to the maintenance of personnel standards on a merit basis. As I understand and construe the amendment, it will mean that each State plan will have to provide, as a condition of securing approval by the Board, that the personnel selected within the State to administer the law shall be selected on a civil-service or merit basis. The amendment does not in any way, as I view it, extend to the Board the right to pick and choose between individuals who are to be selected; but under this provision, if it becomes a law, the Board may require that each State shall set up a satisfactory merit system for the selection of the personnel.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. In just a moment.

Because I believe the amendment is an important step forward in the administration of the social-security law, and because I believe it is very important that it become law, I rose merely to point out the situation to the Senate, so that there could be no question that the Senate fully realized the import of the amendment, and to ask that there be a record vote upon it, so that the Senate may be put upon record, and so that it may be evident to all concerned that the Senate has given consideration to this matter and that it has taken a record vote thereon.

I now yield to the Senator from Massachusetts.

Mr. WALSH. Mr. President, first of all, I desire to say that I am in full accord with what the able Senator from Wisconsin has said; and I sincerely hope there will be a record vote, so that we may emphasize the position of the Senate on this amendment.

I should like to ask the Senator if this amendment is not the outgrowth of complaints and criticisms which have prevailed throughout the country because of the manner in which the Social Security agents and investigators employed in the several States have acted, to the dissatisfaction and against the protest of the Social Security Board, and also if the amendment is not in part the result of the investigation made last year by a committee of the Senate during the senatorial campaign which exposed some of the political activities of these employees in the various States?

Mr. LA FOLLETTE. I think the Senator from Massachusetts is correct in his statement; and I desire to say to the Senator that ever since I have known about his service in the Senate—and it dates back to his first term in this body—I have known that he has been an ardent advocate of the merit system for the selection of Government personnel.

I do not desire to be drawn into a discussion of the particular States where difficulties have arisen, nor do I wish to go into additional information which is in my possession about other States where the Board has not acted because it has not felt justified in taking the drastic action of withholding Federal contributions, and thereby penalizing the old people who are receiving the pensions; but there are other States where the Board has not acted, and where the situation is one that has brought about criticism.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield with pleasure to the Senator from Wyoming.

Mr. O'MAHONEY. I merely desire to ask the Senator from Wisconsin whether he is of the opinion that the language of the amendment is such as to provide a definite tenure for the personnel that may be appointed. In other words, is the phrase "on a merit basis" sufficiently definite to prevent the removal of personnel with possible changes of administration in the States?

Mr. LA FOLLETTE. I will say to the Senator that the amendment is somewhat in the nature of a compromise which comes out of the committee after some discussion. It is an important step in the right direction, and I have great confidence that it will accomplish its purpose. I may say to the Senator that I have the feeling that we should take this step, since it is the result of some discussion and compromise in the committee, and we hope to retain it in conference; and I have every reason to believe that it is of sufficient definiteness so that a merit system, as the term is commonly understood, may be required by the Board.

Mr. O'MAHONEY. Does the amendment give the Social Security Board discretion to fix the standards, or does it permit the standards to be modified in the several States?

Mr. GEORGE. Mr. President, I may say that the amendment does not give the Social Security Board power to fix the standards, but it does give the Board power to approve merit systems which the States must in the first instance set up.

Mr. LA FOLLETTE. That is my understanding of the matter; and I think I am at liberty to say that the chairman of the Social Security Board, who has been very much interested in the whole situation, believes that the amendment as drawn provides a workable basis and a workable standard which the Board will find satisfactory in dealing with the States.

Mr. HATCH. Mr. President——

Mr. LA FOLLETTE. I yield to the Senator from New Mexico.

Mr. HATCH. The Senator will recall that during some of the discussion which took place here last summer about various amendments which were proposed, a great deal was

said about employees of the Social Security Administration engaging in political activity within the States. Frankly, I have drawn and lying on my desk an amendment which I was at least thinking about offering, and which is much more drastic in its terms than this amendment. In view of what the Senator has just said about this amendment being the result of a compromise, and his belief that it is a step in the right direction, I am wondering if he thinks it is sufficient to cover some of the things which were discussed here last summer.

Mr. LA FOLLETTE. I believe that under this language, if it shall become law, the Social Security Board will have power to require the establishment of a genuine merit basis for the selection of personnel. As I stated a moment ago, I have every reason to believe that the chairman of the Social Security Board feels that the present language is sufficient, and that a very sound and workable system can be established under the terms of the committee amendment.

Mr. HATCH. Of course the Senator understands that my question was not prompted by any opposition to the amendment.

Mr. LA FOLLETTE. I understand that; and I also wish to commend the Senator from New Mexico. In every way I have done all that I could to support his efforts in connection with the so-called Hatch bill and other legislation of similar character.

Mr. HATCH. I appreciate the support the Senator has given. My only thought was whether the amendment goes far enough.

Mr. LA FOLLETTE. As I stated in response to the inquiry of the able Senator from Wyoming [Mr. O'MAHONEY], it is my belief that we are making a great step forward, and that we should accept the amendment as it comes from the committee, in the nature of a compromise, and make every honorable effort to retain it in conference, with full confidence that under the administration of the Social Security Board the results which we desire to see obtained will be obtained.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield, with pleasure.

Mr. TAFT. Coming from one of the States where very serious abuses occurred, which now have been corrected, I thoroughly approve of the Senator's amendment; but one question arises in my mind.

As I understand, a good many of these State plans are statutory plans. In some places it may be necessary to enact statutes. Will it not be embarrassing to have this amendment take effect on the first of January 1940? Would it not be better to make the effective date April 1 or July 1, so that the State legislature may be called together and meet and act?

Mr. LA FOLLETTE. I may say to the Senator from Ohio, in the first place, that I very much appreciate his statement. Also, I wish to say that this is not my amendment. The amendment was tendered to the committee by the Senator from Rhode Island [Mr. GREEN], and this particular language is the result of discussion in the committee and the suggestions, as I remember, made by the able Senator from Colorado [Mr. JOHNSON].

In direct answer to the Senator's question, I will say that we did discuss this question in the committee with the Chairman of the Social Security Board and the experts of the Board; and they stated that the State provisions so far as personnel are concerned are not statutory provisions, and that the amendment will give the States ample notice. It will give them from the date of enactment of the pending measure to January 1, 1940, to work out their provisions and bring them to the Social Security Board and secure their approval; and the effective date was advanced to January 1, 1940, for that very purpose.

So I think the Senator may rest easy, because the question was raised in the committee; and the experts of the Board assured us that the State personnel provisions are not statutory in character, and therefore are subject to change without action by the respective legislatures of the States.

Mr. TAFT. With due respect, I do not see how civil service can be established in an old-age department unless the State passes a law providing that there shall be civil service in that department, if there is not already civil service.

Mr. LA FOLLETTE. I think that can be done, because the Senator will remember that the funds for the personnel were provided, and this can be done by regulation. I am certain it is entirely within the power of the respective administrative agencies.

I ask for the yeas and nays on the committee amendment.

Mr. KING. Mr. President, may I ask the Senator a question?

Mr. LA FOLLETTE. Certainly.

Mr. KING. The Senator may think the question is a joke, but it is not. In view of the inefficiency of the civil service of the Federal Government, does the Senator think the Federal Government, by giving its blessing to State governments and compelling them to have civil service, is going to improve their condition? I do not think the Federal Government's conduct of its civil-service administration is any particular guide to the States.

Mr. LA FOLLETTE. Mr. President, I do not think the question is a joke. I do not wish to be drawn into a long discussion of the whole question of the Federal civil service. I think there is much to be said for the fact that the civil service of the Federal Government has grown up more or less as a counter action against the patronage system, and that because of that environment and that conditioning it has become more largely an agency endeavoring to protect employees in the civil service in retaining their positions rather than acting as a personnel agency for the Federal Government. I discussed that question to some extent and at greater length in connection with the reorganization bill. I hope that some day we may have a modern, efficient personnel service for the Federal Government; but from my own experience in my own State, I say that it is possible to build up a sound personnel system for a State Government, and I say that it is the judgment of all who have had anything to do with the administration of this act that this particular amendment if enacted into law will greatly improve the conditions surrounding the administration of the old-age title.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I am anxious to yield the floor.

Mr. O'MAHONEY. I merely wanted to make it clear that I understand the Senator to believe that while this is a step in the right direction, it is little more than a step.

Mr. LA FOLLETTE. That is not correct. If the Senator will remember, in response to his first question I stated that the amendment was not so sweeping as the one originally tendered to the committee, that it was somewhat the result of a compromise, but that the Chairman of the Social Security Board and others who have studied this question firmly believe that under the terms of the amendment they can bring about a genuine merit basis for the selection of the personnel under this title of the act.

I think we are making a great advance, although it may not be all that any Senator might want. We are not writing the details of the standards into the law. In other words, we are trusting somewhat to the judgment of the Social Security Board and to their ability to work this matter out with the various State administrations.

Mr. O'MAHONEY. I wish to express it as my personal opinion that this represents a minimum below which we should not in any event go.

Mr. HARRISON. Mr. President, as I understand, the Senator from Wisconsin desires to have a roll call on the amendment in order to show how strongly the Senate favors it?

Mr. LA FOLLETTE. That is my reason for asking for a roll call.

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair). The question is on agreeing to the amendment reported by the committee on page 2, line 9. On that amendment the Senator from Wisconsin asks for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk called the roll.

Mr. LUCAS. My colleague the junior Senator from Illinois [Mr. SLATTERY] is unavoidably detained. If present, he would vote "yea."

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST] and the Senator from New Jersey [Mr. SMATHERS] are detained from the Senate because of illness in their families.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Virginia [Mr. GLASS], the Senator from Delaware [Mr. HUGHES], the Senator from Nevada [Mr. MCCARRAN], the Senator from Florida [Mr. PEPPER], and the Senator from Georgia [Mr. RUSSELL] are absent on important public business.

The Senator from Idaho [Mr. CLARK], the Senator from Minnesota [Mr. LUNDEEN], the Senator from Utah [Mr. KING], the Senator from Rhode Island [Mr. GREEN], the Senator from Connecticut [Mr. MALONEY], and the Senator from Indiana [Mr. VAN NUYS] are detained in various Government departments on matters pertaining to their respective States.

The Senator from Louisiana [Mr. ELLENDER] and the Senator from West Virginia [Mr. HOLT] are conducting hearings in the Committee on Education and Labor.

The Senator from New Hampshire [Mr. TOBEY] has a general pair with the Senator from Florida [Mr. PEPPER].

The result was announced—yeas 72, nays 2, as follows:

YEAS—72

Adams	Downey	Lee	Schwartz
Andrews	Frazier	Lodge	Schwellenbach
Austin	George	Logan	Sheppard
Barbour	Gerry	Lucas	Shipstead
Barkley	Gibson	McKellar	Smith
Bone	Gillette	McNary	Stewart
Borah	Guffey	Mead	Taft
Bulow	Gurney	Minton	Thomas, Okla.
Burke	Hale	Murray	Thomas, Utah
Byrd	Harrison	Neely	Townsend
Byrnes	Hatch	Norris	Truman
Capper	Hayden	Nye	Tydings
Chavez	Herring	O'Mahoney	Vandenberg
Clark, Mo.	Hill	Overton	Wagner
Connally	Holman	Pittman	Walsh
Danaher	Johnson, Calif.	Radcliffe	Wheeler
Davis	Johnson, Colo.	Reed	White
Donahey	La Follette	Reynolds	Wiley

NAYS—2

Bilbo Miller

NOT VOTING—22

Ashurst	Clark, Idaho	King	Slattery
Bailey	Ellender	Lundeen	Smathers
Bankhead	Glass	McCarran	Tobey
Bridges	Green	Maloney	Van Nuys
Brown	Holt	Pepper	
Caraway	Hughes	Russell	

So the committee amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment of the committee.

The next amendment was, in the heading, on page 6, line 1, after the word "And", to strike out "Survivor" and insert "Survivors"; and in line 3, after the word "And", to strike out "Survivor" and insert "Survivors", so as to make the heading read:

TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE

The amendment was agreed to.

The next amendment was, on page 6, line 7, after the word "and", to strike out "Survivor" and insert "Survivors"; in line 25, after the word "and", to strike out "Survivor" and insert "Survivors", so as to read:

SEC. 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" (hereinafter in this title called the "Trust Fund"). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 percent of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (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 Chairman of the Social Security Board, 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" It shall be the duty of the Board of Trustees to—

(1) Hold the Trust Fund;

(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the next ensuing 5 fiscal years;

(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the Trust Fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The amendment was agreed to.

The next amendment was, in the subhead on page 10, line 3, after the word "And", to strike out "Survivor" and insert "Survivors", so as to make the heading read:

Old-Age and Survivors Insurance Benefit Payments.

The amendment was agreed to.

The next amendment was, on page 17, line 15, after the word "section", to strike out "(b)"; on page 18, line 4, after the word "or", to insert "to the"; and in line 5, after the word "the", to strike out "deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law" and insert "deceased, in equal shares", so as to read:

Lump-Sum Death Payments

(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or person who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or to the parents of the deceased, in equal shares. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 2 years after the date of death of such individual.

The amendment was agreed to.

The next amendment was, under the subhead "Reduction and increase of insurance benefits", on page 19, line 9, after the word "the", to strike out "benefit or"; in line 11, after the word "wages", to insert "is more than $20 and"; in line 15, after the word "such", to strike out "benefit or"; and in line 18, after the word "amount", to insert "or to $20, whichever is greater", so as to read:

SEC. 203. (a) Whenever the total of benefits under section 202, payable for a month with respect to an individual's wages, is more than $20 and exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 percent of his average monthly wage (as defined in sec. 209 (f)), whichever of such three amounts is least, such total of benefits shall, prior to any deductions under subsections (d),

(e), or (h), be reduced to such least amount or to $20, whichever is greater.

The amendment was agreed to.

The next amendment was, on page 19, line 20, after the numerals "202", to strike out "(or as reduced under subsection (a))", so as to read:

(b) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

The amendment was agreed to.

The next amendment was, on page 20, line 3, after the word "benefit", to insert "except the primary benefit", so as to read:

(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit, except the primary benefit, shall be proportionately decreased or increased, as the case may be.

The amendment was agreed to.

The next amendment was, on page 20, line 6, after the word "Deductions", to insert "in such amounts and at such time or times as the Board shall determine"; in line 8, after the word "payment", to insert "or payments"; in line 15, after the word "age", to insert "not an apprentice serving without remuneration"; and in line 17, after the word "feasible", to insert "or, if serving as an apprentice without remuneration, failed to so serve regularly and the Board finds that such service was feasible", so as to read:

(d) Deductions, in such amounts and at such time or times as the Board 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 for any month in which such individual:

(1) Rendered services for wages of not less than $15; or

(2) If a child under 18 and over 16 years of age, not an apprentice serving without remuneration, failed to attend school regularly and the Board finds that attendance was feasible or, if serving as an apprentice without remuneration, failed to so serve regularly and the Board finds that such service was feasible; or

(3) If a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

The amendment was agreed to.

The next amendment was, on page 21, line 11, after the word "individual", to strike out "those benefits are" and insert "in receipt of benefits", and in line 13, before the word "because", to insert "(or who is in receipt of such benefits on behalf of another individual)"; so as to read:

(g) Any individual in receipt of benefits subject to deduction under subsection (d) or (e) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

The amendment was agreed to.

The next amendment was, under the subhead "Evidence, Procedure, and Certification for Payment", in section 209, on page 35, line 12, after the word "year", to insert "prior to 1940"; so as to read:

DEFINITIONS

SEC. 209. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year prior to 1940, is paid to such individual by such employer with respect to employment during such calendar year;

The amendment was agreed to.

The next amendment was, on page 35, after line 14, to insert:

(2) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar year after 1939, is paid to such individual with respect to employment during such calendar year;

The amendment was agreed to.

The next amendment was, on page 35, line 20, before the word "The", to strike out "(2)" and insert "(3)"; in line 25, after the word "insurance", to insert "or annuities"; and on page 36, line 4, after the word "disability", to insert a comma and

or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer.

So as to read:

(3) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer.

The amendment was agreed to.

The next amendment was, on page 37, line 4, after the words "prior to", to strike out "such date" and insert "January 1, 1940", so as to read:

(b) The term "employment" means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to January 1, 1940.

Mr. VANDENBERG. Mr. President, may I inquire whether that is the amendment which we discussed previously, which adds $600,000,000 to the cost of the bill?

Mr. HARRISON. Yes. It is the amendment on page 37. That is the amendment to which reference was previously made.

Mr. VANDENBERG. Mr. President, I simply wish to call attention to what would happen under this amendment. I am not quarreling with its objective. The objective is highly laudable. The amendment would add $600,000,000 in the next 15 years to the cost of the social-security bill, and add $600,000,000 outside of the contemplated revenues from pay-roll taxes. It is the beginning of those steps which are gradually going to build an ever-increasing benefit payment outside the purview of the taxes to pay for them. I submit the general observation that the best friend of social-security legislation in the long run is the one who insists that the fund shall be kept solvent so that on the one hand there will be avoided the disaster and the humiliation of making promises which cannot be kept, and, on the other hand, that steps be not taken which will lead ultimately to such an increased burden of pay-roll taxes that the revolt against the whole system will destroy it.

Mr. President, we found it necessary to freeze where it is the 1-percent pay-roll tax under title II for the next 3 years. In 1943 it increases another full 1 percent. In 1943 the whole system will confront the most terrific kind of an impact from the country, because American business in many of its smaller units has had difficulty in paying even the 1-percent pay-roll tax and surviving.

In 1943, with the unemployment tax added, the total tax will be 5 percent upon the pay roll. In 1948 the total tax will be 9 percent.

Mr. President, a total pay-roll tax of 9 percent upon American industry is a terrific burden to be borne by American industry. It is a grave question whether American industry can carry a 9-percent pay-roll tax. It is particularly doubtful whether it can be done. While we are in-

creasing the cost of American production of commodities 9 percent upon the one hand, we are reducing the tariff protection upon the other. We are increasing the cost of production at home by means of the social-security legislation, and we are decreasing protection against goods from abroad. Entirely aside from that, however, the burden of the 9 percent itself is going to be a terrific challenge.

What I am saying is that you had better be careful not to create a situation which will necessitate going beyond the 9 percent, and every time you add a major item of expenditure, precisely as this measure adds $600,000,000, which was never contemplated in the actuarial calculations upon which the tax is based, by the time you have accumulated these items in 1948, you will have created such a situation that even the 9-percent tax will not pay the bill. I submit that when we are voting to increase the benefits we had better give some consideration to the source of the money with which to pay the benefits, lest there be no money to pay the benefits upon the one hand, or, upon the other, that we are ultimately forced to such a heavy pay-roll tax that the revulsion against the whole system will strike it down.

Let us vote on the amendment. I should like to vote on it.

Mr. BORAH. Mr. President, I should like to ask the Senator from Michigan how the question arises? Is a committee amendment under consideration?

Mr. VANDENBERG. Yes.

Mr. HARRISON. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HARRISON. I thought we had passed the matter to which the very eloquent Senator from Michigan referred in his speech, some time ago. Is the Senate recurring to that amendment?

Mr. VANDENBERG. The amendment is now pending.

The PRESIDING OFFICER. The amendment is now pending.

Mr. HARRISON. The amendment which the Senator has just discussed?

Mr. VANDENBERG. Yes.

Mr. HARRISON. I understood the Senator raised no objection to the Senate agreeing to the amendment.

Mr. VANDENBERG. Quite to the contrary. I raised a very serious objection to it.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 37. [Putting the question.] The "noes" appear to have it.

Mr. LA FOLLETTE. I ask for a division.

Mr. HARRISON. I ask for the yeas and nays on this amendment.

Mr. LUCAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LUCAS. Will the Chair have the clerk state the amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 37, line 4, after the words "prior to", it is proposed to strike out "such date" and to insert "January 1, 1940."

Mr. VANDENBERG. That is the pending amendment.

Mr. KING. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. KING. I do not know whether to address the chairman of the committee or the Senator from Michigan. I should like to inquire whether this is the amendment that adds $600,000,000 of cost to the taxpayers of the United States or to this fund.

Mr. VANDENBERG. It does not add it to the taxpayers of the Nation because there is no provision made to pay it.

Mr. KING. Or to the fund.

Mr. VANDENBERG. Some day it will be added to the cost of the fund.

Mr. KING. That is exactly what I desire to know; whether or not it compels an obligation which will have to be discharged from the fund, and if not from the fund, if that becomes bankrupt, from the Treasury of the United States? I assume that the answer must be in the affirmative.

I shall vote "nay" on the question.

Mr. HARRISON. Mr. President, the Social Security Advisory Council, composed of very able men and women from all over the country, suggested in its report that the time would come when the Federal Government would have to help out in the matter of supplementing this fund by making annual appropriations. We have not accepted that view yet. That would be some time in the future, whether in 1980 or some other year. That is a little too far off for me to figure at this time. We have taken care of this situation, though, without question for the next 15 years. The time may come when the Federal Government may have to reimburse or supplement this fund; but what we are doing, to which the Senator from Michigan has alluded, is on page 37. The next amendment provides:

If performed prior to January 1, 1939.

When the bill came from the House, after we approved the freezing of the taxes for 1940, 1941, and 1942, and certain other stipulations with reference to eligibility and coverage were placed in the law, we found that there were certain people who were beyond the age of 65 who would not measure up to the $2,000 they had to earn under the present law, or the $600 required in the House bill. This problem was discussed with the Chairman of the Social Security Board, and it was decided that the best method of giving these people an opportunity for covered employment was to make the inclusion of work over 65 effective January 1 of this year, instead of January 1 of next year, as was provided in the House bill.

Many of the people over 65 would be left out if we did not date the provision back to January 1, 1939. In carrying out the program of liberalization and trying to help the situation of those who have reached 65 years of age, the Finance Committee changed eligibility requirements from years in which $200 or more of wages from covered employment were paid to quarter years in which $50 or more were paid, and advanced the inclusion of wages after 65 from January 1, 1940, to January 1, 1939. In the course of time, over 15 years, the cost of these changes will be considerable; but the situation which confronts us is that the social-security law was passed in 1935, and wage credits begin the 1st of January 1937. Time is required for persons to become eligible for the benefits. The object of the amendment, as I recall, it was not disapproved by anyone in committee.

Mr. VANDENBERG. No, Mr. President.

Mr. HARRISON. Of course, the Senator expressed some objections to it in the discussion a few moments ago, but there was no roll call in the committee. I did not understand the Senator was going to carry the fight to the extent of having a roll call in the Senate. That is why I am trying to explain the amendment at this time.

Mr. VANDENBERG. I have not asked for a roll call.

Mr. HARRISON. The Senator from Utah [Mr. KING] was opposed to the amendment, and expressed himself against it; but the great majority of the committee was for it, and I hope the Senate will now adopt the committee amendment.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. BYRD. I will say to the Senator from Mississippi that the Senator from Michigan [Mr. VANDENBERG] was against it, and voted against it.

Mr. HARRISON. I do not think there was a roll call on this amendment.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 37, line 4. The yeas and nays have been demanded.

Mr. HARRISON. Mr. President, the other side called for a vote, and the Presiding Officer announced that the "noes" seemed to have it. I want to see if the other side will vote on a roll call as they would a while ago. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I

am not informed as to how he would vote. I therefore withhold my vote.

The roll call was concluded.

Mr. HARRISON (after having voted in the affirmative). I have a general pair with the senior Senator from Oregon [Mr. McNARY]. I find he has not voted, so I transfer my pair to the senior Senator from Kentucky [Mr. BARKLEY], and allow my vote to stand.

Mr. McKELLAR (after having voted in the affirmative). I inquire if the Senator from Delaware [Mr. TOWNSEND] has voted?

The PRESIDING OFFICER. The Chair is informed he has not voted.

Mr. McKELLAR. I have a pair with the Senator from Delaware. I transfer that pair to the junior Senator from Louisiana [Mr. ELLENDER], and allow my vote to stand.

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST] and the Senator from New Jersey [Mr. SMATHERS] are detained from the Senate because of illness in their families.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Virginia [Mr. GLASS], the Senator from Delaware [Mr. HUGHES], the Senator from Nevada [Mr. McCARRAN], the Senator from Florida [Mr. PEPPER], and the Senator from Georgia [Mr. RUSSELL] are absent on important public business.

The Senator from Kentucky [Mr. BARKLEY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Nevada [Mr. PITTMAN] are detained in various Government departments on matters pertaining to their respective States.

The Senator from Louisiana [Mr. ELLENDER] and the Senator from West Virginia [Mr. HOLT] are conducting hearings in the Committee on Education and Labor.

Mr. AUSTIN. The Senator from New Hampshire [Mr. TOBEY] has a general pair with the Senator from Florida [Mr. PEPPER].

The result was announced—yeas 58, nays 16, as follows:

YEAS—58

Adams	Donahey	Lee	Reynolds
Andrews	Downey	Logan	Schwartz
Austin	Frazier	Lucas	Schwellenbach
Barbour	George	Lundeen	Sheppard
Bilbo	Gibson	McKellar	Slattery
Bone	Green	Maloney	Stewart
Borah	Guffey	Mead	Thomas, Okla.
Bulow	Harrison	Miller	Thomas, Utah
Byrnes	Hatch	Minton	Truman
Capper	Hayden	Murray	Van Nuys
Chavez	Herring	Neely	Wagner
Clark, Idaho	Hill	Norris	Walsh
Clark, Mo.	Johnson, Calif.	Nye	Wheeler
Connally	Johnson, Colo.	O'Mahoney	
Davis	La Follette	Radcliffe	

NAYS—16

Burke	Gillette	King	Tydings
Byrd	Gurney	Lodge	Vandenberg
Danaher	Hale	Smith	White
Gerry	Holman	Taft	Wiley

NOT VOTING—22

Ashurst	Caraway	McNary	Shipstead
Bailey	Ellender	Overton	Smathers
Bankhead	Glass	Pepper	Tobey
Barkley	Holt	Pittman	Townsend
Bridges	Hughes	Reed	
Brown	McCarran	Russell	

So the committee amendment was agreed to.

The PRESIDING OFFICER. The Clerk will state the next amendment reported by the committee.

The next amendment was, on page 37, line 6, after the word "sixty-five", to insert "if performed prior to January 1, 1939", so as to read:

(b) The term "employment" means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to January 1, 1940 (except service performed by an individual after he attained the age of 65 if performed prior to January 1, 1939), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

The amendment was agreed to.

The next amendment was, on page 40, line 2, after the word "organization", to insert "exempt from income tax under section 101 (1) of the Internal Revenue Code", so as to read:

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1) of the Internal Revenue Code.

The amendment was agreed to.

The next amendment was, on page 40, line 17, after the word "or", to insert "their"; and in line 20, before the word "employees", to insert "officers or", so as to read:

(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.

The amendment was agreed to.

The next amendment was, on page 42, line 6, after the word "State", to strike out "law." and insert "law;"; so as to read:

(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 4 years' course in a medical school chartered or approved pursuant to State law.

The amendment was agreed to.

The next amendment was, on page 42, after line 6, to insert:

(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a vessel other than a sail vessel of less than 400 tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

Mr. SCHWELLENBACH. Mr. President, I should like to have an explanation of this amendment.

Mr. HARRISON. Mr. President, the House bill covered maritime employees in the old-age-insurance tax. We except fishermen from its operation. The object of this amendment is to take care of that exception, so that such employees will not be covered by that tax.

Mr. SCHWELLENBACH. I should like to know what reason the committee has for excepting the employees of such companies?

Mr. HARRISON. I will tell the Senator what prompted me. I presume the conditions in the locality which I have in mind are quite like those in many other localities throughout the country where men dredge for oysters or gather shrimp. The owner of a small vessel goes out with two or three persons who may be his own sons or men he employs by the day. At one place in my State there are thousands of such small fishing vessels which would have to make tax reports to the Bureau of Internal Revenue. I think it would cause a great deal of confusion; I do not believe the benefits which would be obtained would be worth the disadvantages to those engaged in such business, and I do not believe it would be workable. So we excluded fishermen and officers and members of the crew on a sail vessel or a vessel other than a sail vessel under 400 tons.

Mr. SCHWELLENBACH. The limitation is in the alternative; that is, an "or" and not an "and"?

Mr. HARRISON. Yes.

Mr. SCHWELLENBACH. I can appreciate the situation which the Senator explains. However, that condition does not prevail in the fishing industry in many sections of the country and in many parts of the industry. In other words, it is one thing when the efforts are sporadic, and, say, three

or four or five men go out in very small boats; but in a situation such as prevails in the Pacific Northwest, where thousands of people are taken by companies to Alaska, for example, over a period of several months, a very different situation is presented. I wonder if the Senator will agree that this might go over until tomorrow? It may be that I may be able to work out an exception.

Mr. HARRISON. Yes. I may say that if the people to whom the Senator is referring want to be covered by this insurance system, and he can properly frame the provision so that it does not include all the others operating small boats, I should be perfectly willing, so far as I am concerned, to accept it.

Mr. SCHWELLENBACH. May the amendment go over until tomorrow?

Mr. HARRISON. I ask that the amendment be passed over for the present.

The PRESIDING OFFICER. The amendment will be passed over.

The clerk will state the next amendment reported by the committee.

The next amendment was, on page 42, after line 17, to insert:

(15) 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.

The amendment was agreed to.

The next amendment was, on page 43, line 11, after the word "performed", to strike out "for an employer", and in the same line, after the word "period", to insert "by an employee for the person employing him", so as to read:

(c) 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 31 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 (b).

The amendment was agreed to.

The next amendment was, on page 44, line 4, after the word "exceeds", to strike out "$50, and" and insert "$50 and does not exceed $250, and", so as to read:

(e) The term "primary insurance benefit" means an amount equal to the sum of the following—

(1) (A) 40 percent of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 percent of $50, plus 10 percent of the amount by which such average monthly wage exceeds $50 and does not exceed $250, and.

The amendment was agreed to.

The next amendment was, on page 44, line 9, after the word "individual" and the period, to insert "Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.", so as to read:

(2) An amount equal to 1 percent of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual. Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.

The amendment was agreed to.

The next amendment was, on page 44, line 14, after the word "the", to strike out "year" and insert "quarter"; in line 16, after the word "by", to strike out "twelve" and insert "three"; in the same line, after the word "of", to strike out "years" and insert "quarters"; in line 17, after the word "such", to strike out "year" and insert "quarter"; in line 18, after the word "any", to strike out "year" and insert "quarter"; in line 19, after the word "the" where it occurs the first time, to strike out "year" and insert "quarter"; in line 20, after the word "than", to strike out "$200" and insert "$50"; and in line 21, after the word "wages", to strike out the semicolon and "but in no case shall such total wages be divided by a number less than 36" and insert "and any quarter, after the quarter in which he attained age 65, occurring prior to 1939", so as to read:

(f) The term "average monthly wage" means the quotient obtained by dividing the total wages paid an individual before the quarter in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by three times the number of quarters elapsing after 1936 and before such quarter in which he died or became so entitled, excluding any quarter prior to the quarter in which he attained the age of 22 during which he was paid less than $50 of wages and any quarter, after the quarter in which he attained age 65, occurring prior to 1939.

The amendment was agreed to.

The next amendment was, at the top of page 45, to strike out:

(1) (A) he attained age 65 prior to 1940, and
(B) he has not less than 2 years of coverage, and
(C) the total amount of wages paid to him was not less than $600; or
(2) (A) within the period of 1940–1945, inclusive, he attained the age of 65 or died before attaining such age, and
(B) he had not less than 1 year of coverage for each 2 of the years specified in clause (C), plus an additional year of coverage, and
(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of 65 or died, whichever first occurred; or
(3) (A) the total amount of wages paid to him was not less than $2,000, and
(B) he had not less than 1 year of coverage for each 2 of the years elapsing after 1936, or after the year in which he attained the age of 21, whichever year is later, and up to and including the year in which he attained the age of 65 or died, whichever first occurred, plus an additional year of coverage and in no case had less than 5 years of coverage; or
(4) he had at least 15 years of coverage.
As used in this subsection, the term "year" means calendar year, and the term "year of coverage" means a calendar year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

And insert:

(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of 21, whichever quarter is later, and up to but excluding the quarter in which he attained the age of 65, or died, whichever first occurred, and in no case less than six quarters of coverage; or
(2) He had at least 40 quarters of coverage.
As used in this subsection, and in subsection (h) of this section, the term "quarter" and the term "calendar quarter" mean a period of 3 calendar months ending on March 31, June 30, September 30, or December 31; and the term "quarter of coverage" means a calendar quarter in which the individual has been paid not less than $50 in wages. When the number of quarters specified in paragraph (1) of this subsection is an odd number, for purposes of such paragraph such number shall be reduced by one.

The amendment was agreed to.

The next amendment was, on page 47, line 9, after the word "who", to insert "either (1) is the mother of such individual's son or daughter, or (2)", so as to read:

(i) The term "wife" means the wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of 60.

The amendment was agreed to.

The next amendment was, on page 47, line 15, after the word "who", to insert "either (1) is the mother of such individual's son or daughter, or (2)", so as to read:

(j) The term "widow" (except when used in section 202 (f)) means the surviving wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to the beginning of the twelfth month before the month in which he died.

The amendment was agreed to.

The next amendment was, on page 48, line 5, after the word "in" where it occurs the second time, to strike out "connection with"; in line 6, after the word "in", to strike out "connection with"; in line 8, after the word "raising", to insert "shearing"; in the same line, after the word "feeding", to

insert "caring for, training"; and in line 10, after the word "animals", to insert "and other wildlife", so as to read:

(1) The term "agricultural labor" includes all service performed—
(1) On a farm, in the employ of any person in cultivating the soil, or in 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 other wildlife.

The amendment was agreed to.

The next amendment was, on page 48, line 11, after the word "tenant", to insert "or other operator"; in line 13, after the word "management", to insert "conservation, improvement"; and in line 14, after the word "farm", to insert "and its tools and equipment", so as to read:

(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, if the major part of such service is performed on a farm.

The amendment was agreed to.

The next amendment was, on page 48, line 21, after the word "cotton", to insert a comma and "or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes"; so as to read:

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

The amendment was agreed to.

The next amendment was, on page 49, line 1, after the word "handling", to insert "planting"; so as to read:

(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

The amendment was agreed to.

The next amendment was, under the heading "Title III—Amendments to Title III of the Social Security Act"; on page 51, line 18, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after July 1, 1941, methods relating to the establishment and maintenance of personnel standards on a merit basis"; so as to read:

SEC. 302. Section 303 (a) of such act is amended to read as follows:
"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—
"(1) Such methods of administration (including, after July 1, 1941, methods relating to the establishment and maintenance of personnel standards on a merit basis) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

The amendment was agreed to.

The next amendment was, under the heading "Title IV—Amendments to Title IV of the Social Security Act", on page 53, line 25, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis"; so as to read:

SEC. 401. (a) Clause (5) of section 402 (a) of such act is amended to read as follows: "(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) as are found by the Board to be necessary for the proper and efficient operation of the plan."

The amendment was agreed to.

The next amendment was, on page 54, after line 15, to strike out:

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half."
(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such act is amended to read as follows:

The amendment was agreed to.

The next amendment was, on page 54, after line 22 to strike out:

SEC. 402. Effective January 1, 1940—
(a) Subsection (a) of section 403 of such act is amended to read as follows:
"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing January 1, 1940, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total of the sums expended during such quarter under such plan, not counting so much of such sums expended as aid to dependent children for any month as exceeds $18 multiplied by the total number of dependent children receiving aid to dependent children for such month."
(b) Paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half."
(c) Paragraph (2) of subsection (b) of such section is amended to read as follows:

The amendment was agreed to.

The next amendment was, on page 56, line 12, before the word "who", to insert "or serving as an apprentice without remuneration", so as to make the section read:

SEC. 403. Section 406 (a) of such act is amended to read as follows:
"(a) The term 'dependent child' means a needy child under the age of 16, or under the age of 18 if found by the State agency to be regularly attending school or serving as an apprentice without remuneration, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home."

The amendment was agreed to.

The PRESIDING OFFICER. Without objection, the amendments to title V will be considered en bloc. The amendment will be stated.

The amendments to title V were, on page 56, line 20, after the word "to", to strike out "title V" and insert "titles V and VI"; on page 56, after line 21, to insert.

SEC. 501. Section 501 of such act is amended by striking out "$3,800,000" and inserting in lieu thereof "$5,820,000."

At the top of page 57, to insert:

SEC. 502. (a) Subsection (a) of section 502 of such act is amended by striking out "$1,800,000" and inserting in lieu thereof "$2,800,000."
(b) Subsection (b) of such section 502 is amended by striking out "$980,000" and inserting in lieu thereof "$1,980,000."

On page 57, line 7, to change the section number from 501 to 503, and in line 9, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis."

On page 57, after line 14, to insert the following section:

SEC. 504. Section 511 of such act is amended by striking out "$2,850,000" and inserting in lieu thereof "$3,870,000."

On page 57, after line 17, to insert the following section:

SEC. 505. (a) Subsection (a) of section 512 of such act is amended by striking out the words "the remainder" and inserting in lieu thereof "$1,830,000."
(b) Such section is further amended by inserting after subsection (a) the following new subsection:
"(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States

$1,000,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, 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."

(c) Subsection (b) of such section 512 is amended by striking out the letter "(b)" at the beginning thereof and inserting in lieu thereof the letter "(c)."

On page 58, line 10, to change the section number from 502 to 506, and in line 12, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis."

On page 58, after line 17, to insert the following section:

SEC. 507. (a) Subsection (a) of section 514 of such act is amended by striking out "section 512" and inserting in lieu thereof "section 512 (a)."

(b) Such section 514 is further amended by inserting at the end thereof the following new subsection:

"(c) The Secretary of Labor 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 Division of Disbursement 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 Labor."

On page 59, after line 6, to strike out:

SEC. 503. Section 531 (a) of such act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000."

On page 59, after line 8, to insert:

SEC. 508. (a) Section 531 (a) of such act is amended by—

(1) Striking out "$1,938,000" and inserting in lieu thereof "$4,000,000."

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000."

(3) Inserting after the word "Hawaii" the following: "and Puerto Rico, respectively."

(4) Inserting before the period at the end thereof a colon and the following: "*Provided*, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $30,000."

(b) Section 531 (b) of such act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000."

On page 59, after line 22, to insert:

SEC. 509. Section 601 of such act is hereby amended to read as follows:

"SEC. 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1940, the sum of $12,000,000 to be used as hereinafter provided."

So as to make the title read:

TITLE V—AMENDMENTS TO TITLES V AND VI OF THE SOCIAL SECURITY ACT

SEC. 501. Section 501 of such act is amended by striking out "$3,800,000" and inserting in lieu thereof "$5,820,000."

SEC. 502. (a) Subsection (a) of section 502 of such act is amended by striking out "$1,800,000" and inserting in lieu thereof "$2,800,000."

(b) Subsection (b) of such section 502 is amended by striking out "$980,000" and inserting in lieu thereof "$1,980,000."

SEC. 503. Clause (3) of section 503 (a) of such act is amended to read as follows: "(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) as are necessary for the proper and efficient operation of the plan."

SEC. 504. Section 511 of such act is amended by striking out "$2,850,000" and inserting in lieu thereof "$3,870,000."

SEC. 505. (a) Subsection (a) of section 512 of such act is amended by striking out the words "the remainder" and inserting in lieu thereof "$1,830,000."

(b) Such section is further amended by inserting after subsection (a) the following new subsection:

"(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States $1,000,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, 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."

(c) Subsection (b) of such section 512 is amended by striking out the letter "(b)" at the beginning thereof and inserting in lieu thereof the letter "(c)."

SEC. 506. Clause (3) of section 513 (a) of such act is amended to read as follows: "(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) as are necessary for the proper and efficient operation of the plan."

SEC. 507. (a) Subsection (a) of section 514 of such act is amended by striking out "section 512" and inserting in lieu thereof "section 512 (a)."

(b) Such section 514 is further amended by inserting at the end thereof the following new subsection:

"(c) The Secretary of Labor 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 Division of Disbursement 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 Labor."

SEC. 508. (a) Section 531 (a) of such act is amended by—

(1) Striking out "$1,938,000" and inserting in lieu thereof "$4,000,000."

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000."

(3) Inserting after the word "Hawaii" the following: "and Puerto Rico, respectively."

(4) Inserting before the period at the end thereof a colon and the following: "*Provided*, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $30,000."

(b) Section 531 (b) of such act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000."

SEC. 509. Section 601 of such act is hereby amended to read as follows:

"SEC. 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1940, the sum of $12,000,000 to be used as hereinafter provided."

Mr. LA FOLLETTE. Mr. President, the amendments at the bottom of page 56 and following have to do with increased authorizations for appropriations for maternal and child health, vocational rehabilitation, and public health, as authorized in the original Social Security Act. The committee heard testimony from Miss Lenroot, Chief of the Children's Bureau, and Dr. Eliot, Assistant Chief of the Children's Bureau; Dr. Thomas Parran, Surgeon General, and those interested in vocational rehabilitation. The increases in the authorization are as follows:

First. Two million and twenty thousand dollars is added for grants to States for maternal and child-health services in amendments to title V, part 1, section 502.

One million and twenty thousand dollars of this sum is added to subsection 502 (a) to be matched in the ratio of one-half Federal and one-half State funds, $20,000 being added to cover the flat annual grant to Puerto Rico which has been designated as a State in an amendment to title XI, and $1,000,000 is added to subsection 502 (b) so that a total of $1,980,000 instead of $980,000 will be available for allotment by the Secretary of Labor, without matching, according to the financial need of each State for assistance in carrying out its State plan after taking into consideration the number of live births in such States.

The total amount authorized for grants to States annually for maternal and child-health services will then be $5,820,000 as compared with $3,800,000 in the present act.

Second. One million and twenty thousand dollars is added for grants to States for services for crippled children in amendment to title V, part 2, section 512.

Of this sum, $1,000,000 is added in a new subsection 512 (b) to provide a fund for allotment to the States (without a requirement for matching) on the basis of the financial need of each State for assistance in carrying out its State plan. Grants to the States under the act at present must be matched in full by the States.

Of this sum $20,000 is added to provide a flat annual allotment to Puerto Rico since an amendment to title XI designated Puerto Rico as a State.

The total amount authorized for grants to the States annually for services for crippled children will then be $3,870,000 as compared with $2,850,000 in the present act.

Third. Four million dollars increase is authorized for vocational rehabilitation.

Fourth. Four million dollars increase is authorized for public health.

I do not desire to take up the time of the Senate in going into the details of the testimony which was adduced before the committee in support of these amendments. I will say, however, that the testimony impressed the members of the committee who heard the statements with the urgent need for the modest increases in the authorizations to take care of child health, maternal care, and crippled children. The statements so impressed the committee that, as I remember, there were very few votes in the committee against the amendments.

This service, Mr. President, is greatly needed, as has been demonstrated by the testimony of both Miss Lenroot and Dr. Eliot. These funds are being used in an effort to reduce the very high maternal and child death rate in the United States.

The States, in setting up their plans under this title of the Social Security Act, have thus far more largely formulated them so as to take care of the more urban areas. These funds, if they shall be provided by an appropriation in case this authorization increase is allowed, will largely go to help bring the same kind of efficient service which is now being rendered in some of the urban areas of this country to the rural population of the United States, where there is more need for it, or at least as much need for it, as there is in the highly congested centers of the United States. In the highly congested centers there are available hospital facilities and other facilities which are not available in many of the rural areas of the United States.

The testimony of Dr. Parran was conclusive on the point of urgent need for increased funds for public health. Tuberculosis, pneumonia, and cancer are diseases which increased funds will enable the Public Health Service to augment their work to lessen their toll.

Good work is being done in vocational rehabilitation; thus increased funds will make it possible to enlarge this activity.

The only justification for my taking a moment of the Senate's time on these amendments is that I want the RECORD to show that the Senate of the United States paused long enough to understand what was involved in the amendments; and then I want a test of the Senate upon them, in order that we may show that they were not casually passed over by this body.

On the amendments I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on agreeing en bloc to the amendments to title V, beginning in line 20, page 56, and ending in line 8, page 60. On that question the yeas and nays have been demanded. Is the demand seconded?

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. AUSTIN. The Senator from New Hampshire [Mr. TOBEY] has a general pair with the Senator from Florida [Mr. PEPPER].

Mr. McKELLAR (after having voted in the affirmative). I have a pair with the Senator from Delaware [Mr. TOWNSEND]. I transfer that pair to the Senator from Louisiana [Mr. ELLENDER], and will allow my vote to stand.

Mr. SHIPSTEAD. I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am not informed how he would vote on this question. I therefore withhold my vote. If at liberty to vote I should vote "yea."

Mr. HARRISON (after having voted in the affirmative). I have a pair with the senior Senator from Oregon [Mr. McNARY]; but I understand that if he were present he would vote as I have already voted, so I will let my vote stand.

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST] and the Senator from New Jersey [Mr. SMATHERS] are detained from the Senate because of illness in their families.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Virginia [Mr. GLASS], the Senator from Delaware [Mr. HUGHES], the Senator from Nevada [Mr. McCARRAN], the Senator from Florida [Mr. PEPPER], and the Senator from Georgia [Mr. RUSSELL] are absent on important public business.

The Senator from Kentucky [Mr. BARKLEY], the Senator from Nebraska [Mr. BURKE], the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CLARK], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Arkansas [Mr. MILLER], the Senator from Louisiana [Mr. OVERTON], and the Senator from Nevada [Mr. PITTMAN] are detained in various Government departments on matters pertaining to their respective States.

The Senator from Texas [Mr. CONNALLY] and the Senator from Kentucky [Mr. LOGAN] are detained in important committee meetings.

The Senator from Rhode Island [Mr. GERRY] and the Senator from South Carolina [Mr. SMITH] are necessarily detained.

The Senator from Louisiana [Mr. ELLENDER] and the Senator from West Virginia [Mr. HOLT] are conducting hearings in the Committee on Education and Labor.

The result was announced—yeas 59, nays 4, as follows:

YEAS—59

Adams	Downey	Lee	Sheppard
Andrews	Frazier	Lucas	Slattery
Austin	George	Lundeen	Stewart
Barbour	Gibson	McKellar	Taft
Bilbo	Gillette	Maloney	Thomas, Okla.
Bone	Green	Mead	Thomas, Utah
Borah	Gurney	Minton	Truman
Bulow	Harrison	Murray	Tydings
Byrnes	Hatch	Neely	Van Nuys
Capper	Hayden	Nye	Wagner
Chavez	Herring	O'Mahoney	Walsh
Clark, Mo.	Hill	Radcliffe	Wheeler
Danaher	Holman	Reynolds	White
Davis	Johnson, Colo.	Schwartz	Wiley
Donahey	La Follette	Schwellenbach	

NAYS—4

Hale	King	Lodge	Vandenberg

NOT VOTING—33

Ashurst	Clark, Idaho	Logan	Russell
Bailey	Connally	McCarran	Shipstead
Bankhead	Ellender	McNary	Smathers
Barkley	Gerry	Miller	Smith
Bridges	Glass	Norris	Tobey
Brown	Guffey	Overton	Townsend
Burke	Holt	Pepper	
Byrd	Hughes	Pittman	
Caraway	Johnson, Calif.	Reed	

So the amendments of the committee to title V were agreed to en bloc.

Mr. REYNOLDS. Mr. President, we are now engaged in a study of the question of social security. Earlier in the day I heard the distinguished senior Senator from Pennsylvania [Mr. DAVIS] make use of the word "unemployment," and I know of no better time to bring to the attention of this distinguished body the fact that, in my opinion, the finest security, social or otherwise, we could possibly provide the American people would be to afford American jobs for American citizens, particularly in view of the condition that today between eleven and twelve million God-fearing American men and women are walking the streets in search of honest employment.

In addition to that, statistics show that there are approximately 26,000,000 people working only part time, by which I refer to those who are engaged only a few hours out of each day, a few days out of each week, or 1 or 2 weeks out of each month.

Then there are 3,000,000 people upon the W. P. A. rolls of this country, and we shall probably give further consideration to their situation during the present week.

There are also 300,000 fine young men in the C. C. C. camps; and a hundred thousand more who are seeking admission.

There are 4,000,000 people working for the Federal Government, the 48 State governments, the more than 3,203 counties, the more than 10,000 incorporated municipalities, in the form of hamlets, cities, and towns.

During the past month more than 700,000 boys and girls were graduated from the high schools and universities of the country, and we all know that under present conditions

only one out of every three of those fine boys and girls will be able to secure a position.

For these reasons I am very happy at this hour to have the opportunity of bringing to the attention of the Members of the Senate a clipping from one of the New York papers, which was mailed to me a few days ago, which will give a general idea, at least, of the deplorable conditions existing at this time. I wish to read the clipping to the Senate. This is from the columns of the New York Sun of Wednesday, July 5, 1939, in the great metropolitan city of New York. The caption reads:

Fifty-eight jobs in all sought by 7,000—Some wait all night for doors to open—Misapprehensions are many—Civil Service Board beseiged for chauffeurs' places.

I may state that the article is accompanied by a reprint of a photograph, evidently made by the news photographer, showing young and old assembled in the armory, more than 7,000, in an endeavor to secure 1 of 58 jobs. The article reads:

A queue that included more than 1,000 persons, some of whom had been in place since 7 o'clock last night, was on hand today when the municipal civil-service commission opened its doors at 90 Duane Street today to give out applications for jobs as automobile enginemen.

Such was the rush for jobs, of which about 53 paying from $1,200 to $1,500 a year are now open, that it was estimated that 7,000 applications had been given out during the day, 4,000 of them in the first hour and a half.

Extra policemen were on hand to keep the job seekers in line but there was no disorder. Even with the long wait the men were in good humor and once the office had opened the line moved rapidly.

Commissioner Wallace S. Sayre attributed the line to misconception on the part of applicants, most of whom felt that it was a case of first come first served. These jobs, however, are in the competitive class and are filled after an examination has been held.

To qualify as an automobile engineman, one must be not more than 40 years old, have a chauffeur's license and be able to make minor repairs and adjustments, clean, oil, and maintain in good moving condition automobiles intrusted to him and assist in loading and unloading as required.

One man, Angelo Grimaldo, of 34 Snedeker Avenue, the Bronx, reached the commission's office at 5 p. m. yesterday to be first in line but, seeing nobody there, left. When he returned at 11:30 he found a number ahead of him. He and other early birds said that the real rush did not begin until after daylight this morning.

When the door was open, the waiting applicants were allowed in 10 at a time until the peak of the rush had been passed. Several women were in line, some seeking to qualify on their own account and others seeking applications for their husbands.

There were 7,000 God-fearing men and women in the city of New York alone assembled in the armory in that great metropolitan area the night before the applications were to be received the following morning, 7,000 seeking only 53 jobs.

The VICE PRESIDENT. The clerk will state the next amendment reported by the Committee on Finance.

The next amendment was, under the heading "Title VI—Amendments to the Internal Revenue Code", on page 61, line 6, before the word "Section", to insert "(a)"; and after line 14, to insert:

(b) Such section 1401 is further amended by adding at the end thereof the following new subsection:

"(d) Special refund: If by reason of an employee rendering service for more than one employer during any calendar year after the calendar year 1939, the wages of the employee with respect to employment during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400, deducted from such wages and paid to the collector, which exceeds the tax with respect to the first $3,000 of such wages paid. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (1) the employee makes a claim, establishing his right thereto, after the calendar year in which the employment was performed with respect to which refund of tax is claimed, and (2) such claim is made within 2 years after the calendar year in which the wages are paid with respect to which refund of tax is claimed. No interest shall be allowed or paid with respect to any such refund."

So as to make the section read:

SEC. 602. (a) Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) Adjustments: If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

(b) Such section 1401 is further amended by adding at the end thereof the following new subsection:

"(d) Special refund: If by reason of an employee rendering service for more than one employer during any calendar year after the calendar year 1939, the wages of the employee with respect to employment during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400, deducted from such wages and paid to the collector, which exceeds the tax with respect to the first $3,000 of such wages paid. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (1) the employee makes a claim, establishing his right thereto, after the calendar year in which the employment was performed with respect to which refund of tax is claimed, and (2) such claim is made within 2 years after the calendar year in which the wages are paid with respect to which refund of tax is claimed. No interest shall be allowed or paid with respect to any such refund."

The amendment was agreed to.

The next amendment was, on page 65, line 14, before the word "or", to insert "or annuities"; and on line 18, after the word "disability", to insert a comma and "or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer", so as to read:

Sec. 1426. Definitions.

When used in this subchapter—

(a) Wages: The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

(4) Dismissal payments which the employer is not legally required to make.

The amendment was agreed to.

The next amendment was, on page 67, line 2, before the word "of", to strike out "(i)" and insert "(h)", so as to read:

(b) Employment: The term "employment" means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

(1) Agricultural labor (as defined in subsection (h) of this section).

The amendment was agreed to.

The next amendment was, on page 69, line 8, after the word "organization", to insert "exempt from income tax under section 101 (1)", so as to read:

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1).

The amendment was agreed to.

The next amendment was, on page 69, line 23, after the words "dependents or", to insert the word "their"; and on line 25, after the word "are", to insert "officers or ", so as to read:

(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.

The amendment was agreed to.

The next amendment was, on page 71, line 12, after the word "State", to strike out "law," and insert "law;", so as to read:

(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 4 years' course in a medical school chartered or approved pursuant to State law;

The amendment was agreed to.

The next amendment was, on page 71, after line 12, to insert:

(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a vessel other than a sail vessel of less than 400 tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

(15) 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.

Mr. LA FOLLETTE. Mr. President, let me ask the Senator from Mississippi whether or not this amendment should not go over with the other amendment which was passed over?

Mr. HARRISON. Mr. President, I was about to make the statement that the Senator from Washington has withdrawn his objection to the other amendment, and I was about to ask that we recur to the amendment on page 42, line 7, and have that amendment adopted. The objection raised by the Senator from Washington has been withdrawn, and he understands the situation thoroughly.

The VICE PRESIDENT. The question is on agreeing to the amendment on page 71, beginning with line 13.

The amendment was agreed to.

The VICE PRESIDENT. The Senator from Mississippi now asks that the Senate recur to the amendment on page 42, line 7.

The CHIEF CLERK. On page 42, after line 6, it is proposed to insert the following:

(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a vessel other than a sail vessel of less than 400 tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

(15) 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.

The amendment was agreed to.

The next amendment was, on page 72, line 16, after the word "performed", to strike out "for an employer"; and in line 17, after the word "period", to insert "by an employee for the person employing him", so as to read:

(c) Included and excluded service: 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 31 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 (b).

The amendment was agreed to.

The next amendment was, on page 72, line 21, after the word "corporation" and the period, to strike out:

It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (2) such services are not in the course of such individual's principal trade, business, or occupation.

(e) Employer: The term "employer" includes any person for whom an individual performs any service of whatever nature as his employee.

So as to read:

(d) Employee: The term "employee" includes an officer of a corporation.

Mr. DANAHER. Mr. President, I was unable to hear the Senator from Mississippi when he spoke, as I understood, with reference to the amendment on page 72, line 21. Will the Senator please tell what happened to that amendment?

Mr. HARRISON. Mr. President, we struck out the amendment which the House had put in, which carried a definition of employee covering salesmen who are not employees. We also propose an amendment at another place in the bill which expressly excludes from the unemployment insurance tax agents of insurance companies who work on commission—solely on commission.

Mr. DANAHER. Mr. President, does this apply also to self-employed persons generally? Are they also now exempt?

Mr. HARRISON. They are not covered.

Mr. DANAHER. Mr. President, will the Senator yield further?

Mr. HARRISON. I yield.

Mr. DANAHER. I ask unanimous consent to have inserted in the RECORD at this point, as part of my remarks, a very full and complete letter dealing with this general subject which I feel is of such value that it should be perpetuated in the RECORD for the examination of all.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE FULLER BRUSH CO.,
Hartford, Conn., June 16, 1939.

Hon. JOHN A. DANAHER,
United States Senate, Washington, D. C.

DEAR SIR: There is a proposed amendment to the Federal Social Security Act before the Senate under which the term "employee" is redefined to include independent contractors or dealers. The amendment is to section 1101 (a) substituting a new paragraph (6). We feel that you may be unfamiliar with the difficulties that would be experienced under this amendment.

Allow us to give you some facts about our dealers:

The dealer enjoys the independent character and freedom of his business; prizes his status as a local businessman, for he has no boss, does not punch a time clock, fixes his hours of labor and his hours of leisure, and no one tells him when, how, or where he should work. Each day he makes his own decision as to what he will do and how he will do it. He negotiates business with his customers, trades and barters with them, makes special inducements for them to buy, throwing in articles or making special prices to get larger orders. Some weeks he buys merchandise from us and some weeks he does not. We do not know whether he is selling or not selling.

Frequently he just stops buying and it is weeks before we hear from him, sometimes months. Some dealers use automobiles in their business, others do not. Some advertise, some do not. Some dealers are engaged in selling brushes as a part-time business. For the balance of their time they are otherwise engaged or employed. Some are also selling other lines of merchandise. We do not know when they are selling our merchandise or selling the merchandise of another company or engaged in activities of their own.

The dealers buy merchandise from us at wholesale prices. We do not pay them any salary, wages, commissions, or other form of remuneration. The difference between the price a dealer receives from his customer and the price he pays us, less his expense of selling, taxes, and credit losses, is his profit, the amount of which we do not know. We have no pay roll for dealers.

Since we do not know how much the dealers' profits amount to we cannot compute the amount of the tax.

Someone may say that we could have the dealer report to us the amount of his gross profits and the amount of his expenses, taxes, credit losses, etc., and thus his net income would be determined, but this would be based entirely on information provided by the dealer. The company, however, would have no way of compelling a dealer to make such reports to it, and even if a dealer would make such reports we would have no way of deducting a tax from the profits the dealer claims he has made. The dealer is always indebted to us for merchandise purchased. The company might bill the dealer for a so-called pay-roll tax based upon the dealer's statement as to the amount of his net profits, but we would have no way of collecting the tax from the dealer.

The fact is the dealer is not our employee.

The above brief statement will give you some idea of the problems that will be confronting us should the amendment be adopted.

If you will bear with us a few more moments, we shall give you more facts, which we trust will be of assistance to you.

From our years of experience, we positively know that it is impossible to supervise, control, or direct dealers scattered throughout the Nation. Some of them work diligently all day, others devote only a few hours—their time is their own—they work or not, as they please. They will not work regularly, they are not at our place of business. It is common knowledge that a dealer can do enough business in a few hours or part of a week to give him enough profits to satisfy him for a whole week or until he again needs money. Many times it cannot be determined for weeks whether he is or is not doing business. It is also a practice for these people to lump their orders, so that for 1 or 2 or more weeks they earn nothing as far as we can determine. After 3 or 4 weeks they send us an order and we do not know whether they have sold all the merchandise they are buying or whether they order a stock to keep on hand. If the latter, we do not know when they will sell it or whether they ever will sell it.

Under this practice, if he is an employee, he can claim he is unemployed and we would have no knowledge about the real facts.

The adoption of the amendment will present staggering administrative problems. The paper work involved in trying to get data to put into reports will be stupendous; must be obtained by correspondence and there is no way of making dealers give us the information necessary for reports. We are not overpainting the picture, we are giving you hard, cold, actual facts, and that is what you want.

We sincerely hope that the above information will convince you that the amendment should not become a law and that you will share this information with other Senators.

However, if it is the judgment of Congress that the amendment should be passed, the following sentence should be added: "It does not include any individual who purchases merchandise for resale whose profit is determined by his resale price."

The language of the amendment is not clear. If any such amendment as this is going to be adopted, it should exclude specifically the individuals who purchase merchandise for resale at a profit and who are not compensated in any other way by the firm whose goods they are buying and selling. If the amendment is intended, by a mistake in judgment, to include individuals coming under this category, it should be borne in mind that it would be impossible to conform with it.

If the above sentence is not added, the produce merchant who sells fruit and vegetables to persons for resale, the pharmacist who sells food flavoring extracts to individuals for resale, the grocer who sells lemons and popcorn to girls for resale, the producer or grower who sells eggs and dressed poultry to the itinerant dealer for resale, the hardware merchant who sells faucet water strainers and antisplashers to persons for resale, and a host of others—all may be classified under the amendment as employers and the buyers as employees.

Surely Congress does not intend to have this type of buyer, who conducts his business from his home and who calls upon the occupants of homes to sell the merchandise, made an employee by statute. There is no difference in principle between the Fuller dealer and the individuals described above.

Respectfully submitted.

ALFRED C. FULLER,
President.

The VICE PRESIDENT. The question is on agreeing to the amendment on page 72, line 21.

The amendment was agreed to.

The VICE PRESIDENT. The clerk will state the next amendment of the committee.

The next amendment was, on page 74, in line 4, before the word "cultivating", to strike out "connection with"; in the same line, after the word "in", to strike out "connection with"; in line 6, after the word "raising", to insert "shearing,"; in line 7, after the word "feeding", to insert "caring for, training,"; and in line 8, after the word "animals", to insert "and other wildlife", so as to read:

(h) Agricultural labor: The term "agricultural labor" includes all services performed—

(1) On a farm, in the employ of any person, in cultivating the soil, or in 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 other wildlife.

The amendment was agreed to.

The next amendment was, on page 74, line 9, after the word "tenant", to insert "or other operator"; in line 11, after the word "management", to insert "conservation, improvement,"; and in line 12, after the word "farm", to insert "and its tools and equipment", so as to read:

(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, if the major part of such service is performed on a farm.

The amendment was agreed to.

The next amendment was, on page 74, line 20, after the word "cotton", to insert a comma and "or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes", so as to read:

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

The amendment was agreed to.

The next amendment was, on page 74, line 24, before the word "drying", to insert "planting", so as to read:

(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

The amendment was agreed to.

The next amendment was, on page 78, line 25, after the word "law", to insert "to the highest rate applied thereunder in the taxable year to any person having individuals in his employ, or"; and after the words "per centum", to insert "whichever rate is lower", so as to read:

(b) Additional credit: In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to the highest rate applied thereunder in the taxable year to any person having individuals in his employ, or to a rate of 2.7 percent, whichever rate is lower.

The amendment was agreed to.

The next amendment was, on page 79, to strike out lines 16 to 19, inclusive, as follows:

(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 percent of the total annual pay roll with respect to which contributions are required under such law, and.

Mr. AUSTIN. Mr. President, at this point in the consideration of the amendments I ask unanimous consent to

have inserted in the RECORD a telegram from T. B. Wright, president of the Vermont Council of Retail Merchants.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

BURLINGTON, VT., *July 10, 1939.*

HON. WARREN R. AUSTIN,
The Senate:

Unemployment compensation provisions of title 6, section 610, of H. R. 6635, as amended by Senate Finance Committee, has hearty approval of Vermont Council of Retail Merchants. We feel imposition of Federal standards on State unemployment-compensation laws will have undesirable effect on development of stabilized employment and experience rating in the States.

T. B. WRIGHT,
President, Vermont Council of Retail Merchants.

The VICE PRESIDENT. The question is on agreeing to the amendment on page 79, beginning with line 16.

The amendment was agreed to.

The VICE PRESIDENT. The clerk will state the next amendment of the committee.

Mr. SHIPSTEAD. Mr. President, has the amendment on page 79, beginning with line 16, been adopted?

The VICE PRESIDENT. It has been adopted.

Mr. SHIPSTEAD. I have an amendment to offer on behalf of the American Federation of Labor, dealing with that amendment, which has just been agreed to.

Mr. HARRISON. Mr. President, I ask that the vote by which the amendment, on page 79, lines 16 to 19, was agreed to, be reconsidered.

The VICE PRESIDENT. Without objection, the vote by which the amendment was agreed to is reconsidered.

Mr. SHIPSTEAD. I have an amendment to offer on behalf of the American Federation of Labor. Their position is that the security fund will be impaired if the amendment, as it now reads, shall be agreed to. The total income will be less than 2.7 percent, and the fear is expressed that it will provide an inducement to the various States to compete for lower and lower rates and so impair the funds of the security fund. In view of that fact I ask the Senator from Mississippi to accept my amendment and to have it inserted in lieu of the committee amendment.

Mr. HARRISON. Mr. President, there was no question before the committee which gave it more concern and upon which longer time was taken to study than the 2.7 provision. We had before us the so-called McCormack amendment. I think the committee was all agreed on the elimination of the McCormack amendment, which was adopted in the House. We also agreed on the elimination of the 2.7-percent provision.

The matter will be in conference, I may say to the Senator. The whole question will be in conference, and I hope that the Senate will win out in the conference. I think there was no dissention in the committee on the question that this matter should be stricken out, although I know that I got the impression that if the McCormick amendment were agreed to we ought to have something in the bill providing that the reserves be maintained on a reasonable basis such as suggested by the Social Security Board. But we felt that that question was so technical in character that it ought to be subjected to a study by an advisory committee, and if I recall correctly, the Chairman of the Social Security Board stated to the committee that it would not be a bad idea if this matter be studied for awhile, and that it would not under the House proposal be put into operation until, I believe, 1942.

Mr. VANDENBERG. Mr. President, I think the Senator from New York [Mr. WAGNER] has pending a resolution providing for the re-creation of the advisory council to deal with the whole subject.

Mr. HARRISON. Yes. I was further going to state that the amendment would be offered by the Senator from New York to create an advisory committee to study this question. The matter is a very important one. No one wants to see these funds which have been built up for this reason or that increased or reduced to such an extent that the States might not have sufficient funds to pay unemployment benefits. We think there should be further study before any changes are made. There are some States in which these unemployment benefits are just now beginning to be paid. I think Wisconsin led in the march, and they adopted the merit rating system. The whole matter is one of such technical and far-reaching significance that we think it should be further studied.

Mr. SHIPSTEAD. Am I to understand that the Senator from New York [Mr. WAGNER] will offer an amendment to this bill?

Mr. HARRISON. He will offer an amendment to create an advisory council to be appointed by the Finance Committee of the Senate, and the Ways and Means Committee of the House to work on this question and to submit its advice and findings to the Social Security Board and to Congress.

Mr. SHIPSTEAD. Can the Senator give us an idea how long such a study will require? How much time will it take?

Mr. HARRISON. That depends on many factors. There may be a report ready for the next session of Congress.

Mr. SHIPSTEAD. If it is for the next session of Congress I think that would be a reasonable procedure.

Mr. HARRISON. The American Federation of Labor is no more intent than the members of the Finance Committee of the Senate on seeing that these funds are preserved and that proper legislation is passed by the States. We do not want to see the fund depleted at all. We do not want it to be lowered to the point where it is dangerous.

Mr. SHIPSTEAD. I see the Senator from New York has just entered the Senate Chamber. I should like to direct a question to him about the wording of the proposed amendment.

Mr. HARRISON. I will ask the Senator from New York if it is not his purpose to offer an amendment which will create a board to study the whole unemployment-insurance question?

Mr. WAGNER. Yes. The amendment proposes the establishment of a board similar to the advisory council which was appointed several years ago, I think at the suggestion of the Senator from Michigan [Mr. VANDENBERG], to study the question of old-age pensions, and I think they rendered an extraordinary service and have aided the committee very greatly in the formulation of amendments.

Mr. HARRISON. They certainly have done so.

Mr. WAGNER. I shall propose an amendment calling for a similar study of the subject of unemployment insurance, because of the very many technical subjects which are involved that are constantly arising. I do not think any committee of Congress should be asked to deal with these technical subjects before they have at least the constructive and sound advice of a technical group representing employers and employees, the public, and the Government.

Mr. SHIPSTEAD. Has the Senator an amendment to that effect to offer to the bill?

Mr. WAGNER. The amendment is ready to be offered, I may say to the Senator, when the consideration of committee amendments shall have been completed.

Mr. SHIPSTEAD. And is it expected that the proposed committee will report at the next session of Congress?

Mr. WAGNER. It is hoped that they will so report. Undoubtedly they will report just as soon as they are prepared to give their conclusions.

Mr. SHIPSTEAD. The Senator understands that time is important, because there is some doubt about maintaining the integrity of these funds.

Mr. WAGNER. I do not think it is any more essential than it was essential to fix a particular time with reference to the advisory council which treated with the subject of old-age pensions. They did a very fine job in advising Congress as to the technical changes that were desirable because of the short experience that had been had with the matter. I think the Congress may very well rely upon any council that is appointed representing both employers and employees as well as the Government. I believe they will be very diligent. They will be able to advise Congress in relation to any changes that may be necessary.

Mr. SHIPSTEAD. Does the Senator believe the amendment he will offer will be acceptable to the committee?

Mr. HARRISON. I may say that the Finance Committee by vote has already expressed itself favorably to the chairman's acceptance of the amendment of the Senator from New York when offered.

Mr. O'MAHONEY. Mr. President, I should like to ask the chairman of the committee [Mr. HARRISON] or the Senator from New York [Mr. WAGNER] whether or not the text of the proposed amendment is available.

Mr. WAGNER. Yes; it is printed.

Mr. O'MAHONEY. I refer to the amendment to be offered by the Senator from New York.

Mr. WAGNER. Yes.

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that there be printed in the RECORD at this point the full text of the amendment proposed to be offered by the Senator from New York [Mr. WAGNER] dealing with the investigation of unemployment insurance.

There being no objection, the amendment intended to be proposed by Mr. WAGNER was ordered to be printed in the RECORD, as follows:

Amendment intended to be proposed by Mr. WAGNER to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, viz: On page 119, at the end of the bill, insert the following new section:

"SEC. 908. (a) There is hereby authorized to be established by the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, in cooperation with the Social Security Board, an Advisory Council on Unemployment Insurance, representing employers, employees, and the general public, to study and report to said committee on the following matters concerning unemployment insurance:

"1. Scope and coverage.

"2. Amount, character, duration, and qualification for benefits.

"3. Advisability and nature of individual employer and State unemployment experience ratings for tax purposes.

"4. Size, character, adequacy, and disposition of reserves.

"5. Source, character, and method of financing.

"6. Coordination of unemployment insurance with relief, work relief, and other programs for alleviating economic distress among the unemployed.

"7. Pertinent experience in the operation and administration of existing unemployment-insurance laws.

"8. Any other matters which either of the above-mentioned committees or the Social Security Board may deem relevant to the inquiry.

"(b) The Social Security Board shall furnish all necessary technical assistance in connection with such study."

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee, on page 79, lines 16 to 19.

The amendment was agreed to.

The VICE PRESIDENT. The clerk will state the next amendment reported by the committee.

The next amendment was, on page 80, line 1, after the words "not less than", to strike out "the 3 consecutive years" and insert in lieu thereof "a 1-year period", so as to read:

(1) No reduced rate of contributions to a pooled fund or to a partially pooled account is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than a 1-year period immediately preceding the computation date.

Mr. WALSH. Mr. President, I should like to have the attention of the chairman of the committee on this amendment, which is very important.

The present law fixes the period of time for determining the compensation paid by an employer in a particular State on the basis of the average over a period of 3 years. The House bill contained the same provision. The Finance Committee has changed the period to 1 year. Many persons are of the opinion that 1 year's experience is not a sufficient test of whether the employer should have his rate raised or lowered. I was about to suggest to the chairman of the committee an amendment making the period 2 years. As the House bill provided 3 years, the whole matter could then go to conference and be disposed of on a basis of not less than 2 years or more than 3 years. Personally, I feel that one year is altogether too short a time for a determination by the State of what contribution should be made by an employer.

Mr. HARRISON. So far as I am concerned, I shall be very glad to accept an amendment providing for 2 years, so that the matter may go to conference.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee on page 80, beginning in line 1.

Mr. WALSH. Mr. President, I move to amend the part proposed to be stricken out in the committee amendment by striking out, on page 80, line 1, the word "three" and inserting in lieu thereof the word "two."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. WALSH] to the amendment reported by the committee.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question now is on agreeing to the committee amendment, as amended.

The amendment, as amended, was rejected.

The VICE PRESIDENT. The clerk will state the next amendment reported by the committee.

The next amendment was, on page 80, line 3, after the word "date", to insert a comma and the words "throughout which compensation has been payable under such law"; and at the end of line 4, after the semicolon, to strike out the word "or", so as to read:

immediately preceding the computation date, throughout which compensation has been payable under such law.

The amendment was agreed to.

The next amendment was, on page 81, after line 22, to strike out:

(b) Other State standards: Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding 10 calendar years or one and one-half times the highest amount of compensation paid out of such fund within any one of the preceding 10 calendar years, whichever is the greater; and

(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than 52 consecutive weeks, a total amount of compensation equal to not less than 16 times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than 52 consecutive weeks, whichever is less,

(B) no such individual will be required to have been totally unemployed for longer than 2 calendar weeks or two periods of 7 consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

(C) the weekly rates of compensation payable for total unemployment in such State will be related to the full time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law or will be determined on the basis of such fractional part of an individual's total earnings (with respect to which contributions were required under such State law) during that calendar quarter within such period in which such earnings were highest, as will produce a reasonable approximation of such full-time weekly earnings, and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 percent of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and

(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and

(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.

The amendment was agreed to.

The next amendment was, on page 84, line 12, before the word "Certification", to strike out "(c)" and insert "(b)"; in

line 20, before the word "of", to strike out "or (b)"; on page 85, line 4, before the word "of", to strike out "or (b)"; in line 10, before the word "of", where it occurs the second time, to strike out "or (b)"; in line 12, after the word "subsection", to strike out "(d)" and insert "(c)"; and in line 22, before the word "of", where it occurs the second time, to strike out "or (b)", so as to read:

(b) Certification by the Board with respect to additional credit allowance—

(1) On December 31 in each taxable year the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) of this section.

(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (c) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) of this section.

The amendment was agreed to.

The next amendment was, on page 86, line 2, after the word "subsection", to strike out "(d)" and insert "(c)"; in line 4, before the word "of" where it occurs the second time, to strike out "or (b)"; and in line 13, before the word "of", to strike out "or (b)", so as to read:

(3) The Board shall, within 30 days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (c) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

The amendment was agreed to.

The next amendment was, on page 86, line 16, before the word "Definitions", to strike out "(d)" and insert "(c)", so as to read:

(c) Definitions: As used in this section.

The amendment was agreed to.

The next amendment was, on page 89, line 7, before the word "any", to strike out "1939" and insert "1940", and in line 12, after the numeral "1", to strike out "1939" and insert "1940", so as to read:

(6) Balance: The term "balance", with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1940, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1940.

The amendment was agreed to.

The next amendment was, on page 89, after line 22, to strike out:

(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941; and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.

The amendment was agreed to.

The next amendment was, on page 91, line 22, after the word "the" where it occurs the second time, to strike out "taxes imposed by sections 1410 and" and insert "tax imposed by section", so as to read:

(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law.

The amendment was agreed to.

The next amendment was, on page 94, line 6, after the word "were", to strike out "in his employ" and insert "employed by him in employment", so as to read:

SEC. 1607. Definitions.

When used in this subchapter—

(a) Employer: The term "employer" does not include any person unless on each of some 20 days during the taxable year, each day being a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was eight or more.

The amendment was agreed to.

The next amendment was, on page 94, line 25, after the word "insurance", to insert "or annuities", and on page 95, line 4, after the word "disability", to insert a comma and "or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer", so as to read:

(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer.

The amendment was agreed to.

The next amendment was, on page 98, line 11, after the word "organization", to insert "exempt from income tax under section 101 (1)"; so as to read:

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1).

The amendment was agreed to.

The next amendment was, on page 98, line 25, after the word "or", to insert "their", and on page 99, line 3, before the word "employees", to insert "officers or"; so as to read:

(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.

The amendment was agreed to.

The next amendment was, on page 100, line 13, after the word "State", to strike out "law." and insert "law;"; so as to read:

(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 4-year course in a medical school chartered or approved pursuant to State law.

The amendment was agreed to.

The next amendment was, on page 100, after line 13, to insert:

(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; or

(15) 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.

Mr. LA FOLLETTE. Mr. President, I should like to ask the Senator from Mississippi [Mr. HARRISON] if his interpretation of the amendment on page 100, beginning at line 14 and continuing down to and including line 18, is the same as my own. It is my understanding that the committee amendment just referred to, which excludes from employment service performed by insurance agents, does not change the status of insurance agents generally under other titles of the bill or under the present law.

Mr. HARRISON. I think the Senator is exactly correct.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee on page 100, after line 13.

The amendment was agreed to.

The next amendment was, on page 101, line 12, after the word "performed", to strike out "for an employer"; and in line 13, after the word "period", to insert "by an employee for the person employing him", so as to read:

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 (c).

The amendment was agreed to.

The next amendment was, on page 103, line 8, before the word "cultivating", to strike out "connection with"; in the same line, after the word "in", to strike out "connection with"; in line 10, after the word "raising", to insert "shearing,"; in line 11, before the word "and", to insert "caring for, training,"; in line 12, after the word "animals", to insert "and other wildlife"; in line 15, after the word "management", to insert "conservation, improvement,"; and in line 16, after the word "farm", to insert "and its tools and equipment,"; and in line 24, after the word "cotton", to insert a comma and "or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes", so as to read:

(1) On a farm, in the employ of any person, in cultivating the soil, or in 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 other wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in conection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

The next amendment was, on page 104, line 4, before the word "drying", to insert "planting", so as to read:

(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

The amendment was agreed to.

The next amendment was, under the heading "Title VII—Amendments to Title X of the Social Security Act," on page 105, line 7, after the word "administration" and the parenthesis, to strike out "other than those relating to selection, tenure of office, and compensation of personnel" and insert "including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis", so as to read:

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(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) as are found by the Board to be necessary for the proper and efficient operation of the plan."

The amendment was agreed to.

The next amendment was, under the heading "Title VIII—Amendments to Title XI of the Social Security Act," on page 108, line 18, after the numeral "1", to strike out "1940"; at the beginning of line 19, to strike out "(a) clause" and insert "1940, paragraph"; and in line 23, before the word "section", to strike out "including" and insert "except", so as to read:

SEC. 801. Effective January 1, 1940, paragraph (1) of section 1101 (a) of such act is amended to read as follows: "(1) the term State (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such act (except section 531) includes Puerto Rico."

The amendment was agreed to.

The next amendment was, at the top of page 109, to strike out:

(b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

The amendment was agreed to.

The next amendment was, under the heading "Title IX—Miscellaneous Provisions", on page 115, after line 16, to insert:

(1) No part of the tax imposed by the Federal Unemployment Tax Act or by title IX of the Social Security Act, whether or not the taxpayer is entitled to a credit against such tax, shall be deemed to be a penalty or forfeiture within the meaning of section 57j of the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, as amended.

The amendment was agreed to.

The next amendment was, on page 116, after line 3, to insert:

SEC. 904. Effective January 1, 1940, section 1428 of the Internal Revenue Code is amended by striking out "paragraphs (9) and (10)" and inserting in lieu thereof "paragraph (9)."

The amendment was agreed to.

The next amendment was, on page 116, after line 7, to insert:

SEC. 905. (a) No service performed at any time during the calendar year 1939 by any individual shall, by reason of the individual having attained the age of 65, be excepted from employment as defined in section 1426 (b) of subchapter A of chapter 9 of the Internal Revenue Code. Paragraph (4) of such section (which excepts such service from employment) is repealed, effective January 1, 1939. The tax on employees imposed by section 1400 of such subchapter and the tax on employers imposed by section 1410 of such subchapter, and the provisions of law applicable to such taxes, shall apply with respect to remuneration paid after December 31, 1938, for service which, by reason of the enactment of this section, constitutes employment as so defined.

(b) Notwithstanding any other provision of law, no employer shall be liable for the tax on any employee, imposed by section 1400 of such subchapter (unless the employer collects such tax from the employee), with respect to service performed before the date of enactment of this act which constitutes employment by reason of the enactment of this section, except to the extent that the employer has under his control at any time on or after the ninetieth day after such date amounts of remuneration earned at any time by the employee.

The amendment was agreed to.

The next amendment was, on page 117, after line 5, to insert:

SEC. 906. If the Social Security Board finds with respect to any State that the first regular session of such State's legislature which began after June 25, 1938, and adjourned prior to 30 days after the enactment of this act (1) had not made provision to authorize and direct the Secretary of the Treasury, prior to 30 days after the close of such session or July 1, 1939, whichever date is later, to transfer from its account in the unemployment trust fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "preliminary amount," or to authorize and direct the Secretary of the Treasury, prior to 30 days after the close of such session or January 1, 1940, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "liquidating amount," or both; and (2) had not made provision for financing the administration of its unemployment-compensation law during the period with respect to which grants therefor under section 302 of the Social Security Act are required under section 13 of the Railroad Unemployment Insurance Act to be withheld by the Social Security Board, notwithstanding the provisions of section 13 (d) of the Railroad Unemployment Insurance Act the Social Security Board shall not begin to withhold from certification to the Secretary of the Treasury for payment to such State the amounts determined by it pursuant to section 302 of the Social Security Act and to certify to the Secretary of the Treasury for payment into the railroad unemployment-insurance account the amount so withheld from such State, as provided in section 13 of the Railroad Unemployment Insurance Act, until after the thirtieth day after the close of such State's first regular or special session of its legislature which begins after the date of enactment of this act and after the Social Security Board finds that such State had not, by the thirtieth day after the close of such legislative session, authorized and directed the Secretary of the Treasury to transfer from such State's account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund such State's "preliminary amount" plus interest thereon at 2½ percent per annum from the date the amount thereof is determined by the Social Security Board, and such State's "liquidating amount" plus interest thereon at 2½ percent per annum from the date the amount thereof is determined by the Social Security Board. Notwithstanding the provisions of section 13 (e) of the Railroad Unemployment Insurance Act, any withdrawal by such State from its account in the Unemployment Trust Fund for purposes other than the payment of compensation of the whole or any part of amounts so withheld from certification with respect to such State pursuant to this act shall be deemed to constitute a breach of the conditions set forth in sections 303 (a) (5) of the Social Security Act and 1603 (a) (4) of the Internal Revenue Code. The terms "preliminary amount" and "liquidating amount," as used herein, shall have the meanings defined in section 13 of the Railroad Unemployment Insurance Act.

The amendment was agreed to.

The next amendment was, on page 119, after line 12, to insert:

SEC. 907. In addition to any other deductions made under section 203 of the Social Security Act, as amended, deductions shall be made from any primary insurance benefit or benefits to which an individual is entitled or from any other insurance benefit payable with respect to such individual's wages, until such deductions total 1 percent of any wages paid him for services performed in 1939, and subsequent to his attaining age 65, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code have not been deducted by his employer from his wages or paid by such employer.

The amendment was agreed to.

The VICE PRESIDENT. That completes the committee amendments.

Mr. CONNALLY. Mr. President, I send to the desk an amendment which I ask to have stated.

The VICE PRESIDENT. The amendment offered by the Senator from Texas will be stated.

The LEGISLATIVE CLERK. On page 3 it is proposed to strike out lines 5 to 20, both inclusive, and insert in lieu thereof the following:

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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any such individual for any month as exceeds $40:

(A) Two-thirds of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $15 multiplied by the total number of such individuals who received old-age assistance for such month, plus

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

and (2) 5 percent of the amount of the payment under clause (1) of this subsection, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

On page 4, line 8, strike out "one-half" and insert in lieu thereof "the State's proportionate share."

Mr. BYRNES. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator from Texas yield to the Senator from South Carolina?

Mr. CONNALLY. If the Senator will permit me to state the effect of the amendment, I shall then be glad to yield.

Mr. President, the effect of this amendment is to provide that in the matter of old-age assistance or old-age pensions the Federal Government shall make a contribution of $2 to the State's $1, up to $15. Above $15 there shall be an equal contribution. The purpose of the amendment is to provide Federal benefits, or at least to offer encouragement to the weaker and poorer States, in order that they may make adequate contribution for old-age assistance.

I now yield to the Senator from South Carolina.

Mr. BYRNES. Mr. President, I presented to the committee for its consideration an amendment having in mind the same object as that now presented by the Senator from Texas. The amendment I offered was drafted in accordance with the suggestion which had been made by the officials of the Social Security Board and by others who have given thought to this subject, and provided that the contribution on the part of the States should be based upon a variable formula, so that the States with a low per capita income would contribute an amount related to the percentage that the per capita income of the State bore to the national income.

Mr. CONNALLY. I suggest to the Senator that his amendment provided a two-thirds maximum.

Mr. BYRNES. Yes. In the amendment which I offered, as well as in the amendment of the Senator from Texas, as I understand, there is a provision that in no case shall the contribution by the Federal Government amount to more than two-thirds, nor shall the contribution of the State government amount to less than one-third.

The committee, after considering the amendment and also the amendment offered by the Senator from Texas failed to adopt either of them. It is my opinion that the amendment of the Senator from Texas will receive greater support than the amendment offered by me. Because I am in favor of the objective, I am, therefore, not going to offer the amendment I offered to the committee. Instead I am going to support the amendment of the Senator from Texas.

I desire to call the attention of the Senate to the situation confronting us. Under the existing law, though the Federal Government is contributing 50 percent of any amount not in excess of $30, the average amount paid by the various States of the Union as of December 31 was $19.55. The amount paid ranges all the way from $32.43 in California to $6.15 in Arkansas.

Under the circumstances, the provision of the bill as it passed the House and was reported by the committee increasing to $20 the contribution to be made by the Federal Government, conditioned upon the State appropriating $20, is, in my opinion, absolutely ineffective and can only result in misleading many of the aged who are in need throughout the country. Manifestly, if the States cannot now contribute one-half of $30, it will be impossible for them to contribute

one-half of $40. When only one State in the Union contributes $15; namely, the State of California, I can see no justification for the hope that by merely increasing the maximum contribution of the Federal Government in the statute we can thereby bring about an increased payment to the needy old people throughout the country.

Today when we talk about $30 old-age assistance in the Congress, it is almost a hopeless task to explain the situation to the man in Arkansas who says, "I get an average of $6.15 a month," and so on, throughout the other States where the payment is less than $15 a month.

As a member of the unemployment committee, I devoted some time to the investigation of this subject. Our committee was of the opinion that if old-age assistance was really to be of the service it was intended to be, we should make more adequate provision for the aged needy. So long as payments of $6.15 or $8.10 a month are made in the form of old-age assistance the recipients will still be in need, will still resort to the municipality, county, or State for relief, and the taxpayers, through another agency, will contribute to their relief. So long as we are paying this inadequate sum, we will find the local officials who certify eligibles for the W. P. A. rolls certifying the old man and the old woman who is still able to work for a job on W. P. A.

That costs the taxpayers an average of $1,000 a year, including materials, labor, and overhead. Therefore, from a mere cold-blooded view, considering the expense to the taxpayer, the wise thing for us to do is to contribute such an amount as will make it possible for the States to provide a sum sufficiently adequate to remove the old people from the field of other forms of relief.

The amendment prepared by the Senator from Texas provides for a contribution by the Federal Government of two-thirds of the sum paid by the State to the recipient in the State, the two-thirds being based upon and limited to the average amount paid, not in excess of $15. It would mean that if today in a State the sum of $15 is paid, the Federal Government contributing $7.50 and the local government $7.50, under this amendment the Federal Government would contribute $10 and the local government $5, taking the average. That would mean an additional $2.50 per man per month contributed by the Federal Government. On all over $15 the contribution would be, as under the existing law, on the 50-50 basis. The estimate of additional cost is $80,000,000 in excess of the amount now paid by the Federal Government.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. VANDENBERG. The $80,000,000 estimate, as I understand, is based upon the maintenance of the existing total, where the system which the Senator contemplates would undoubtedly increase the total, would it not?

Mr. BYRNES. Mr. President, I am unable to answer the Senator's question as satisfactorily as I should like to do. I must say that the figure is contained in a letter written to the Senator from Texas. It was my understanding that, based upon the existing roll of one million eight hundred and some thousand, it would cost only $63,000,000. I understand the letter to the Senator from Texas states that the estimate of $80,000,000 is "an intermediate estimate." By that is meant that the estimate is $60,000,000, based upon the existing roll, and, if they have an estimate as to the addition that would result, it would be somewhere about $100,000,000, and when the chairman of the Board refers to "an intermediate estimate" he has taken 50 percent of the estimated increase.

Obviously, in justice to the officials of the Board, it should be said that it is impossible for them to estimate accurately the result of an increase on the rolls. I think, therefore, that it is not unfair for them to estimate $20,000,000 as the increase resulting from the additional number of people who would be granted relief.

Of course, in various States there are various degrees of liberality in placing aged persons upon the roll. It depends upon the attitude of State officials. I think, however, the figure I have stated would be a fair estimate. If it is, I submit to the Senate, that if we are to admit a dual responsibility in this matter, if we admit that the Federal Government owes a responsibility with reference to the care of the aged as well as do the States, then the Federal Government cannot entirely divest itself of that responsibility and say that it will be content to be a partner in the payment of $6.15 or $6.50 or $7 or $8 in a State.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. O'MAHONEY. I have observed that the Senator has here a very interesting table, apparently taken from the hearings of the Committee on Unemployment, of which he was chairman, which lists the average payment received by each old-age beneficiary in each of the several States for the period ended December 1938, and that the averages run from a maximum of $32.43 in the State of California to a minimum of $6.15 in the State of Arkansas. I ask the Senator if my understanding is correct that the amount of the payment received by each beneficiary is dependent upon the State law and not upon the Federal law?

Mr. BYRNES. Of course, that is correct; and that is what I was addressing myself to, that, while we admit a dual responsibility, we leave to the States the entire determination of the amount. The result of the $10.10 contribution is that the United States Government pays to the individual in the State 10 cents a day—one thin dime per day to take care of aged and feeble persons. The States are likewise responsible for that, and, if anything, they are more responsible, because they fix the amount. Nevertheless, I submit that, where there is a dual responsibility, the Government of the United States can consider whether or not that is a condition that should be permitted to continue.

Mr. O'MAHONEY. Then I should like to ask the Senator a further question. This list, then, is not a list showing the amount received by each beneficiary, but it is a list showing the amount of the payment by the Federal Government?

Mr. BYRNES. Oh, no; it shows the average amount paid in each State to the beneficiary. When it shows the amount of $6 and some cents, it means that the average payment to the individual in Arkansas is $6, in South Carolina $7, or whatever it is, and so forth.

Mr. O'MAHONEY. Then, under the bill as the committee reported it, the Federal contribution would be one-half of the sum shown in this table?

Mr. BYRNES. That is correct.

Mr. O'MAHONEY. I think it might be well to have the table inserted in the RECORD at this point.

Mr. BYRNES. Mr. President, I accept the suggestion of the Senator from Wyoming, and ask that the table be inserted in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The table is as follows:

Average old-age assistance payment per recipient (title I), December 1938

United States	$19.55
California	32.43
Colorado	29.99
Massachusetts	28.56
Connecticut	26.66
Nevada	26.46
Arizona	26.10
New York	24.18
New Hampshire	23.08
Ohio	23.01
Washington	22.10
Wyoming	21.62
Idaho	21.55
Oregon	21.30
Pennsylvania	21.19
Wisconsin	20.78
Maine	20.71
Montana	20.48
Utah	20.45
Minnesota	20.42
South Dakota	20.04
Oklahoma	19.94
Iowa	19.82
Kansas	19.62

Average old-age assistance payment per recipient (title I), December 1938—Continued

New Jersey	$19.32
Rhode Island	18.78
Illinois	18.52
Missouri	18.48
Maryland	17.51
North Dakota	17.38
Nebraska	17.12
Michigan	17.11
Indiana	16.53
Vermont	14.47
Texas	13.84
Florida	13.84
West Virginia	13.79
Tennessee	13.23
New Mexico	11.15
Delaware	10.84
Louisiana	10.26
Virginia	9.54
Alabama	9.51
North Carolina	9.36
Georgia	8.76
Kentucky	8.73
South Carolina	7.40
Mississippi	6.92
Arkansas	6.15

Per capita income by States 1935

United States	$432
New York	700
Connecticut	607
California	605
Delaware	590
Rhode Island	561
Nevada	545
Massachusetts	539
Wyoming	526
New Jersey	517
Illinois	500
Montana	482
Pennsylvania	478
Michigan	473
Maryland	473
Wisconsin	467
Ohio	460
New Hampshire	438
Washington	434
Minnesota	416
Maine	414
Colorado	406
Indiana	402
Arizona	401
Oregon	394
Iowa	370
Missouri	366
Vermont	366
Kansas	365
Nebraska	361
Florida	353
Utah	348
Idaho	344
New Mexico	322
West Virginia	318
Texas	316
Virginia	305
Louisiana	300
South Dakota	275
North Dakota	260
Oklahoma	259
North Carolina	253
Georgia	253
Kentucky	240
Tennessee	232
South Carolina	224
Alabama	189
Arkansas	182
Mississippi	170
District of Columbia	966

Mr. O'MAHONEY. Mr. President, I now desire to ask the Senator another question. What differences are there in the laws of the various States which account for these differences in the payments?

Mr. BYRNES. Mr. President, of course, the laws of the States simply provide for the reduced payments in the large number of States indicated on the list.

Mr. O'MAHONEY. Is it solely a question of the inability of the States to raise by taxation sufficient funds to meet the maximum allowed by the United States law?

Mr. BYRNES. That is the only other point to which I desire to refer. That question, of course, has been discussed at some length. The result of my investigation convinces me that it is due to the inability of the States to make larger contributions.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Virginia.

Mr. BYRD. I should like the Senator to refer, for example, to Illinois, the second richest State in the Union. It is now paying a pension of $19.10. Does the Senator contend that Illinois cannot pay more than $19.10 to the aged persons of that State?

Mr. BYRNES. Mr. President, I have before me the table. The hearings contain, opposite the table showing the amounts paid in the various States, a table showing the per capita income by States. According to that table, Illinois ranks tenth in the list of States in per capita income, and does not rank second in the list of States.

Mr. BYRD. I will say to the Senator that in wealth it does rank second.

Mr. BYRNES. Mr. President, I know the Senator's views on the subject, because the matter was discussed in committee. The question as to what constitutes the ability of a State to pay is to my mind best settled by the question of per capita income according to the statement of the Department of Commerce issued about 6 weeks ago. The figures to which I refer are based upon that investigation by the Department of Commerce, following the most scientific methods known to the officials of the United States Government at this time. They show Illinois as tenth in the list. That, I contend, is the best evidence of ability to pay; but I want to say that the figures speak for themselves. I hope Members of the Senate will read these figures in the RECORD in the morning.

There are two or three States whose per capita income is high, but which have made a relatively small contribution. Illinois is not the best illustration from that viewpoint, as I see it; but this situation cannot be judged by any one State or two States. We must take the list; and if we will follow the list we shall find that according to the per capita income, as determined by the Department of Commerce, the payments of old-age assistance to the beneficiaries are very closely in accord with the per capita income of the States. To my mind, the list shows that, so far as the States have been able to pay, they are paying; and there is no question in my mind, in view of the sentiment throughout the country today on this question that when the States are able to pay they are willing to pay for this particular cause.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. BYRNES. I yield to the Senator from Virginia.

Mr. BYRD. To revert to Illinois, the per capita income, to which the Senator has referred, is in that State considerably above the average. I ask the Senator if he thinks $9.50 is all that Illinois could contribute to the aged persons of that State, and all that she should be expected to contribute. The figures which I obtained from the Department of Commerce show that the average per capita income in Illinois is $596, and the average for the country is $515.

Mr. BYRNES. Mr. President, I have said and I will repeat to the Senator from Virginia that I see that he and I are never going to agree on these figures. He doubtless will have a chance to address the Senate on the subject, and he can put into the RECORD the figures he has. I have put into the RECORD the figures which have been furnished me. The Senate may read them, and, as usual, they will have to do what I have had to do—take the figures that they like better.

Mr. BYRD. Mr. President, the Senator has not answered my question. Does he think the great, rich State of Illinois has reached the maximum amount it can pay to its old-age pensioners?

Mr. BYRNES. Mr. President, I do not know the conditions existing in the State of Illinois. I should not want to express an opinion on the basis of the list. Before the Appropriations Committee I heard many statements made in behalf of the people of Illinois. I do not know the conditions. The Senator himself will have to answer that question, because I cannot answer it for him any better than I have done.

Mr. President, the list shows that not only Illinois but the other States of the Union are not contributing the maximum.

Then I ask the Senate, Is it right, is it fair, to say to the old people of the country, "We want to show you what we are going to do for you; we will increase the amount of your monthly payment from $30 to $40," and let every old man and old woman sit down at home and read about the passage of this bill, and think $40 is coming to them, and await the receipt of the $40? They will wait a long time, judging from the action of the various States of the Union.

I know what has happened to the States, and every Member of the Senate knows. Gradually, the Federal Government has usurped the field of taxation, and has left to the States relatively few taxes. In most States what is left consists of taxes upon real estate. There comes a time when the farm and the home can no longer be taxed sufficiently to raise enough money to match the $20 which is offered by the United States Government. We may go home and say, "We offered on the part of the Federal Government to give you $20; it is not our fault that you have not got it, and that you are getting only $8 or $10"; but somebody is going to understand the situation. The situation is that instead of saying $40 we might as well say $400, for the beneficiaries would come just as near getting $400 as most of the States of the Union are going to be able to pay $40.

We can do a practical thing. We can adopt this amendment, and at least insure that in the States there will be paid an average of $15. That is the average. A State may pay one individual $20, and it may pay another individual $15. The individual receiving $15 may have a son who can contribute to some extent to his assistance, and the other individual may not, and he will get $20; but the payments will average $15, and if the average is $15 all that the Federal Government pays in addition to the present amount is $2.50 per man or per woman on this list. I submit that it is not an unreasonable thing to ask, and it will make the States of the Union contribute something approaching an adequate amount.

Mr. CONNALLY obtained the floor.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. MILLER. I do not desire to occupy the time of the Senator from Texas, nor to speak unduly within his time; but since the State from which I come occupies the position that it does in reference to the payment of old-age pensions, I feel that it is incumbent on me to say a few words.

I should be the last man in the Senate to destroy State responsibility for old-age pensions. I do not agree with the group who think that the obligation should be assumed entirely by the Federal Government. I think the State owes an obligation to its citizens which it should discharge. I do not want to destroy State responsibility. But in States like Arkansas—and this is not a pleasant thing for me to say, it is not a source of gratification—the people who are qualified under the State law and in accordance with the Federal law have been receiving pensions of approximately $6.15 a month. If, as the Senator from South Carolina has so well said, this is a Federal responsibility, I merely wish to submit the one proposition to the Senate, that those people are just as much citizens of the United States as are the citizens of any other State, and contribute as much in proportion to their financial ability to the upkeep and to the maintenance of the Federal Government. Then the responsibility of the Federal Government likewise ought to be discharged in Arkansas in the same proportion as it is discharged in other States.

The amendment offered by the Senator from South Carolina, in my opinion, was more just than the pending amendment, but the pending amendment will go a long way toward destroying the inequality which exists among citizens of the United States.

Mr. VANDENBERG. Mr. President, will the Senator from Texas yield so that I may ask the Senator from Arkansas a question?

Mr. CONNALLY. I yield.

Mr. VANDENBERG. What is the experience of the Senator's State in matching other funds that are on a 50-50 basis? Is the Senator's State meeting the other invitations from the Federal Government in full?

Mr. MILLER. Not to the extent of one dime. Every dime that has been spent in Arkansas during the last 7 years in the construction of roads has been Federal money. Today we owe $144,000,000 in road bonds. There is not a single fund from the Federal Government that is being matched as we would like to match it in Arkansas.

Mr. VANDENBERG. Would the Senator say that the same argument would apply to changing the basis of matching, for instance, in connection with roads?

Mr. MILLER. I think so.

Mr. VANDENBERG. In other words, if we are changing, are we not setting the precedent for a complete change?

Mr. MILLER. I think the Committee on Unemployment suggested the best solution of the problem; that is, handling it on a variable basis, depending upon the per capita income in the various States.

I beg the pardon of the Senator from Texas, because I do not want to monopolize his time, and I am not going to take the time of the Senate to discuss the position my State occupies, but I wish to submit this one proposition, that the Federal Government, if it owes its citizens anything, owes them a semblance of equality.

I thank the Senator from Texas.

Mr. HATCH. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. HATCH. I have been unavoidably detained from the Chamber, and I do not know what amendment is being considered. I merely wish to ask the Senator from Texas whether the amendment he proposed to offer is now being discussed.

Mr. CONNALLY. It is. I wish to thank very deeply the Senator from South Carolina [Mr. BYRNES], who has made such a valuable contribution to the discussion. I wish to say that the Committee on Unemployment, of which he is chairman, has made an exhaustive study of the question involved. The Senator's original amendment had much appeal and a great deal of merit.

My reason for offering the amendment in the form in which it is now presented, containing a definite percentage, was because of the variable factors, and the guesses and estimates which would have to be resorted to under the amendment of the Senator from South Carolina. Some actuary of the department each year would have to determine, not from accurate data, but from his imagination, frequently, the relative incomes of the people in the different States, and we would always have a considerable discussion on the floor of the Senate along those lines. So I concluded that it would probably be administratively better to have a definite ratio. I wish to thank the Senator from Arkansas for his statement along the same line.

Mr. President, why did we ever pass an old-age pension law? What business is it of the Federal Government? Why should not the States attend to that? Why should they not determine how much they will pay their old people? What business has the Federal Government in this problem at all?

I do not suppose there was a single State in the Union which had an old-age pension system before the Federal Government first came forward and said, in effect, "You ought to have one, and we are going to make you have one by adopting a Federal old-age pension system; and if we cannot persuade you to do likewise, we are going to offer you a little inducement."

A Senator sitting near me says "bribery." Well, call it bribery. That is the point I am trying to make. The Federal Government had to determine the best policy under which to put the system into effect, and if it could not persuade them, it would toll them by saying "You see this money. You will get some of it if you will come in. If you do not come in, you will not get any."

The point I am trying to drive home is that the Federal Government is responsible for this system. The Federal Government decreed that the policy of giving something to dependent aged persons in the United States should come into existence.

Why did we do that? Did we have any obligation to do it? It is said, "Yes, the Federal Government owes an obligation to all of the aged people who are dependent, who are in need. It owes them the duty of seeing that they get something toward relieving their need."

Very well. Where are these citizens? They are not all in Washington; they are not all in the Senate; they are not all in the House of Representatives. They are scattered throughout 48 States of the Union. They are all the same kind of citizens. They are all in need. They are all sovereigns in some State, in some Commonwealth.

What would we think of a government which said, "Well, now, there is a good citizen down in Arkansas who is in need. The Federal Government owes him something. But how much does it owe him? It owes him only $3.08. There is another citizen in California in need. How much does the Federal Government owe him? It owes him $15." He is the same kind of a citizen, in the same condition, in the same country, under the same flag. But we give one of these citizens, the one in Arkansas, just $3.08, and the other one, in California, $15. Is that right?

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. SCHWELLENBACH. Is there not another possible implication, that if this continues indefinitely there will be an attraction to the States which are able now to pay more; that ultimately a larger burden will be placed upon them; and that then the possibility will arise that those States which are now able to pay more will not be able to pay the amount they are now paying? Thus an additional responsibility will be placed upon the States which are able at the present time to pay more?

Mr. CONNALLY. I thank the Senator. I can well envisage that if California, with all its other attractions, had a generous old-age assistance law, it would catch the old as it now catches the young.

Mr. LEE. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. LEE. Would the Senator's amendment completely correct that situation, or merely help to correct it?

Mr. CONNALLY. I do not think it would completely meet it. I do not think it would solve it entirely.

Mr. LEE. It would help?

Mr. CONNALLY. It would help, of course. It would help the very lowest ones, the ones at the bottom, where the need is the greatest. After a pension gets as high as $15, then the State and the Federal Government, under the amendment which I have offered, would share the burden equally.

Mr. LEE. If the situation is to be completely corrected, the pension will have to be paid by the Federal Government without regard to the States matching at all, will it not?

Mr. CONNALLY. Not necessarily. I do not agree to that. I doubt whether the country would stand for that. I do not believe that would be quite right, because we let the States administer the law in the first place. If a State is going to administer the law and is going to specify the recipient of the fund, it ought to have some financial responsibility, because it is much easier to divide other people's money than one's own. So, I think the State ought to be forced to contribute, and thereby have a feeling of financial responsibility.

What would Senators think of a pension law, not an old-age-pension law, especially, but any kind of a pension law—a military-pension law, for instance, for men who are in the service—if we should say, "We are going to give pensions to deserving soldiers, whether they fought or whether they stayed at home, but if one of them lives in Arkansas he is going to get $3.08, but another soldier who lives in California will get $15"? Would Senators vote for such a measure? Would they say that simply because a soldier happens to live in Colorado he should receive $12 out of the Federal Treasury in the form of a pension, when another soldier who had stood by his side in battle ranks, and who now lives in Arkansas, would get $3.08? That is the question involved.

I will say to the Senator from Oklahoma [Mr. LEE] that the amendment is in conformity with the original spirit of the law, because our theory was that we would persuade the States, we would induce them, we would coax them to adopt a policy which they have never heretofore adopted of their own motion, and so by making provision for the payment of two-thirds, up to $15, we are helping States such as Arkansas. Arkansas pays only $3.08 now. If the amendment is adopted Arkansas will pay $5, if they have to go out and hijack the taxpayers to get it, because those who run for office, those who run for governor or other offices there will very wisely conclude, "We can raise it to as much as $5 because we will then get a larger amount." I do no violence to my own opinions or views when I say that the policy of this law is to coerce, to coax, to persuade the States, to influence them, to bring them to a state of mind, whatever one may want to call it. That is what this law was passed for. Why? Because up to the time this law was enacted no State, so far as I know, had an old-age-pension system. If there was any State which had one I should like to be corrected. No Senator answers.

Mr. SCHWELLENBACH. The State of Washington did have.

Mr. CONNALLY. May I ask the Senator how much it paid?

Mr. SCHWELLENBACH. It did not pay very much. The State law was enacted in 1933, prior to the time the Federal law was enacted.

Mr. CONNALLY. It did not operate very long?

Mr. SCHWELLENBACH. No. And I will say that probably it was in contemplation that the Federal Government would later adopt such a law.

Mr. CONNALLY. I knew that the State of Washington was enterprising. It saw what was coming, and it beat the Federal Government to the gun by a few months. Be that as it may, I still will let my statement stand, because the system had not begun to operate well before the Federal Government entered the field. But, by and large, the Federal Government is entirely responsible for the States adopting the system of old-age pensions. If we have an adequate sense of our obligations, if we have sufficient sense of duty to the citizens to pass this law, and to appropriate the millions of dollars which we have been appropriating, and to coerce the States into appropriating an equal number of millions of dollars, why should we let the States dominate the entire system? That is what we are doing. We are saying to the State, "We will only pay to your needy what you pay them." Do not we owe any duty to the needy man himself? And if we owe him any duty, it is not dependent on what the State does for him. If the Federal Government owes the citizen an obligation, it owes it to him directly. The Federal Government does not operate through the State government, but every responsibility of the Federal Government to the citizen is direct. Every duty that a citizen owes to the Federal Government is direct. It does not pass through the State.

The duty that I owe my Government in time of war does not go through any State. It is due to the Federal Government. There are two sovereignties, each operating over the same territory at the same moment, and the citizen is a dual citizen. He is not simply a citizen of California, but he is a citizen of California and also a citizen of the United States, and what he owes unto the Federal Government he must pay to the Federal Government. We do not pay taxes to the State and then have the State contribute those taxes to the Federal Government. Whenever a citizen pays a Federal tax he pays it directly to the Federal Government, and he pays his other taxes to the State government, and the reverse of that proposition is just as sound today as the day when the Constitution was ratified by the first nine States of the original Union.

Whatever duty the Federal Government owes to a citizen it owes to him not because he happens to be a citizen of a State but because he is a citizen of the United States, and

it has no right to shirk its responsibility and say, "Because you belong in this State the measure of our Federal duty to you, the measure of our Federal obligation, will not be a measure that we set, but it will be a measure that your State sets, and if your State is unfair to you, if it is unable to raise the money, if it is not sufficiently wise to raise an adequate amount, neither will the Federal Government do justice to you. If your State is unfair to you, if it is indifferent to your wants and your needs, the Federal Government will copy the State in that respect, and we will be indifferent also." If that is to be the Federal attitude, why did we ever pass the original bill?

Mr. BYRD. Mr. President, will the Senator yield?

Mr. CONNALLY. I will yield in just a moment. If we wanted the States to do as they saw fit about old-age pensions and determine how much they would give, why did we not let the matter alone, and let each State raise the question and decide it for itself?

I now yield to the Senator from Virginia.

Mr. BYRD. If the old-age pension is considered to be unjust by the people living in the States, do they not have the power to elect to office those who will treat them justly?

Mr. CONNALLY. In theory that is fine. I will say to the Senator from Virginia that I am not trying to agitate. God knows there is already sufficient agitation about old-age pensions. The amendment I am now discussing is most moderate. I am not in favor of unloading all this obligation on the Federal Government. The Senator from Virginia heard me say that so long as the States are going to administer the system they ought to make some contribution of a financial character, and ought to feel the reins of authority and the bonds of responsibility.

The Senator from Virginia quoted statistics with reference to Illinois. I am not particularly concerned about Illinois, but if Illinois is rich and able to pay old-age pensions and does not pay enough, if an increased amount comes out of the Federal Treasury, Illinois will be benefited by that much. If it has such a high income, if it is so rich, then the Federal Government will reach in and get a little more of the money of Illinois and pay it to the people who need it.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. HATCH. I was going to suggest to the Senator with respect to the discussion of the unfairness of individual States to their citizens, that I happen to come from one of the poorer States, a State whose old people receive but little in the way of old-age assistance. That is not due to any unfair attitude on the part of the State officials.

Mr. CONNALLY. No. Let me say to the Senator that some of my deductions were, of course, hypothetical.

Mr. HATCH. Yes; I understand that perfectly. But I merely wanted to put in the RECORD that, at least so far as my State is concerned, the small payments are due simply to the fact that the State is unable to make larger payments. Should the people in New Mexico be discriminated against because of the poverty of the State? That is the situation.

Mr. CONNALLY. I thank the Senator. I think the Senator from New Mexico has put his finger right squarely on the most delicate and sensitive spot in the whole problem.

The Senator from Virginia talked about the great State of Illinois being rich, and that it ought to contribute more to old-age pensions. That is probably true. Who made the State of Illinois rich? Did it come from within the city limits of Chicago? Was the wealth that is in Illinois produced there? Every time a brakeman uncoupled a train in New Mexico or Arizona on one of the transcontinental lines, he was contributing to the wealth of Chicago by making it possible to concentrate there the great industries and the great financial and commercial activities which made Chicago the second city of the Nation. And ought not Chicago to pay something to help those who have helped make her rich?

Mention is made of New York. New York would still be the village that old Peter Minuit bought from the Indians for $24 if it had not been for people all over these United States who from their own activities and their own industries poured a great stream of wealth into New York.

In the old days everyone who took out a small life-insurance policy cut a few years off his life and gave them to those in New York who owned the life-insurance company. That happened all over the Nation. If one traced the interest paid on money borrowed at the little country bank one would find that a great deal of it went to New York, to the big bank, from that little bank which borrowed the money to loan to persons in my State and, Mr. President, in your State. And when people in my State and people in your State were paying 10 percent and 12 percent, the favored interests in the great cities were getting their money for 3 percent, 4 percent, and 5 percent.

The Senator from New Mexico put it vividly. There are many States in the Union which are poor. Take New Mexico. Let us say a road 10 miles or 20 miles long is to be built. Relatively there are very few people on the highway, very few people to maintain it. A highway in New York of the same length would reach 10 times or 100 times as many people who would use it, and yet it costs just as much, and perhaps more, to build a road in New Mexico than it does in New York.

Mr. ANDREWS rose.

Mr. CONNALLY. Mr. President, does the Senator wish me to yield?

Mr. ANDREWS. Mr. President, I wish to inquire if the Senator is now yielding the floor.

Mr. CONNALLY. No; I am not yielding the floor. I shall be glad to yield to the Senator. I have not quite concluded. I shall be glad to have the Senator interrupt me if he so desires. I probably shall conclude at 5 o'clock.

Mr. ANDREWS. I should like to interrupt the Senator for a few minutes.

Mr. CONNALLY. I shall be very glad to be interrupted by the Senator from Florida, because I am sure he is in sympathy with the amendment.

Mr. ANDREWS. It is my purpose to show that one department of the Government, which has to deliberate carefully on all questions of fact and law, has determined that old-age assistance and old-age pensions are a national obligation, and not a local one. The direct question at issue was title II of the Social Security Act, which provides for Federal old-age benefits. The case was that of *Helvering* v. *Davis* (301 U. S., 640). I should like to quote from the opinion in order to show that the highest authority in the country has determined the question.

The Supreme Court, in an opinion written by the late Justice Cardozo and concurred in by six Justices of the United States Supreme Court—all except Justices McReynolds and Butler—said:

> The purge of Nation-wide calamity that began in 1929 has taught us many lessons. Not the least is the solidarity of interests that may once have seemed to be divided. Unemployment spreads from State to State, the hinterland now settled that in pioneer days gave an avenue of escape. * * * Spreading from State to State, unemployment is an ill not particular but general, which may be checked, if Congress so determines, by the resources of the Nation. If this can have been doubtful until now, our ruling today in the case of the *Chas. C. Steward Mach. Co.* (301, U. S. 548, ante, 1279, 57 S. Ct. 883, 109 A. L. R. 1293, supra), has set the doubt at rest. But the ill is all one or at least not greatly different whether men are thrown out of work because there is no longer work to do or because the disabilities of age make them incapable of doing it. Rescue becomes necessary irrespective of the cause. The hope behind this statute 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.
>
> Congress did not improvise a judgment when it found that the award of old-age benefits would be conducive to the general welfare. The President's Committee on Economic Security made an investigation and report, aided by a research staff of Government officers and employees, and by an advisory council and several other advisory groups. Extensive hearings followed before the House Committee on Ways and Means and the Senate Committee on Finance. A great mass of evidence was brought together supporting the policy which finds expression in the act. Among the relevant facts are these: The number of persons in the United States 65 years of age or over is increasing proportionately as well as absolutely. What is even more important, the number of such persons unable to take care of themselves is growing

at a threatening pace. More and more our population is becoming urban and industrial instead of rural and agricultural. The evidence is impressive that among industrial workers the younger men and women are preferred over the older. In times of retrenchment the older are commonly the first to go, and even if retained, their wages are likely to be lowered. The plight of men and women at so low an age as 40 is hard, almost hopeless, when they are driven to seek for reemployment. Statistics are in the brief. A few illustrations will be chosen from many there collected. In 1930, out of 224 American factories investigated, 71, or almost one-third, had fixed maximum hiring-age limits; in 4 plants the limit was under 40, in 41 it was under 46. In the other 153 plants there were no fixed limits, but in practice few were hired if they were over 50 years of age. With the loss of savings inevitable in periods of idleness, the fate of workers over 65, when thrown out of work, is little less than desperate. A recent study of the Social Security Board informs us that "one-fifth of the aged in the United States were receiving old-age assistance, emergency relief, institutional care, employment under the Works Program, or some other form of aid from public or private funds; two-fifths to one-half were dependent on friends and relatives; one-eighth had some income from earnings; and possibly one-sixth had some savings or property. Approximately three out of four persons 65 or over were probably dependent wholly or partially on others for support." We summarize in the margin the results of other studies by State and national commissions. They point the same way.

The problem is plainly national in area and dimensions.

That is one point I wish to bring out.

Moreover, laws of the separate States cannot deal with it effectively.

That is another point I wish to bring out.

Congress at least had a basis for that belief. States and local governments are often lacking in the resources that are necessary to finance an adequate program of security for the aged.

That is exactly the point the Senator from Texas [Mr. CONNALLY] is making.

This is brought out with a wealth of illustration in recent studies of the problem. Apart from the failure of resources, States and local governments are at times reluctant to increase so heavily the burden of taxation to be borne by their residents for fear of placing themselves in a position of economic disadvantage as compared with neighbors or competitors. We have seen this in our study of the problem of unemployment compensation.

By the way, that is one of the strongest points, proving the statement that it is a national obligation.

* * * A system of old-age pensions has special dangers of its own, if put in force in one State and rejected in another. The existence of such a system is a bait to the needy and dependent elsewhere, encouraging them to migrate and seek a haven of repose.

That is exactly the situation we now face in the State of Florida. One hundred thousand elderly people migrated to Florida before the depression touched us. The depression caught them in Florida. They suddenly found that the coupons attached to their industrial and other bonds were worthless, and they themselves were cast out, to be taken care of by the public or allowed to suffer. They come from every State in the Union. They are part of the national problem which we are trying to help solve. The Supreme Court of the United States, in the opinion from which I have read, has held that the problem is national, and not local, and has given its reasons. Those reasons were arrived at deliberately, behind closed doors, where the Court had plenty of time to think over the problem and then lay down the policy.

We cannot escape the problem. We must face it.

Only a power that is national can serve the interests of all.

The opinion goes on and gives further reasons why the problem is a national one. I thank the Senator from Texas for permitting me to speak in his time.

Mr. CONNALLY. I am very glad indeed to have the Senator from Florida contribute to this discussion.

Mr. BARKLEY. Mr. President, is the Senator from Texas ready to suspend for the day, or does he wish to proceed at this time?

Mr. CONNALLY. I wish to be recognized when the Senate meets tomorrow. I am willing to have an armistice at this time.

The PRESIDING OFFICER. The Chair understands that upon the resumption of the session tomorrow the Senator from Texas will have the floor.

Mr. SHIPSTEAD. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an amendment which I intend to offer tomorrow to the pending bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment intended to be proposed by Mr. SHIPSTEAD is as follows:

At the proper place in the bill insert the following new section:

"SEC. —. (a) On and after the date of enactment of this act the total amount of the stabilization fund established by section 10 of the Gold Reserve Act of 1934, as amended, shall not exceed $500,000,000, and the balance of the sum of $2,000,000,000 appropriated by such section for the purposes of such fund shall be set aside in a special account in the Treasury and used as a basis for the issuance of coins and currency in an equivalent amount. The coins or currency so issued shall be used to retire the special obligations of the United States which on the date of enactment of this act are held in the Federal Old-Age and Survivor Insurance Trust Fund, the Railroad Retirement Account, and the Unemployment Trust Fund. All amounts paid into such funds for the purpose of retiring such special obligations shall be available for the purchase at the market price of interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States, or for the acquisition of any such obligations on original issue at par.

"(b) Notwithstanding the provisions of section 7 of the Gold Reserve Act of 1934, as amended, in the event that the weight of the gold dollar shall at any time be further reduced after the date of enactment of this act, the resulting increase in value of the gold held by the United States (including the gold held as security for gold certificates and as a reserve for any United States notes and for Treasury notes of 1890) shall be credited to the account of the Federal Old-Age and Survivor Insurance Trust Fund and shall be available for the purposes of such fund.

"(c) All amounts hereafter retained as seigniorage upon the delivery of silver to the United States mints for coinage shall be credited to the account of the Federal Old-Age and Survivor Insurance Trust Fund and shall be available for the purposes of such fund.

"(d) The Secretary of the Treasury is hereby authorized to make such rules and regulations as may be necessary with respect to the issuance of coins and currency authorized by this section, and the retirement of the special obligations provided for by this section."

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

The VICE PRESIDENT. When the Senate took a recess yesterday afternoon the Senator from Texas [Mr. CONNALLY] gave notice that, after the expiration of the armistice this morning, he would like to renew the battle on the pending question, which is the amendment of the Senator from Texas. So, the Chair thinks he should recognize the Senator from Texas.

Mr. HARRISON. Mr. President——

Mr. CONNALLY. I yield to the Senator from Mississippi.

Mr. HARRISON. Mr. President, I am wondering how many speeches there are to be made on this particular amendment. I understood that the Senator from Oklahoma [Mr. LEE] was going to offer an amendment after the disposition of the pending amendment. Due to the sudden death of one of our colleagues in the other House, several Senators will have to leave as members of the funeral party. I had hoped that the Senate might obtain a vote on the pending amendment at an early hour. I do not, however, desire to cut off any Senator from making a speech on it.

Mr. BYRD rose.

Mr. HARRISON. I understand the Senator from Virginia desires to speak on the amendment?

Mr. BYRD. I do.

Mr. HARRISON. Mr. President, I inquire if we could vote on this particular amendment at 1:30 p. m. today?

Mr. McNARY. Mr. President, at this time, I do not think, without further consideration of the matter, I could consent to that.

Mr. HARRISON. Very well.

Mr. CONNALLY. Mr. President, I do not care to detain the Senate long on this amendment; but some Senators who now are present were not here yesterday, and I feel it necessary briefly to refer to what the amendment proposes.

As was explained yesterday, the amendment simply provides that in the matter of old-age pension payments the Federal Government shall contribute two-thirds of the payments up to a total of $15, and that after the payments reach $15 the contributions shall be equal, as under the present law. In other words, the Federal Government puts up $10 and the State puts up $5, making $15, and from that point on the amounts are equal; the purpose of the amendment being to encourage and stimulate the States which now, either by reason by having exhausted their available tax resources or from any other cause, have not provided substantial old-age pension payments.

Mr. McKELLAR. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Tennessee?

Mr. CONNALLY. I do.

Mr. McKELLAR. It is unquestionably true, is it not, that this arrangement applies to all the States exactly alike?

Mr. CONNALLY. Exactly.

Mr. President, I wish to make it clear to all Senators who may have labored under any misapprehension yesterday because of the debate regarding the rich and the poor States that this amendment does not discriminate in anywise against any State. It applies to the rich States just

as it does to the poor States. It simply relates to the ratio of the initial contribution, so that a rich State receives the same consideration that a poor one does, and a poor State enjoys the same opportunity and the same consideration as a rich State, except in the amount of stimulation. I think the amendment will stimulate and have a greater effect upon the poor States to encourage them to exert themselves to the utmost to meet the requirements necessary to obtain a substantial Federal payment than it will, perhaps, in the case of the rich States; but, so far as the law and its application are concerned, every State has the same opportunity, and there is no discrimination whatever.

Mr. HATCH. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from New Mexico?

Mr. CONNALLY. I do.

Mr. HATCH. The Senator has stated that under his amendment there would be no discrimination. I ask him if it is not true that by reason of the inability of some of the States to match the payments of the Federal Government on a strict 50-50 basis the present law discriminates against the poorer States in favor of the richer States?

Mr. CONNALLY. The Senator from New Mexico is correct. Technically, of course, the present law applies to every State alike; but in actuality and in practice, what happens in the case of the poorer States was described by the Senator from Arkansas [Mr. MILLER] yesterday when he stated that his State had exhausted its tax resources, and was not contributing anything to all the other Federal matching programs, but that in the case of old-age pensions all that it had been able to pay so far was $3.08 per head. In a case of that kind, by putting up $2 more, Arkansas would be enabled to pay its pensioners a total of $15, and every other State could do the same thing and receive the same ratio of contribution from the Federal Government.

Mr. BORAH. Mr. President——

Mr. CONNALLY. I yield to the Senator from Idaho.

Mr. BORAH. Assuming that the State and the Federal Government put up the amounts provided for, what is the full amount which the pensioner would receive?

Mr. CONNALLY. Under the present law?

Mr. BORAH. No; under the Senator's amendment.

Mr. CONNALLY. Under the pending bill the maximum has been increased by the House from $30 to $40.

Mr. BORAH. And each pays half?

Mr. CONNALLY. And each pays half. Under the amendment which I offer the Federal contribution would be $2.50 more than the State contribution. In other words, by putting up $10 the State could pay its pensioners $25; by putting up $15 it could pay them $35; and so forth and so on, up to a maximum of $40.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield.

Mr. SCHWELLENBACH. So that I may understand the Senator's amendment and get it down to fractional figures, I should like to ask the Senator if this calculation is correct: At the present time in my State we pay $22, $11 being paid by the State and $11 by the Federal Government. As I figure, under the Senator's amendment the State would pay $5 and the Federal Government $10. That would make $15.

Mr. CONNALLY. Yes.

Mr. SCHWELLENBACH. Assuming that the State paid the same amount as at present, $11—$6 more than the $5 I have just mentioned—the Federal Government then would put up an additional $6, which would make $12, increasing the total amount from $22 to $27.

Mr. CONNALLY. That is correct.

Mr. SCHWELLENBACH. And if each put up the maximum amount of $20 under the House provision, the total additional amount would be $9 more from the State and $9 more from the Federal Government, or $18 more, or a total of $45 to the individual pensioner.

Mr. CONNALLY. No; under the bill I think the maximum is $40. The Federal Government may not contribute more than a maximum of $20. The State may pay any additional amount it desires. It may raise the amount to $50 if it wants to do so.

Mr. SCHWELLENBACH. But, at any rate, under the present system, whereby the State of Washington pays $11, the pensioner would receive $27 instead of $22?

Mr. CONNALLY. That is correct.

Mr. BURKE. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. BURKE. In answer to a query from the senior Senator from Idaho [Mr. BORAH], the Senator from Texas referred to the fact that the increase in the Federal contribution would be $2.50.

Mr. CONNALLY. The amount would be $2.50 more than it is now.

Mr. BURKE. That is the increase over the present amount. That seems a very small amount. I was not here during the entire time the Senator was addressing the Senate yesterday. Did he state the total increased cost to the Federal Government which would result from the adoption of this amendment?

Mr. CONNALLY. I did not; but I can do so. I have an estimate before me.

Mr. BURKE. When it is reduced to $2.50 per individual, that seems to be a very reasonable amount; but I wondered what the total would be.

Mr. HARRISON. Mr. President, if the Senator will yield, the estimate is that this arrangement would entail an additional cost of $80,000,000 to the Federal Treasury.

Mr. BURKE. Eighty million dollars a year?

Mr. CONNALLY. That is correct.

Mr. BURKE. The only further question I should like to ask the Senator is, Has he given consideration to the question where the Federal Government is to get the additional $80,000,000 per year?

Mr. CONNALLY. Of course. I do not provide for it in this bill.

Mr. BURKE. No; naturally not.

Mr. CONNALLY. Of course the Senator from Nebraska knows, however, as the Senator from Texas knows, that all the money we are spending is going to have to come out of the pockets of the taxpayers. It is going to have to come out of the pockets of some of the taxpayers in Illinois about whom the Senator from Virginia [Mr. BYRD] was talking yesterday. A great hunk of it will have to come out of the rich men in Illinois; and about January 1941, no matter who is President, and no matter who constitute the Senate, the Finance Committee of the Senate will have to report a tax bill that will jerk some taxpayers out of their boots. We all know that; and that is where the money has to come from, just as the money for all other Federal expenses. It must come from those who have it. It cannot be raised by taxing poverty.

Mr. BURKE. Mr. President, just one further question. I understand, then, that the Senator has no qualms about imposing by this amendment a further tax burden of $80,000,000 a year on the country for this which he evidently considers a most worthy and deserving purpose.

Mr. CONNALLY. I have not. Let me say further to the Senator from Nebraska that if this $80,000,000 does not come out of the Federal Treasury it is going to come out of the treasuries of some of the States, or else the old people will not get it. The old-age pensioners either will not get it or the additional amounts will come out of the treasuries of the States.

Who puts up the money in the States? The same people who pay Federal taxes. The $80,000,000 will have to come out of either the Treasury of the Federal Government or the treasuries of the State governments. The Federal Treasury represents the comparative economic ability of people to pay taxes more nearly than do the treasuries of the individual States, for the reason I suggested yesterday, namely, that in the great commercial and financial centers built up by the

contributions of people from every section of the United States there are aggregated and concentrated the great wealth and the great taxpaying ability, so that such centers should contribute out of their taxes to a project that is for the general welfare of all the people of the United States. I have no hesitation and no qualms of conscience about voting $80,000,000 more out of the Federal Treasury when it lessens by just that much the burdens on State governments, many of which have already practically exhausted their taxing resources upon real estate and upon homes and homesteads and visible property that the tax collector can see, and whose taxes are not levied upon the basis of income, or upon the basis of the real resources and financial strength of the great centers of wealth and population.

Mr. BURKE. Mr. President, will the Senator yield for one further question?

Mr. CONNALLY. I am glad to yield.

Mr. BURKE. Then why does not the Senator from Texas go the whole way? If the tax burden ought to be borne by the Federal Government, why not accept the amendment to be offered and have the entire amount paid by the Federal Treasury, or, at least, why set the payments at two-thirds and one-third? Why not make them three-fourths and one-fourth?

Mr. CONNALLY. Will the Senator vote for such a proposal if I will?

Mr. BURKE. I will consider that after the Senator offers it.

Mr. CONNALLY. Of course, the Senator would not vote for it. The Senator from Nebraska is not for it. His question was supposedly asked for purposes of information. Its real purpose——

Mr. BURKE. I have not received any information. [Laughter.]

Mr. CONNALLY. I will answer it. The real purpose was to "flabbergast" the Senator who has the floor. The Senator stated that he was not here yesterday.

Mr. BURKE. Not all of the time.

Mr. CONNALLY. His question proves it, because I explained yesterday, and I will reexplain now for the Senator, though it seems to me that if the Senator was not here yesterday he should have read the CONGRESSIONAL RECORD and have informed himself of what happened yesterday——

Mr. BURKE. I much prefer to have the Senator explain it again in his own way; it is so much more interesting. [Laughter.]

Mr. CONNALLY. I thank the Senator. The Senator has bribed me into making a full disclosure. [Laughter.]

I will say to the Senator that I do not favor requiring the Federal Government to pay all the cost, for the reason that, under the law, we permit the States to administer the act; we allow the States to select all the employees; we allow the States to determine to whom old-age pensions shall be paid; and as we do that, I stated on yesterday that, in my opinion, the States ought to participate financially in the program; they ought to feel the responsibility that goes along with the raising of the revenue from their own taxpayers and its expenditure. It is so much easier to spend other people's money than our own money. I do not know what will happen in the years to come, but I believe that now, at least, in the experimental and first years of this plan we should insist that the States make a financial contribution.

If the Senator will observe, my amendment does not refer to two-thirds of all of the cost; it refers only to the amount up to $15, and that is for the purpose of reaching those in the lower brackets. If a man is hungry in Arkansas, his appetite is no more satisfied by $3.08 than it would be in any other State of the Union. By the enactment of the law the Federal Government indicated that it had an interest in the old-age pension system. We did not have to pass the law, but we enacted it, and we said to the States, "Now, you come in." If the Federal Government has any sense of obligation or responsibility, how is that met by paying a man in Arkansas $3.08, as against $15 to a man similarly situated residing in the State of California?

Mr. BURKE. Mr. President, if the Senator will pardon me, a complete answer was given to my query by the Senator in his statement that it is so much easier to spend other people's money than our own.

Mr. CONNALLY. That is correct, and I thank the Senator. I am glad I satisfied his curiosity. I think he had that in his mind all the time but merely wanted the Senator from Texas to confirm his judgment. [Laughter.] I appreciate very much having the opportunity.

Mr. BORAH. Mr. President, I do not intend to oppose the Senator's amendment, because a State would be required to put up part of the money, but if we are to take care of the old-age pension problem it will not be long, it seems to me, before the Federal Government will have to take care of the entire matter.

Mr. CONNALLY. That may be.

Mr. BORAH. As the Senator has said, merely because an old person lives in a State which cannot contribute is no reason why he or she should go hungry or in need. Sometime or other we are going to have to take care of this problem on a national basis. I do not say that the Senator is not justified at the present time, but we may look forward to it, because it is coming. We are moving rapidly in that direction.

Mr. CONNALLY. Permit me to say to the Senator from Idaho that, as I indicated a moment ago, perhaps at some time in the future the system will be entirely federalized, but as practical legislators, the Congress is not now ready to place the entire responsibility on the Federal Government. It has been tested out in the committees and in the House of Representatives, and the Congress is not ready to do it. The amendment of the Senator from Texas, according to the view of the Senator from Idaho, is an improvement on the present law; so I do not see how the Senator from Idaho can refrain from voting for the amendment I now offer, entertaining the views he does entertain.

Mr. BORAH. I am not indicating that I will vote against it.

Mr. CONNALLY. I am indicating that I hope the Senator will vote for it.

Mr. BORAH. I will say that I am going to vote for the Senator's amendment, with the understanding that if I can get a chance to vote for a better amendment, I will vote for it.

Mr. CONNALLY. Certainly; that is in keeping with the Senator's reputation here. He votes for a better amendment if he gets the chance, and I applaud him. I am always very comfortable if the Senator from Idaho and I are traveling in the same company.

Mr. HILL. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. HILL. The Senator from Idaho has made very clear the situation, that it makes no difference in what State a couple may live, there is a minimum on which that couple can live and have anything like a livelihood, meat, and bread for their support. As the Senator remembers, we passed a wage and hour law which was to apply to all the States of the Union, and we laid down a standard of minimum wages which employers would have to pay. We did not provide one minimum for one State and another minimum for another State. The same minimum applies throughout all the 48 States of the Union; and certainly there is a minimum amount which can suffice as an old-age pension. As the Senator has stated, the Federal Government having recognized its responsibility in this matter, it ought to see to it that a minimum applies throughout the Union in all the States.

Mr. CONNALLY. Mr. President, I thank the Senator from Alabama, and, replying to both the Senator from Alabama and the Senator from Idaho, I wish to say that we have been operating under the Old-Age Pension Act for only a few years, and, as in the case of all new and experimental legislation, we have to rely largely on our experience under it. It may be that later on the Federal Government will take over

the entire responsibility, but up to the present time it has not done so, and I do not think it is prepared to do so, because this issue was tested in the House and, when the votes were taken, was wholly rejected.

Since we allow the States to select the objects of this gratuity or bounty and allow the States to administer the act, I think we must see to it that the States have some responsibility financially. If we finally take over the system federally, probably we will set up our own administration. So I hope the Senator from Idaho and the Senator from Alabama will vote with me.

Mr. HILL. Mr. President, I may say to the Senator that there is no doubt about my vote. I am wholeheartedly with him and will vote for the amendment.

Mr. CONNALLY. I thank the Senator. I hope he will use his influence among his colleagues and line up some additional votes.

I have information here as to both the State and Federal contributions. The following States are paying now less than a total of $15 a month. Vermont, the State of my distinguished friend, the temporary leader on the other side, I regret to advise is now paying only $14.47. Under my amendment it would pay several dollars more per month.

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. CONNALLY. I yield.

Mr. AUSTIN. Does not the Senator regard that as an adequate payment under all the circumstances?

Mr. CONNALLY. I am not criticizing it. I am going to include my State with Vermont. I am telling the facts, and showing that the effect of the amendment will be to increase the payments so that the old men and old women in Vermont will receive more under my amendment than they are now receiving, and they will receive more in every other State, because the amendment does not discriminate against any State.

The State of Texas is next to Vermont in the list, although geographically it is at the extreme of the country. Texas at the present time pays only $13.84. It ought to pay more. The old people will get more under the amendment, and under the amendment Texas will pay more, because it will be stimulated to increase its contribution.

Florida pays $13.84; West Virginia pays $13.79; Tennessee pays $13.23; New Mexico pays $11.15; Delaware pays $10.84. Under the amendment the allocation to Delaware would be greater than it is at present. Louisiana pays $10.26. The State of Virginia, great in history, great in tradition, great in memories, but a little shy in old-age pensions, pays $9.54. [Laughter.] Alabama pays $9.51; North Carolina pays $9.36; Georgia pays $8.73; South Carolina pays $7.40; Mississippi pays $6.92; and Arkansas pays $6.15.

Let me say to Senators, further, that no odium attaches to the fact that some of the States have paid such relatively small amounts. Many do not realize the burden in Mississippi, for instance, caused by a certain racial population there which contributes practically nothing in taxes, yet constitutes a great burden on the old-age pension roll. Is Mississippi to blame for that? I say it is not. Mississippi has to take care of its old people, and it has to educate its children. It has to do that out of its resources. It is a State which does not possess great natural resources, a State which does not have a Detroit within its boundaries, a State which does not have a Chicago within its boundaries, or a New York, or a Philadelphia.

Mr. President, I do not wish to take up any more of the Senate's time on this proposal. I wish to stress the point that my amendment does not discriminate against any State. Its purpose is to provide an advantage and a benefit to the old-age pensioners in every State in the Union, and to be of help and aid to the treasuries of the States.

I wish to speak of the cost. No one can tell exactly what it will be, but the distinguished Senator from Mississippi has already indicated what it may be. I received a letter from Dr. Altmeyer, the chairman of the Social Security Board, who appeared before the Senate Finance Committee and heard the amendment discussed. He stated what in his opinion the minimum and maximum cost would be, but he finally arrived at the view that it would not cost the Federal Government more than $80,000,000 annually. Whatever additional cost it may put on the Federal Government means that it will relieve the States of that much of a burden.

Mr. President, the amendment ought to be adopted, and I am confident that, if Senators will reflect upon it, they will vote in favor of it, and give the needed relief.

The PRESIDENT pro tempore. The question is on the amendment offered by the Senator from Texas [Mr. CONNALLY].

Mr. BYRD obtained the floor.

Mr. AUSTIN. Mr. President, will the Senator yield to me in order that I may place in the RECORD a telegram which seems appropriate to the Senator from Vermont in view of the remarks made by the distinguished Senator from Texas?

Mr. BYRD. I yield.

Mr. AUSTIN. I happen to have a telegram from the administrator of the State plan for old-age assistance, which I should like to read into the RECORD at this point. It is as follows:

MONTPELIER, VT., *July 6, 1939.*

Senator WARREN R. AUSTIN:

Allocation of funds for old-age assistance to the States on a variable basis would lead to endless political and economic abuse, destroy all sound principles of grants-in-aid, break down means test, and eventually wreck public assistance program. Byrnes and similar proposals of amendments to Social Security Act tremendously dangerous.

W. ARTHUR SIMPSON.

Mr. BYRD. Mr. President, the amendment offered by the Senator from Texas [Mr. CONNALLY] was very carefully considered by the Senate Finance Committee and was defeated in that committee by a vote of 13 to 6. In addition to that, the amendment offered by the Senator from Texas is opposed by the Chairman of the Social Security Board.

I wish to read from the record of the hearings held before the Senate Finance Committee. The Senator from Texas [Mr. CONNALLY] asked this question of Mr. Altmeyer:

Senator CONNALLY. What would you say to this: Instead of undertaking this so-called variable in proportion to the income, suppose the Federal Government would make a flat contribution of two-thirds out of the first $15, the Federal Government pay $10 and the State pay $5?

Mr. ALTMEYER. I think anything like that is very dangerous.

Senator CONNALLY. Why?

Mr. ALTMEYER. If you provide a higher variation of the matching on the first $15, or $20, or $25, you will have cases of partial dependency or even total dependency in the low-cost area being treated probably more liberally in proportion to the cases of people in need above that amount. Because the State is receiving a higher matching on certain payments there is a tendency for the State to concentrate upon those sort of cases where they can get the higher matching ratio. In other words, I think there would be a considerable tendency to freeze at or below any figure such as that which is set.

Secondly, I would say that with so much of the revenue of the Federal Government being derived from nonprogressive taxes—that is, not from income and inheritance taxes but from taxes of a more or less regressive character (and more than 50 percent of the revenue of the Federal Government is of that character) it would mean that under any formula like that, while the intent would be to put more money into the poorer State, that intent might be offset to a considerable extent by the fact that those same poorer States are paying into the Federal Government these nonregressive taxes of one sort or another.

So here is a very vital and important amendment, Mr. President, which the Chairman of the Social Security Board says would be very dangerous for the Congress to adopt.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CONNALLY. Does not the Senator from Virginia, however, also know that Mr. Altmeyer favored the Byrnes amendment, which would have discriminated as between the States by making the rich States pay a higher amount, and is it not true that Mr. Altmeyer's objection was due not so much to the contribution but to his fear that it

would have an influence in stopping the payments at $15 and not making them larger? He was not pleading for economy. He was pleading for increased expenditures.

Mr. BYRD. I have read Mr. Altmeyer's statement which gives in full his reasons. It is true that Mr. Altmeyer does favor the variable suggestion made by the Senator from South Carolina [Mr. BYRNES], but that is a vitally different proposal from the one made by the Senator from Texas.

Mr. President, I wish it clearly and distinctly understood that I favor adequate and reasonable old-age assistance to those in need. I am opposing the Connally amendment because it is the first step toward breaking down a cooperation on a 50-50 basis which has existed between the Federal Government and the States with respect to various activities, starting first in 1898. It is the beginning of the adoption of the so-called Townsend pension plan.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. HILL. Can the Senator advise us what disposition was made of the Byrnes amendment by the Finance Committee?

Mr. BYRD. The Byrnes amendment was defeated in the Finance Committee by practically the same vote by which the Connally amendment was defeated.

Mr. President, in 1898 the first cooperation with the States was undertaken by the National Congress on a 50-50 basis, the Federal Government paying 50 percent of the expenditures and the States paying 50 percent. That was done under a bill which was passed on July 1, 1898, relating to the United States and the State of California, each to pay one-half of certain expenses under the California Debris Commission Act.

Then, in 1916 the Federal Aid Road Act was passed, whereby the Federal Government paid 50 percent of the cost of construction of certain roads and the State government paid 50 percent.

Then on February 23, 1917, the Smith-Hughes Act was passed providing for cooperation in promotion of vocational education.

On July 9, 1918, an act was passed providing for cooperation between the States and the Federal Government in the matter of prevention and control of venereal diseases, 50 percent to be paid by the Federal Government and 50 percent to be paid by the States.

On January 27, 1920, an act was passed providing for payments to States for disabled veterans in State homes.

On June 2, 1920, an act was passed providing for cooperation in promotion of vocational rehabilitation of persons disabled in industry, 50 percent to be paid by the Federal Government and 50 percent to be paid by the States.

On November 23, 1921, an act was passed providing for cooperation in the matter of welfare and hygiene in connection with maternity and infancy cases.

On June 7, 1924, an act was passed providing for cooperation between the States and the Federal Government in the protection of forest lands.

On June 6, 1933, the Wagner-Peyser Act was passed providing for cooperation with States in the development of systems of public employment offices.

On June 29, 1935, the Bankhead-Jones Act was passed providing for cooperation between the Federal Government and the States in connection with agricultural activities.

Mr. President, should the amendment offered by the Senator from Texas prevail it will result in the first important departure from this 50-50 basis of cooperation between the States and the Federal Government.

Mr. President, I ask that a list of acts of Congress providing for State cooperation on a 50-50 basis be printed in the RECORD at this point.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The list is as follows:

Acts of Congress for State cooperation—Percentage of Federal contribution

Act of July 1, 1898 (30 Stat. 631; U. S. C. 33:686). United States and California each to pay half of certain expenses under California Debris Commission Act. (See also 30 Stat. 1148)---------- 50

Act of Mar. 4, 1911 amended by act of Aug. 11, 1937 (36 Stat. 1353, ch. 265; 50 Stat. 621, ch. 580; U. S. C. 34:1121–1123). Aid in support of nautical schools---------- 50

Act of Mar. 4, 1913 (37 Stat. 843; U. S. C. 16:501). Secretary of Agriculture may cooperate with State authorities in construction of roads and trails in national forests.) (Amended by act of May 11, 1938, 52 Stat. 347, ch. 197, Public, No. 505)---------- 50

Federal Aid Road Act of July 11, 1916, amended by act of Feb. 28, 1919 (39 Stat. 355–359, 49 Stat. 1200–1202; U. S. C. 16:503; 23:12a, 42, 48). Cooperation in construction of rural post roads, etc. (Largely superseded by Federal Highway Act of Nov. 19, 1921, below)---------- 50

Smith-Hughes Act of Feb. 23, 1917 (39 Stat. 929–936; U. S. C. 20:11–28). Cooperation in promotion of vocational education. (See also act of June 8, 1938, below)---------- 50

Act of Mar. 1, 1917 (39 Stat. 943–951; U. S. C. 33:701–704). Cooperation in flood-control work, Mississippi and Sacramento Rivers. (See also act of May 15, 1928, below)---------- 50

Act of July 9, 1918 (40 Stat. 886–887, par. 4; U. S. C. 42:25). Cooperation with States in prevention and control of venereal diseases. (Amended by act of May 24, 1938, below)---------- 50

Act of Jan. 27, 1920 (41 Stat. 399, ch. 56; U. S. C. 24:134). Payments to States for disabled veterans in State homes. (Supersedes similar act of Aug. 27, 1888 (25 Stat. 450, ch. 914) as amended by act of Mar. 2, 1889 (25 Stat. 975))---------- 50

Act of June 2, 1920, amended by acts of June 9, 1930, and June 30, 1932 (41 Stat. 735–737; 46 Stat. 524–526; 47 Stat. 448–450; U. S. C. 29:31–44). Cooperation in promotion of vocational rehabilitation of persons disabled in industry. (See also par. 531 of Social Security Act of Aug. 14, 1936, and act of June 20, 1936, par. 5, below)---------- 50

Federal Highway Act of Nov. 9, 1921 (42 Stat. 212–219; U. S. C. 23:1–25). Cooperation in construction of public highways, as amended. (See Federal Aid Road Act above.)---------- 50

Act of Nov. 23, 1921 (42 Stat. 224–226) repealed Jan. 22, 1927 (44 Stat. 1024). Cooperation in promotion of welfare and hygiene of maternity and infancy---------- 50

Act of June 7, 1924, amended by acts of Mar. 3, 1925, and Apr. 13, 1926 (43 Stat. 653–655; 1127–1128, and 1132, ch. 457, par. 1; 44 Stat. 242; U. S. C. 16:499, 564–570). Cooperation in protection of forest lands, etc---------- 50

Act of Apr. 10, 1928 (45 Stat. 413, ch. 335; U. S. C. 20:69, 70). Secretary of Smithsonian Institution authorized to cooperate with States in ethnological researches among American Indians---------- 50

Wagner-Peyser Act of June 6, 1933, amended by acts of May 10, 1935, and June 29, 1938 (48 Stat. 113–117; 49 Stat. 216–217; 52 Stat. 1244–1245, ch. 816, Public, No. 782, U. S. C. 29: 49, 49a–49L). Cooperation with States in development of system of public employment offices---------- 50

Bankhead-Jones Act of June 29, 1935 (49 Stat. 437–439; U. S. C., Supp. 7:343c, 343d, 427–427-g). Allotments to States for research in basic problems of agriculture, by agricultural experiment stations, appropriation of up to $12,000,000 a year additional for agricultural-extension work, and additional appropriation of $1,500,000 a year for agricultural and mechanic arts colleges, authorized. (See also acts of Mar. 2, 1887, Aug. 30, 1890, and May 8, 1914)---------- 50

Titles I, V, and X of Social Security Act of Aug. 14, 1935, amended by Railroad Unemployment Insurance Act of June 25, 1938---------- 50

Act of Aug. 29, 1935 (49 Stat. 963–965; U. S. C., Supp. 16: 567a–c). Cooperation with States in forest-land management, etc---------- 50

Act of June 8, 1936 (49 Stat. 1488–1490; U. S. C., Supp. 20: 15h–15p). Federal aid to States for vocational education (supplementing act of Feb. 23, 1917).

Act of July 3, 1930 (46 Stat. 945; U. S. C. 33:426). Cooperation with States in shore-erosion investigations. (See also act of June 26, 1936.)

Act of June 15, 1936, amended by act of Aug. 28, 1937 (49 Stat. 1509–1512, pars. 4, 5, 8a, 12; 50 Stat. 880, par. 6; U. S. C., Supp. 33:702a 1–10, 702b–1, 702j 1–2, 702k 1–2). Cooperation required of States, etc., in Mississippi River flood control. (See also act of June 28, 1938.)

Act of June 22, 1936, amended by acts of July 19, 1937, and Aug. 28, 1937 (49 Stat. 1570, par. 1; 1571, par. 3; 50 Stat. 518, 877, par. 4; U. S. C., Supp. 33:701a, 701c). Cooperation with States, etc., for flood control on navigable rivers. (See also act of June 28, 1938.)

Federal Aid Highway Act of June 8, 1938 (52 Stat. 633–636, ch. 328, Public, No. 584). Cooperation in construction of public highways (with amendments to Federal Highway Act of Nov. 9, 1921).

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. McKELLAR. The Senator will recall that in the latter part of June of this year we passed a bill providing for relief. That is substantially what the present bill is—a bill for relief of the aged. In June we passed a relief bill under which the Government pays 75 percent, and the States for the first time were required to pay even as much as 25 percent. So the pending bill is very much more liberal to the Federal Government than the relief bill which we passed in June. That was on a 25-percent to 75-percent basis. I do not know exactly how the proportions will work out in order that the entire $40 will be paid, but they will be somewhere in the neighborhood of 45 percent and 55 percent.

Mr. BYRD. Mr. President, I cannot agree with the Senator from Tennessee when he says that the pending bill is of the same nature as the measure providing relief to those who are in need of the necessities of life, which deals with an emergency situation, which, I presume, the Senator thinks will some day end in this country.

Mr. McKELLAR. I hope it will.

Mr. BYRD. That is not on the same basis at all with a permanent system providing for old-age assistance.

Mr. McKELLAR. I think there is great similarity between them. I think there is a great deal of similarity between old persons and others who need relief at this time.

Mr. BYRD. I am sorry I cannot agree with the Senator.

Mr. McKELLAR. The old people have to be relieved also.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. JOHNSON of Colorado. I may remind the Senator from Virginia that the relief program to which the Senator from Tennessee is referring is only part of the relief program of the whole United States. In other words, the relief program of which the Senator from Tennessee is speaking is the work-relief program. In addition to that we have a direct-relief program, and the direct-relief program is entirely financed by the counties and the States. The Federal Government has no part in it whatsoever, and it amounts to a very large sum.

The Federal Government has no part in relief as relief. It does have a part in work relief; and now, under a new formula which has been adopted, the sponsors of the projects must put up 25 percent. So in the matter of relief, as a matter of fact, the States put up 25 percent as against the Federal Government's 75 percent.

Mr. BYRD. I thank the Senator for his contribution.

Mr. President, what about the cost of this amendment? I regard this as a very important proposal. Today 1,838,359 persons are receiving old-age pensions. There are in the United States 8,200,000 persons above 65 years of age. About one-fifth of those over 65 years of age are now receiving old-age assistance. We must recognize that some day the cost of this program must be paid. I assume that everybody, no matter how anxious he may be to pay pensions and old-age assistance to citizens of the country, knows that sooner or later the Budget of the Federal Government must be balanced, and that taxes must be collected to do so.

Let us assume that one-half of those over 65 years of age will sooner or later be eligible for old-age assistance. I think I am modest and conservative in making that statement. I believe the time is coming when more than one-half of those over 65 will be eligible. A proposal is already before the Senate to reduce the age limit to 60 years, adding perhaps 4,000,000 to the number of those who may be eligible. It is true that on the basis of the present number on the rolls the additional cost to the Federal Government of the proposed amendment would be $80,000,000. However, if we assume that one-half of those over 65 years of age will sooner or later become eligible for benefits, the cost of this amendment alone will then approximate $200,000,000 out of the Federal Treasury.

I know that some Senators favor paying the whole cost of old-age assistance out of the Federal Treasury. I have heard the remarks of my distinguished colleague from Idaho [Mr. BORAH]. This amendment would be the first important step toward imposing on the Federal Government the total cost of old-age assistance, which, in my judgment, would be a great disaster to the country, because we should thereby remove the safeguard which now exists in the localities by reason of the localities being required to pay a part of the cost. For that reason they see to it that the system is not abused and does not result in a terrific increase in taxes, which may be unbearable. The essence of the Townsend pension plan is that old-age assistance is wholly a Federal obligation.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BORAH. Does the Senator think the fact that the State supplies a portion of the money is any considerable restraint upon the amount of money which is spent in these matters?

Mr. BYRD. I think it is a great restraint. I think that by reason of the fact that the States are required to contribute 50 percent, the eligible list is carefully scrutinized to see that only those in need of pensions are permitted to receive them.

Mr. BORAH. My experience is that all one has to do is to study the activities of the States with respect to these things to see to what extent they have restrained or failed to make expenditure by reason of the fact that they have something to do with it. In my opinion, one of the greatest sources of reckless expenditure of money is found in the cities and States of the country.

Mr. BYRD. The very reason for the amendment of the Senator from Texas [Mr. CONNALLY] is that the States have been too frugal and niggardly in making appropriations for old-age assistance.

Let us discuss for a moment the capacity of the States to pay for old-age assistance and the other burdens which may be placed upon them.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MINTON in the chair). Does the Senator from Virginia yield to the Senator from Tennessee?

Mr. BYRD. I yield.

Mr. McKELLAR. If the taxes are to be imposed on the people, does it make any material difference whether they are imposed by the State or by the Federal Government? The money must be raised. It can be raised only by taxation. Under the provisions of the amendment, a slight preponderance would be raised by the Federal Government. However, after all it will come out of the taxpayers; and it seems to me that if the amendment is otherwise worthy, the question of whether the State imposes the taxation or whether the Nation imposes the taxation is not very material.

Mr. BYRD. If the Senator is correct about that, we had better abolish all State and local taxes and have only one tax, a Federal tax.

Mr. President, let us see about the ability of the States to pay for this program. Let us take the great State of Texas, one of the greatest and richest States in the country. I shall refer also to my State of Virginia. Both Texas and Virginia are able to pay their full share of all old-age pensions if the people of those States desire to pay the taxes required to pay for such activities. I say that because I know the State of Virginia, and because I think I can prove from the statistics which I shall now give to the Senate that the State of Texas is amply able to pay every single dollar the taxpayers of that State desire to be paid for the purpose of old-age assistance.

Texas is now contributing $7.04 to each person on the old-age rolls.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CONNALLY. I have already stated on the floor of the Senate that Texas is not paying enough. The legislature and the Governor were in a squabble, and the program was tied up for 6 months. Texas should pay more. I make no apologies. However, even now we are paying more than is Virginia.

Mr. BYRD. Mr. President, let us see if Texas cannot pay the $2.50 a month of which the Senator's amendment provides that Texas shall be relieved. Texas would be relieved of the payment of something like $4,000,000 a year in the event the amendment were adopted. Let us see if Texas cannot pay $30 a year additional to its aged citizens who are in need, as the Senator from Texas said.

The wealth of Texas today is $10,726,000,000. The wealth of the State of Virginia is $4,220,000,000. Virginia can pay for the program on a 50-50 basis just as soon as a legislature is elected in Virginia which favors levying taxes to pay it. Virginia and Texas both can pay it better than can the Federal Government today, because both States have balanced budgets. Neither State is heavily in debt, while the Federal Government has an unbalanced Budget and is spending $2 for every dollar it takes in, and we are rapidly increasing our Federal debt.

Let us see about the income of the State of Texas, the great State so ably represented by my distinguished friend [Mr. CONNALLY], one of the most eloquent and graceful speakers on the floor of the Senate. I would rather hear him speak than almost any other Member of the Senate, because even when he disagrees with me it is most enjoyable to hear him.

The State of Texas has an income of $2,280,000,000 a year. Out of that sum Texas pays in local taxes $129,000,000; in Federal taxes $75,000,000; in State taxes $89,000,000; or a total of $293,000,000, leaving a clear income to the great State of Texas of approximately $2,000,000,000. Yet that State now is unable to pay the old people living there the measly sum of $30 a year additional.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CONNALLY. I remind the Senator from Virginia that in considering the income of the State of Texas it must be remembered that much of the property in our State is owned in New York, Chicago, Richmond, and other great commercial and business centers. The physical property is in Texas, but the title is up yonder somewhere.

Mr. BYRD. I will say to the Senator that the citizens of Texas own property in other States. I happen to know that they own property in Virginia. That situation exists in every State in the Union.

Mr. CONNALLY. Texas pays $75,000,000 in Federal taxes. Why is it not fair and just for some of that amount to be allowed to trickle back to the old folks who need it?

Mr. BYRD. The Senator from Texas knows that in the past 6 years Texas has obtained from the Federal Government four or five dollars for every dollar she has paid in Federal taxes. There is no question whatever about that.

Mr. CONNALLY. We have already spent that. [Laughter.]

Mr. BYRD. The Senator from Texas is trying to obtain more from the Federal Treasury, notwithstanding the fact that his State is as well able to pay the additional $30 a year to those on the old-age rolls as is any State in the Union. The State of Texas, after paying all taxes, Federal, local, and State, has a clear income of $2,000,000,000.

The statement has been made on the floor of the Senate that the ability of the States to pay has controlled, rather than the willingness of the States to make reasonable payments. Let us see if that statement is correct.

Take the case of the State of California, a great State: It is paying more than any other State in the Union to individuals over 65 years of age. California is paying $32.47 a month, the highest amount paid by any State. The State of New York, which is much more wealthy than the State of California, per capita and otherwise, is paying $23.82. Why is that? Certainly New York is as well able to pay, per capita, as is California. If a higher amount is not being paid, there is some reason why the citizens of New York do not desire to increase their taxes so as to make that payment.

The per capita income of the average citizen in New York is $827. The per capita income of the average citizen in California is $782.

Take the case of Illinois, another great State: The per capita income in Illinois is $596. Illinois pays $19.10 to the old people of that State, and does not match the Federal contribution, because as much as $30 could be paid by the State and the Federal Government together.

Mr. President, nearly every single State in the Union is in a better position today to pay increased expenditures than is the Federal Government. There is a feeling, often expressed in this Chamber, that a grant from the Federal Treasury is a gift to the 48 States. No greater fallacy than that could be uttered. Every single dollar that comes into the Federal Treasury comes from the citizens of the 48 States. No money can come into the Federal Treasury except what is collected from the people of the 48 States. The bonds the Government of the United States is issuing daily are made possible because of the property the people of the 48 States have accumulated. The Federal Government is using the credit of the people of the 48 States to bond them, frequently without their consent.

Mr. BONE. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BONE. May I ask the Senator where he secured his figures as to the wealth of each State?

Mr. BYRD. I obtained the figures from the Bureau of the Census, and they are official.

Mr. President, let us briefly survey the situation during the past 6 years. The records show that the debts of the 48 States have not increased appreciably since 1933, when the depression began. The records show that the debt of the Federal Government has increased from $16,000,000,000 in 1929 to $40,000,000,000 now, and in addition to that various corporations created by the Government have been permitted to obligate the Federal Government to the extent of $8,000,000,000 more. So we have a direct and contingent obligation of $48,000,000,000, as compared to $16,000,000,000 when the depression began, a threefold increase in the space of about 8 years.

The records show, of course, as every Senator knows, that we spend $2 out of the Federal Treasury today for every dollar received.

There are only two or three of all the States of the Union that today have unbalanced budgets. The Federal Government is confronted with a constantly increasing deficit. We are further away from a balanced Budget today—and I say so advisedly—than we have ever been since the depression began, and Senators on this floor, without thought, apparently, of the pay day that must come, continue to vote to increase expenditures without any idea where the money is coming from.

Here is a proposition that involves $200,000,000. In addition it may involve the readjustment of all the cooperative efforts with the States in which the Government is engaged. If the States are unable to pay their part of the old-age pension, then the States are unable to pay their part of the Federal road fund; they are unable to pay their part of vocational education, of the control of venereal diseases, and of the 10 or 15 other cooperative activities that have been undertaken for years, and satisfactorily undertaken, on the basis of 50 percent on the part of the Federal Government and 50 percent on the part of the State governments.

The Senator from Texas says the Federal Government can collect taxes with greater justice to the taxpayers of the country than can the State governments. I take issue with him on that statement. Mr. Altmeyer gave us as one reason why he was opposed to this proposal, the fact, as he said, that 50 percent of the Federal revenue comes from "nonregressive taxes," as he called them, from invisible taxes on everything the people eat and everything they buy, taxes which fall heavily on the average citizen of this country without regard to his ability to pay. We are collecting less than 50 percent of the Federal revenue of our Government on the basis of ability to pay. So, I do not think that argument should be considered.

Mr. President, it was said yesterday that old-age assistance is a Federal obligation. I am unable to understand how anyone could make that assertion. The proposed act itself refers in the very beginning to "A State plan for old-age assistance." It says nothing about a Federal plan. It says, "A State plan for old-age assistance." The States prepare the lists of eligibles, which is one of the most important

parts of the whole plan. The States, and not the Federal Government, say who shall obtain old-age pensions. The States have their tests as to need, which are more strict in some States than in others. If the payment of old-age pensions is a Federal obligation, I should like someone to point to any law or any part of the Constitution that makes the payment of old-age assistance a Federal obligation. If it be a Federal obligation, then, the Federal Government should pay uniform pensions on a uniform basis in every State in the Nation.

The Senator from Texas yesterday said that the Federal Government by the passage of the law owed an obligation to give to every person over 65 years of age and in need a Federal pension, to see that he got a pension, either by direction or by some inducement to increase local taxes in the various communities.

Mr. ANDREWS. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. ANDREWS. Mr. President, in relation to the question of obligation, that matter has been submitted to the Supreme Court. I read yesterday from the decision of the Court in the case of Helvering against Davis. With all the information that was obtainable through the United States Government and its departments and State departments, the Supreme Court said it is a national problem and that the Federal Government should pay old-age pensions. I do not know why they did that, except the fact that they certainly had all the information before them, and, having such information, that was the statement made by the Court. I think I made that clear in a brief statement yesterday.

Mr. BYRD. Any problem that exists in all the States, of course, is a national problem. What I said was it was not a national obligation; it was not an obligation solely upon the Federal Treasury.

The pending amendment, as the Senate should clearly understand, does nothing toward bringing about uniformity or equality of old-age assistance between the States. The same variations that now exist between the States—payments may be $10 or $15 in Virginia or Texas and $32 in California—will still exist. There is nothing in this amendment that will bring about uniformity in the pensions now being paid.

Mr. President, of course, the question as to how far the Federal Government can go in spending money, and how far the State governments can go, is a very difficult one to determine. I do not agree with the Senator from Idaho [Mr. BORAH] in this respect; but I say from my experience as Governor of Virginia and my association with State governments, that taxes collected by local communities result in much more efficient expenditure than those collected by and disbursed from Washington. Some persons think that in some way the Federal Government can manufacture money without the collection of taxes from the people of the States. The impression has been created in this country, in the past few years, that a Federal expenditure need not be paid back; that it need not be paid in the form of taxes, and that a grant from the Federal Government is equivalent to a gift. In this country today $20,000,000,000 are being spent by local, State, and National Governments for governmental purposes of one kind or another. That represents one-third of the total revenue of the country for last year—33⅓ percent of all the income of the country is being expended for governmental purposes.

I believe that the records will show, in proof of the assertion I now make, that this country has never enjoyed a prosperous period in its entire history when it collected in the form of taxes from the people more than 12 percent of the gross income of the country. The people can pay only a certain amount of taxes, and still permit private enterprise to continue. We speak of Federal taxes. I should like someone on the floor of the Senate, who advocates these huge expenditures, to point to some new tax revenue that he would favor.

I want to compliment, however, those who favor the Townsend plan, because, at least, they are honest in the respect that they advocate a system of taxation which, although I think it would be destructive to the private enterprise system of this country, at least recognizes the fact that we must provide revenue for great expenditures. I should like to ask other Senators what single tax would they increase? We cannot increase the taxes in the high-income brackets. They have already reached the point of diminishing returns. Are we to resort to a sales tax and tax everyone who buys the necessities of existence? Are we to levy a transactions tax, such as the advocates of the Townsend plan favor?

My able colleague, the Senator from California, made a splendid presentation of that plan the other day before the Senate Finance Committee. He advocated, as I understand, a 2-percent transactions tax under which every time an article was sold a 2-percent tax would have to be paid to the Federal Government. Thus an article that changed hands, say, five or six times may pay 10- or 15-percent taxation. That would place a burden upon the backs of the business of the country which, I think, would be destructive of our private-enterprise system and greatly increase the cost of living.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. VANDENBERG. At that point, and in connection with the Senator's calculation, I should like to observe that under the Social Security Act as it is now written, the total pay-roll tax becomes 9 percent in 1949. That 9 percent is already very close to the transactions tax accumulative total to which the Senator refers.

Now, let us be wholly frank about this matter. I spoke along these same lines yesterday. In 1948 the present Social Security Act, without any expanded benefits, will impose a 9-percent pay-roll tax on practically the whole total of American industry, including 40,000,000 workers. This of itself is enormously burdensome. It remains to be seen whether our industry can survive beneath these added exactions. But at least it may be said that the existing scheme of benefits is financed by the existing provisions for pay-roll taxes ultimately reaching 9 percent. Now, however, we are blandly voting additional benefits beyond the present contemplation of the Social Security Act, beyond the provisions for taxes with which to foot the bills, and without any responsible effort to provide the ways and means with which to justify the new benefits which we are promising to pay. It is the sheerest folly. We have already added some $650,000,000 of benefits of this nebulous character. Now, we are asked to add what may be another $100,000,000 in another section of the bill. It either is the holding out of a false hope to unfortunates or it is the promise of heavily increased taxes on our people. How much more than 9-percent pay-roll taxes do Senators think American industry can bear? If each succeeding Congress between now and 1948 performs with similar unfinanced liberality, we shall finally confront 15 or 20 percent in pay-roll taxes. Many of us feel that the pyramiding 2-percent transactions tax in the so-called Townsend plan will ultimately represent a tax as high as 10 or 12 percent. Many of us feel that any such tax is an impossible burden which would make healthy prosperity impossible. But if this habit of expanding the latitudes of the Social Security Act, without correspondingly expanding the tax revenues, is to continue until we suddenly confront the judgment day of doom, it would be infinitely better to borrow the Townsend-tax formula and have it frankly over with. Better frankly and courageously to tax to pay as you go, as Dr. Townsend advocates, than to spend and spend and spend without taxing and thus accumulate ultimate crisis and collapse. The best friend of social security is the friend who keeps it solvent.

Mr. BYRD. I thank the Senator.

Mr. DOWNEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. DOWNEY. I should like to point out to the Senator from Virginia the fact that under the transactions tax, assuming it would amount, as I will later attempt to show, to about 7 percent in increased living expense, if a man had a thousand-dollar-a-year income he would pay only $70 a year;

the man who had $10,000 a year would pay $700; and the man who had $100,000 a year for living expenses would pay $7,000. Consequently, the transactions tax is based upon a man's standard of living, and, therefore, his ability to pay, while this iniquitous law ultimately is designed, as the honorable Senator from Michigan has very properly said, to impress a 9-percent tax upon the pay rolls of the Nation. To me that is an absolutely indefensible and improper tax compared to the transactions tax.

I should like further to interpolate that when I am permitted an opportunity to present the theory of the transactions tax, I shall be delighted and happy if the Senator from Virginia will listen and enter into a colloquy with me about the justice of the tax.

Mr. BYRD. I listened to the Senator with great interest when he was before the Senate Finance Committee, and, while he and I do not agree about the matter, I want to congratulate him on his frankness, because before the Congress of the United States in advocating a huge increase in expenditures he has the courage to say, "We propose to raise the money in such-and-such a way." That is what other advocates of spending have not had the courage to do, and as a consequence we are continuing to spend $2 for every dollar we take in.

Mr. President, if the Treasury of the Federal Government were overflowing, if we had huge surpluses here at Washington, if the States were bankrupt—which they are not—there might be some argument for continuing to pass the burden on to the Federal Government. Exactly the reverse, however, is true. We shall reach our Federal debt limit on July 1, 1940. According to the statement made by the Secretary of the Treasury before the Senate Finance Committee, no more bonds may be issued by the Federal Government after July 1, 1940, unless the Congress of the United States raises the debt limit.

As a consequence, the administration today has adopted an evasive and devious method of trying to overcome the barrier which was erected by Congress in fixing the debt limit, because we shall soon have before us the new lending and spending bill, which has the object of creating a corporation for the purpose of obligating the Treasury of the United States, but obligating it in such a way as to evade the limitation which has been placed by Congress upon our debt.

I desire to make the point clear in regard to the Connally amendment that there is no assurance whatever that the additional $2.50 per month, or $30 per year, will be passed on to the pensioners. There is no assurance whatever that a single additional dollar will go to the pensioners, except that, as the Senator says, the adoption of the amendment might stimulate the States to do their duty more fully in regard to this matter. The amendment simply says that up to $15, two-thirds of the amount will be paid by the Federal Government. The State of Texas may pay the same amount it is now paying, $14 per month, and not increase by one dollar the amount paid to the old-age pensioners there, and put this four or five million dollars into the treasury of Texas, if it chooses to do so. There is not a line in the amendment which compels this money to go to those who need it. It may go to the States. California need not increase its $32 per month.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. Did the Finance Committee consider any amendment to this proposal which would provide a limitation upon the use of the two-thirds fund?

Mr. BYRD. The proposal was made by the Senator from Texas [Mr. CONNALLY] and defeated. There was no discussion of any modification of it.

Mr. O'MAHONEY. No; the Senator misunderstands me. I have not made my question clear. He has just made the statement that if this amendment should be adopted the additional contribution which the Federal Government would thereby make to the States might not be passed on to the needy individuals. That is my understanding of the Senator's statement.

Mr. BYRD. That is correct.

Mr. O'MAHONEY. Therefore there is nothing in the amendment, as I understand, to compel the States receiving these increased payments to pass them on to the individuals for whom they are said to be intended.

Mr. BYRD. That is correct.

Mr. O'MAHONEY. The question, therefore, is, Did the Finance Committee consider any modification of this amendment which would place a restraint upon the States, and make it certain that the funds would be used for the intended beneficiaries?

Mr. BYRD. There was no consideration of that matter in the Finance Committee.

Mr. KING. Mr. President, let me say that no such amendment was made because the committee, in its very protracted consideration of this amendment and in its elaborate discussion of it, believed it was so unfair that it would destroy the system which prevails; that it would tend to the consolidation of the States with the Federal Government, and therefore, in the ultimate, would more or less tend to destroy our form of government.

Mr. CONNALLY. Mr. President——

Mr. BYRD. I yield to the Senator from Texas.

Mr. CONNALLY. Let me suggest to the Senator from Wyoming and the Senator from Virginia that no amendment of that kind was necessary, because this fund is to be administered just as it has been in the past under the law, and it cannot be used for any other purpose than the payment of old-age taxes.

Mr. O'MAHONEY. Yes; but, as I understand the statement of the Senator from Virginia, and as I understood the explanation of the Senator from Texas, there is nothing in the amendment which would prevent a State from actually reducing its contribution to the payments made to individuals.

Mr. CONNALLY. If it did, it would get less Federal money, of course, because under the present law if a State does not want to put up over $5 or $3 per month it does not have to do so.

Mr. O'MAHONEY. Yesterday there was placed in the RECORD a list of the payments being made in the several States, ranging from something over $30 in the case of California at the top to slightly over $6 in the case of Arkansas at the bottom of the list. I conceive it to be agreed that if the Senator's amendment should be adopted it would be possible, for example, for the State of Arkansas to reduce the $3 plus which it now pays and accept $6 from the Federal Treasury, so that the payment to the individual would still be only $6 plus.

Mr. CONNALLY. The payment to the individual would be $9.

Mr. O'MAHONEY. Would the Senator from Texas be willing to accept a modification of his amendment which would provide, in effect, as follows:

Provided, That all payments to each State which reduces the payments now being made to needy individuals shall be under clause (b).

Mr. CONNALLY. The Senator may prepare his amendment, and we will look it over. The pending amendment proposes no change at all from the present law as to how the fund shall be employed. It can be used only for the payment of old-age pensions. Why it is necessary in the case of this particular amendment to have that kind of a provision, when it was not necessary to have it in the original law, I cannot see; but I shall be glad to consider the Senator's amendment.

Mr. O'MAHONEY. I thank the Senator from Virginia for permitting me to interrupt him.

Mr. BYRD. Mr. President, the situation is very clear. Take, for instance, the case of the State of Texas: The State of Texas now pays $14.09, half of which is paid by the Federal Government and half by the State government. Under this amendment Texas need not increase by a single penny the $14.09, but the Federal Government would pay $9.38 and Texas would pay $4.69, thereby saving to the State of Texas between four and five million dollars a year. There is nothing whatever in this amendment which requires that the additional amount which the Federal Government is to

contribute shall be paid to those who receive old-age assistance.

Mr. CONNALLY. Mr. President, let me ask the Senator who will get it, then?

Mr. BYRD. The State will get it under this situation.

Mr. CONNALLY. The State cannot take a nickel of it—not a copper cent of it.

Mr. BYRD. But the State can reduce its contribution, because the State only has to pay one-third under the Senator's amendment, and it now pays one-half; and that condition will apply to every State in the Union. Is the Federal Government going to enact legislation which will permit the States not to increase the compensation to old-age persons, but to help the treasuries of the States? That is exactly what this proposal does, Mr. President.

Mr. CONNALLY. Mr. President, will the Senator yield for a question?

Mr. BYRD. Yes.

Mr. CONNALLY. So far as the Senator from Texas is concerned, I do not object to a provision being added to the amendment that any State which reduces its present average payments to pensioners—of course, it might cut off some individuals who ought to be cut off—shall not receive this additional grant. I am willing to do that if it will be any satisfaction to the Senator from Virginia. I do not think he would vote for the amendment, however, if I should modify it in that respect.

Mr. BYRD. No, Mr. President; I am not going to vote for the amendment, but I thought I should state to the Senate what I regard as a great objection to those who think the amendment as now proposed will increase the amount that the old-age pensioners will receive, because it may increase the amount and it may not. It depends upon the action of the individual State. What the amendment does is that as to the first $15. instead of the State paying $7.50 and the Federal Government paying $7.50, the Federal Government pays $10 and the State pays $5.

Mr. CONNALLY. Mr. President, I should like to have the attention of the Senator from Mississippi [Mr. HARRISON]. I ask unanimous consent that the Senate vote on this amendment not later than 2 o'clock p. m.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Is there objection?

Mr. AUSTIN. Mr. President, before the question is put I desire to suggest the absence of a quorum.

Mr. CONNALLY. I shall not insist on the request if the Senator is going to object. I withdraw it.

Mr. AUSTIN. I simply give notice that I shall ask for a quorum whenever the Senator is ready to make his request.

Mr. CONNALLY. I shall not press it at the moment.

Mr. BILBO. Mr. President, I had purposed to address the Senate at this time in partial support of the amendment now pending, and at the same time to present an amendment of my own; but since the Senator from Texas desires to be absent at 2 o'clock I will withhold my remarks on the amendment and speak to my own amendment after a vote shall have been taken on the Connally amendment.

Mr. HARRISON. Mr. President, before the vote is taken I wish to say that I am not in agreement with my own committee in the action they took in rejecting the amendment. As I stated in my remarks yesterday, I voted in the committee for the Connally amendment, and I voted in the committee for the Byrnes amendment, which had been recommended by a Senate committee after studying the whole unemployment and relief question. I was very much in favor of one or the other being adopted, but they were rejected by the Finance Committee. I reserved the right at that time, as a member of the Committee on Finance, to vote for them when the amendments were offered on the floor of the Senate.

I am in favor of these amendments because I believe that every State, in cooperation with the Federal Government, should give on the average at least a $15 pension per month to the needy old people. I am not one of the so-called radicals with reference to pension legislation. I believed, when we passed the social-security legislation in 1935, that the States would be able to take advantage of the 50-50 basis for old-age assistance that was there presented to the point of matching the contributions of the Federal Government up to $15. We have learned from experience that many of the States have not met the Federal contribution. I will not discuss the question whether they could do it or not, but I feel sure that the Federal Government could contribute $2 to $1 up to $15 without straining the Treasury much more than we have already strained it in making other appropriations, many of which I have not favored.

Even though I have been styled one of the economy bloc, I realize that here is something in which I sincerely believe, even though I appreciate that it calls for an additional appropriation of $80,000,000 annually. I am going to resolve the doubt in favor of giving a minimum average to the needy old people of the country of $15 a month. So I shall vote for the amendment. It may help States which are better off than some of the so-called poorer States, and if it does that is all right; I hope it will help all of the States. But the Federal Government can very well afford to pay two-thirds, up to the amount of $15, under the circumstances.

I see no reason why we should not change the 50-50 basis with respect to old-age assistance. We adopted it in the beginning and we have found that the States cannot meet the 50-50 requirement. So if experience teaches us it has not worked as we had hoped, I do not understand why we cannot change it. All the laws which have been passed by the Federal Government providing Federal assistance have not been founded on a 50-50 basis. The appropriations which are carried for the Public Health Service, indeed, in this very bill, are allocated to the States according to need, in some instances. So we would not be changing any universal policy and rule by the adoption of the amendment. I hope it will be agreed to.

Mr. BORAH. Mr. President, I do not desire to discuss the pending question at length, but I do wish to express my views very briefly and in a sense as to general principles. When this question of old-age pensions was first before the Senate I offered an amendment to increase the amount but it was defeated. No one respects more than do I the able fight which the Senator from Virginia [Mr. BYRD] makes for economy. One could get very greatly interested in the subject of economy if there were any consistent program which looked to economy. But all Senators are for economy on some subjects and no Senator is for economy on other subjects. After expending the amount of money which we have appropriated at this session for some things, which, to my mind, if not unnecessary were not pressing, I cannot bring myself to believe that we should ask the old people of this country to live on $15 or $20 or $30 a month.

We started some time ago to make amends for what we had failed to do theretofore, that is, to take care of the old people. I have not been an advocate of the Townsend plan; I have not been an advocate of the transaction-tax system proposed to take care of it. I have not favored $200 a month. But I have long been an advocate of the appropriation of a sufficient amount of money to enable old people to live with some degree of decency. We have not provided a reasonable amount as it is our duty to do.

These old people have done their part in developing this country. They have done their part in making this a great Nation. In my section of the country they are those who were the pioneers, they are the people who went into the desert and made it habitable and suffered all kinds of hardships. They built great commonwealths. Their work is over. They have not the energy, they have not the ability, and they have not the opportunity to carry on. They have practically closed their careers. They have nothing to look forward to, to my mind, as a matter of economy, to say nothing of the question of humanity, as somebody in some way must take care of them; we can best do this by a reasonable allowance by the Federal Government. We can afford to take care of them upon a basis which will enable them to live properly, at least from the standpoint of

actual need, and my study leads me to believe that it can most efficiently be done by the Federal Government—there are two governments but only one taxpayer.

For these reasons I shall vote for the amendment, and I shall vote for any other amendment which will bring the amount of contribution up to what seems to me a proper amount to afford a reasonable standard of living for these old people. I do not feel the amount here provided is sufficient.

In doing so I do not feel it is an act of charity. I feel that it is actually taking care on an economical basis of those who must be cared for in some way. I would far rather give to these old people in excess of the $15 or $20 or $25 a month than to be preparing to spend uncounted millions on such things as the sand dunes of Guam or loan millions and millions abroad.

The best preparation we can make for all the future, against all the isms which can come—fascism and communism and all other isms—and the best defense we can make of this country is to let it be known that our people, our citizens, are our care, and that we propose to care for them in the most reasonable and best way possible.

Mr. President, I have advocated for a long time, have advocated in my State, and have advocated elsewhere a payment of $60 a month. I realize that that is beyond what my associates generally think is necessary or proper or possible at this time, but if they will go into the homes of those old people and undertake to estimate how they can live upon less, really live upon less, consider purchase at present prices the things necessary in order to maintain life, they will find that sum is not too much.

I am not one of those who believe, as the Senator from Virginia has said, that because the money comes from the National Government, it is supposed to be a gift from above, that, like manna, it has fallen from heaven. I know it comes from the same taxpayers who pay taxes in the States. But I know also that the American citizen is a citizen of the United States, by the Constitution we especially made him a citizen of the United States, and I know that when war and trouble come, he is called upon, not by the States, but he is called upon as a citizen to protect the United States. It seems to me from every viewpoint that we must prepare to care for these old people, and let it be known that they are to be cared for. I shall vote for the amendment for the reasons I have given.

Another thing, Mr. President. The Senator from Virginia found fault with my view that the Federal Government would have to take care of this problem finally, and I so much respect his views that I hesitate to disagree with him. But suppose a State is in such a condition, as some of them are, that it cannot pay more than it is paying, a pitiable sum. Shall we say that because a State happens to be in that condition, and the State is so situated that it can do no more, the localities shall punish the old people because of the place in which they have located?

In my opinion, a citizen of any State not prepared to take care of him is a citizen of the United States and should have the consideration of the National Government. If the local situation is such as to make it impossible for him to be taken care of, there is a duty devolving on the Federal Government. I do not care where he lives. If he cannot be taken care of, there is still an obligation on the National Government to see that he is taken care of.

The PRESIDING OFFICER (Mr. LUCAS in the chair). The question is on agreeing to the amendment offered by the Senator from Texas.

Mr. AUSTIN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Bulow	Davis	Guffey
Andrews	Burke	Downey	Gurney
Austin	Byrd	Ellender	Hale
Barbour	Capper	Frazier	Harrison
Barkley	Chavez	George	Hatch
Bilbo	Clark, Idaho	Gerry	Hayden
Bone	Clark, Mo.	Gibson	Herring
Borah	Connally	Glass	Hill
Bridges	Danaher	Green	Holman
Holt	Mead	Reynolds	Tobey
Hughes	Miller	Russell	Townsend
Johnson, Calif.	Minton	Schwartz	Truman
Johnson, Colo.	Murray	Schwellenbach	Vandenberg
King	Neely	Sheppard	Van Nuys
La Follette	Norris	Shipstead	Wagner
Lee	Nye	Slattery	Walsh
Lodge	O'Mahoney	Smith	White
Lucas	Overton	Stewart	Wiley
McKellar	Pittman	Taft	
McNary	Radcliffe	Thomas, Okla.	
Maloney	Reed	Thomas, Utah	

The PRESIDING OFFICER. Eighty-one Senators have answered to their names. A quorum is present.

Mr. GEORGE. Mr. President, I intend to delay the vote for only a very few minutes. I wish to call attention to the fact that in the Social Security Act itself we have recognized the obligation of the Federal Government without requiring the States to match on a 50-50 basis or any other fixed basis. There is a provision in the Social Security Act for the care of crippled children, and a fund is appropriated for that purpose. That fund is allotted between the States on the basis of certain enumerated factors. One of them is the financial needs of each State.

Mr. President, that fund has been in the Social Security Act from the beginning, so in social-security legislation at least we have not followed a rigid 50-50 allocation of the Federal appropriation. That fund has been increased by an amendment to the pending bill providing for an additional $1,000,000 per year for the care of crippled children, and both that increase and the amount authorized in the original act will be allocated to the States, among other things, on the basis of the financial needs of the States.

Mr. President, the Social Security Act also includes an appropriation for public-health work, an appropriation which has done a great deal of good in all the States, but which has been of inestimable value and benefit to the rural States. The appropriation of $8,000,000 carried in the original law for public-health work is not allocated to the States on a 50-50 basis. It is allocated on the basis of need in each State. The public-health funds are allocated by the Surgeon General. The appropriation for the care of crippled children is allocated by the Secretary of Labor. Both of these funds, not only the one for the care of crippled children but the fund for Public Health Service, have been increased in the bill now before the Senate, and the theory of 50-50 contribution does not exist with respect to the allocation to the States in either instance.

Mr. President, I wish to make this general statement: I have no difficulty in agreeing with the general observations made by the distinguished junior Senator from Virginia, nor in agreeing with the viewpoint of other Members of the Senate who believe that we should not depart from the general principle of a 50-50 contribution by the States provided for in most of the appropriations which have been made for necessary cooperative work within the States. I have no difficulty in agreeing generally with their point of view. But, Mr. President, I have difficulty in agreeing with the facts as they exist under social security. Let us take the case of any State; take that of my own State, for I do not want to make any invidious comparisons. In my State only about 50 percent of the worthy old people who are entitled to old-age assistance are on the rolls. What the Senator from Virginia [Mr. BYRD] says would be a good answer to the State of Georgia if the State of Georgia wanted a larger share paid by the Federal Government. However, what answer is it to 50 percent of the old people of my State, who are not on the rolls at all, and who do not receive a dime from the State or from the Federal Government, while in some other State, either because of the ability of the State or the disposition of the officials of the State, the old people are on the rolls and are receiving benefits? I cannot answer 40,000 men and women in Georgia who are not receiving a dime from the Federal Government by saying to them, "Go to the State government and have the State government raise enough taxes to put you on the rolls, and to match, dollar for dollar, what the Federal Government pays to the old people within this State or in other States."

That is no answer to them. They are American citizens. They have lived under all the burdens the Government has placed upon them. They have paid all the taxes that have been paid through a long lifetime. Some of them had property. Until 1929, some of them were in good circumstances. Some of them have been taxpayers through a long lifetime. All their property is swept away. They have no children or other dependents who can or will support them. The State government does not levy the tax. Whether it is unable to levy it or whether it is not disposed to levy it does not answer the question, does not answer the demand for these old people to be treated as are other old people who are on the rolls within my State and in neighboring States.

It is no answer so far as the Federal Government is concerned, because, if the Federal Government is willing to pay any part of $15 to an old man or an old woman 65 years of age who has seen better days, it is no answer to say to the old people, "Your State has not done its duty." Perhaps that is an answer to the State. Perhaps the States are not dealing with the question as they should. Perhaps they have not imposed the taxes they ought to impose. However, there is simply no answer that I as a representative of the people of my State in this body, can make to forty-odd thousand who are not on the rolls and who are not receiving a dime from the Federal Government, while some forty-odd thousand in the State are receiving checks monthly from the Federal Government.

Mr. President, I think this amendment would enable the States perhaps not to do equal justice to all the aged people but to do something that approaches it, to put people on the rolls who ought to go on the rolls, and to give to the aged people within the State who are already on the rolls something in the neighborhood of adequate provision for their actual necessities.

What are the facts with respect to those who are on the rolls? We must meet the facts as they are. The facts are that in a State which contributes, with the assistance of the Federal Government, some $6 per month to an old person, such contribution is inadequate to meet human needs. The State which contributes the sum of $8 per month, on the average, to an old person who has no means whatever is not meeting all the actual needs of that person.

Mr. President, the Federal Government thought it wise to enter this field, and to say to the States, "We will set up a fund from which you may draw if you see fit to set up benefits for the aged people within your State." Under those circumstances it seems to me the Federal Government owes something. Perhaps it is unwise to depart from the 50-50 basis of contribution; but we have done it in the case of social security. We have a condition which no kind of logic can answer, because it is a condition of naked human want and misery. The facts stand out. No logic can answer them. No logic can satisfy the aged person in my State or any other State who is receiving less from the State and the Federal Government than is necessary to meet his physical needs or who is receiving nothing simply and solely because the State itself does not act. The argument advanced is no answer to that man or woman, and it is no answer to my conscience, Mr. President. I dare say it is no answer to the conscience of any other Senator.

Mr. President, when I contemplate some of the things that we are doing I wonder why we hesitate to say that up to an average of $15, to which the State must contribute, the Federal Government will pay to the worthy aged people within that State $2 to the State's $1. At this very moment the Secretary of Agriculture is convening in this city the representatives of the cotton trade to devise the best program to give away $35,000,000 of the money of the taxpayers of the country to foreign spinners, to the aged and the young alike who live in foreign countries, in order to induce the shipment of our cotton out of the United States.

So, Mr. President, I shall vote for the amendment. It is not based upon aiding the poor States by discriminating against the better-off States, because under the provisions of the amendment every State would receive $2 for $1 until it had paid to the worthy old people within the State an average of $15 per month. If there is any justification for social-security legislation, if there is any justification for the Federal Government in the first instance inviting the States to take care of their old people, it seems to me we are justified in saying that up to the level at which ordinary physical demands can be only inadequately met the Federal Government shall pay $2 while the State pays only $1, and above that amount the States and the Federal Government shall pay on a 50-50 basis.

It is too late to raise the issue that we must never depart from a 50-50 basis. We have done so in the Social Security Act, and I think wisely so. We have done so in the case of public health. That action was based in part upon the financial need of the State. We said to the Surgeon General, "Apportion this appropriation among the States." We have done it in the case of crippled children. We have said to the Secretary of Labor, "Apportion this appropriation among the States on the basis of need." Of course, the financial condition of the State was again involved. The two appropriations to which I have referred are substantially increased in the bill now before the Senate.

Mr. DOWNEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. DOWNEY. The Senator from Georgia has stated that he believes the Federal Government should contribute $2 for every dollar from the State up to a sum which is required to satisfy the necessities of the old people. I should like to inquire of the Senator what sum he believes he would fix to satisfy the necessities of a senior citizen under this bill.

Mr. GEORGE. Speaking now to the amendment offered, my position is that the Federal Government should be willing to do at least what the amendment provides; that is, to contribute $2 to $1 up to the meager average of $15 a month.

Mr. DOWNEY. May I inquire further of the Senator if he does not think a sum substantially higher than $15 a month is required to keep body and soul together in decency and vigor?

Mr. GEORGE. I should hesitate to say that the statement made by the Senator from California is not true.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. WAGNER. The point was made that we ought to adhere to a certain definite policy. As I understand, the Social Security Board, which has had experience in administration over a period of 4 years, has itself recommended that there should be some variation between the States which can less afford to help the aged and the States which can better afford to do so, as measured by relative per-capita income. The amendment which had been prepared by the Senator from South Carolina [Mr. BYRNES], accomplished that objective. I favored that amendment, and would prefer it to that now offered by the Senator from Texas. Since this amendment, however, seeks the same objective, I propose to support it, with perhaps some safeguard that the additional Federal funds will be devoted to lifting up the States' present average pensions.

Mr. BYRD. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield.

Mr. BYRD. I should like to say to the Senator from New York that Mr. Altmeyer, in his testimony, stated that he thought the Connally amendment was a very dangerous proposal.

Mr. WAGNER. Did not Mr. Altmeyer say that the proposal submitted by the Senator from South Carolina was an improvement?

Mr. BYRD. That is true, but the proposal of the Senator from Texas he thought was a very dangerous proposal.

Mr. WAGNER. I am using my own judgment in supporting the amendment offered of the Senator from Texas, and I am going to vote for it because I want to give aid where aid is needed.

Mr. BYRD. The Senator may not have been informed that Mr. Altmeyer was opposed to the amendment of the Senator from Texas and thought it was very dangerous.

Mr. WAGNER. But he did favor the variable grant principle recognized by the Byrnes amendment.

Mr. BYRD. The Byrnes amendment, as the Senator knows, is very different from the pending amendment.

Mr. WAGNER. Yes; but it recognized the variable rule.

Mr. BYRD. This amendment does not recognize it.

Mr. WAGNER. Not to the same extent. I would very much have preferred the other amendment.

Mr. BYRD. The pending amendment does not do that at all, because it is uniform throughout the country.

Mr. GEORGE. Mr. President, since the distinguished Senator from New York has raised the question, may I say that Dr. Altmeyer, of the Social Security Board, did favor the Byrnes amendment. The Byrnes amendment sought to do precisely what the pending amendment seeks to do in another way, so far as minimum assistance is concerned.

I may also say to the Senator from New York and the Senator from Virginia that Dr. Altmeyer objected to the amendment now before the Senate, not because it would vary the contributions from the 50-50 basis but because he thought—and undoubtedly with some reason—or at least he feared that, if the Federal Government matched $2 to $1 up to $15, some States might be content not to go above the $15. That is the reason why he opposed the amendment.

Mr. WAGNER. I may say to the Senator that there is some apprehension that if the Connally amendment were adopted, some States might take advantage of the situation. I believe that the States are sufficiently interested in helping unfortunate aged people that they will not take advantage of the amendment to reduce their own contributions.

Mr. O'MAHONEY. Mr. President, will the Senator from Georgia yield at that point?

Mr. GEORGE. I yield the floor.

Mr. O'MAHONEY. Mr. President, earlier in the afternoon I interrupted the Senator from Virginia [Mr. BYRD] upon the phase of the matter which the Senator from New York has just mentioned and suggested that the pending amendment might be so modified as to prevent any danger of the contingency that any State might take advantage of the increased contribution under clause (a) to reduce its contribution to old-age assistance. The Senator from Texas was good enough to suggest to me that if I should attempt to prepare definite language to carry out the corrective plan, he would accept a satisfactory formula. I have now done that, Mr. President, and I should like to offer the modifying amendment at this time.

Mr. WAGNER. I take it that the Senator is providing for a minimum?

Mr. O'MAHONEY. I shall read the proposed amendment to the amendment.

Provided, however, That in the case of any State which shall reduce the amount paid in such State in 1939 to such needy individuals for old-age assistance, the amount to be paid by the Secretary of the Treasury to such State shall be—

And then follows the language of the House bill, so that it would have the effect of declaring that if any State should seek to take advantage of the increased contribution by the Federal Government to decrease its own contribution, the 50-50 rather than the two-thirds plan would apply. I send the amendment to the desk.

Mr. WAGNER. The other way I had in mind to improve the Connally amendment would be to provide that the one-third and two-thirds rule should not apply unless a minimum average of $15 was paid to the aged individuals in any State.

Mr. CONNALLY. Mr. President, so far as I am concerned, I am willing to accept the amendment of the Senator from Wyoming, though I do not think it is necessary. It merely provides that if any State should reduce the amount paid during this fiscal year, it would still have to pay on a 50-50 basis instead of obtaining the advantage of the two-thirds Federal contribution. I have no objection to the amendment.

Mr. O'MAHONEY. Let me add that the table which was put into the RECORD yesterday while the Senator from South Carolina [Mr. BYRNES] was addressing the Senate, reveals a rather startling condition with respect to the payment of old-age assistance. Twenty-eight of the States make an average total payment from both Federal and State sources combined of less than $20; 42 States make a total payment of less than $25; and in the State of California alone do needy aged persons who are obviously without resources of their own receive as much as $30.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. O'MAHONEY. Certainly.

Mr. LODGE. The Senator refers to average payments, does he not?

Mr. O'MAHONEY. Yes; these are average payments, of course.

Mr. LODGE. In my State, I happen to know, there are 17,000 people who in May received more than $30; yet the average, of course, is less than that.

Mr. O'MAHONEY. I was speaking of the average. The average for the State of Massachusetts is $28.56.

Mr. LODGE. And in the State of Louisiana, for instance, which is very far down on the list, there are people who receive more than $30.

Mr. O'MAHONEY. The average in Louisiana is $10.26.

Mr. LODGE. But there are individuals there who receive more than $30.

Mr. BARKLEY. Mr. President, I wish to say only a brief word about this amendment. I voted in the committee for the Byrnes amendment, and, as a matter of fact, as a member of the Committee on Unemployment, I participated in preparing that amendment, which was a departure from the original 50-50 requirement of the law as it now exists.

In considering the matter from the standpoint of the Federal Government and the States, I am convinced that we cannot lose sight of the condition of individual aged persons in the country irrespective of any meticulous regard for some proportion between the States and the Federal Government.

When I voted for the social-security law—and I imagine many other Senators had the same notion—I thought we were providing $30 a month old-age pension on a 50-50 basis, $15 by the Federal Government and $15 by the State. That is what I believed in. I have all over my State advocated a $15 contribution by the State to match the $15 contribution by the Federal Government, and I have criticized my own State government for not providing $15 to match the $15 contributed by the Federal Government.

When the bill was introduced calling for compliance by the State with the social-security law, it provided $15 a month to be matched by the States. That was reduced to $7.50. So the maximum under the present law that is possible in my State is $15. But, as a matter of fact, the average is eight dollars and fifty-some cents.

I believe that my State can do better than to pay an average of $8.50 to older people. I have advocated, and I am now advocating that the State of Kentucky amend its law so as to provide $15 to match the $15 contributed by the Federal Government. But I am confronted with the problem of how long I am willing to wait, and thereby add to the suffering and indigency of old people, while some State administration is willing to carry out what we thought was the original intention of Congress by putting up $15 to match the like Federal contribution. The Byrnes amendment, which was voted down in the committee but for which I voted and which I helped to frame as a member of the Committee on Unemployment, recognized that there are some States that may not be able to do that.

I would not draw any invidious comparisons here by attempting to name the States that cannot put up sufficient money to average at least $15 or even $30 per month. I am frank to say that I think my own State can do it, but there may be some others that cannot do it; but my State has not done it. Therefore it seems to me that if we are to depart from the rigid 50-50 rule, the amendment offered by the Senator from Texas is preferable even to the amendment offered

by the Senator from South Carolina [Mr. BYRNES] in this respect, at least, that it does not embarrass the administration of the law by requiring the authorities to decide which States can and which States cannot put up more money than they are now contributing in order that they may make a higher average payment for old-age pensions.

Because I believe it is better to make the variation apply to all States than to pick out a few of them and make it applicable to them on the basis of need, and because I do not believe we can wait indefinitely for the States which either cannot or are unwilling to do their duty in regard to the old-age pension situation, I am going to vote for the amendment offered by the Senator from Texas, making this 2-to-1 proposition apply in all the States up to an average of $15 per month.

I realize that the question arises, How soon shall we reach a period when the Federal Government will undertake the entire obligation and leave the States entirely free? It may be that we are headed toward that situation. I do not know whether we are or not. If we are headed toward it, we cannot stop it any more than one can take a broom and sweep back the waves rolling in from the ocean. We shall reach that point some day if we are going to head in that direction, and it may be necessary to do it. It may be that from the standpoint of justice, the obligation of the Federal Government is paramount to the obligation of the States. But whether or not that be true, for the time being it seems to me we can afford to make this departure up to an average of $15 per month; and I reiterate my hope that the time is not far distant when the average pension received by the old people of the country will be at least $30, for it is difficult to understand how anybody entitled to it at all can live on any decent standard for less than $30 per month.

For these reasons I expect to vote for the pending amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas [Mr. CONNALLY], as modified.

Mr. LODGE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Ellender	King	Reynolds
Andrews	Frazier	La Follette	Russell
Austin	George	Lee	Schwartz
Barbour	Gerry	Lodge	Schwellenbach
Barkley	Gibson	Lucas	Sheppard
Bilbo	Glass	McKellar	Shipstead
Bone	Green	McNary	Slattery
Borah	Guffey	Maloney	Stewart
Bridges	Gurney	Mead	Taft
Bulow	Hale	Miller	Thomas, Okla.
Burke	Harrison	Minton	Thomas, Utah
Byrd	Hatch	Murray	Tobey
Capper	Hayden	Neely	Townsend
Chavez	Herring	Norris	Truman
Clark, Idaho	Hill	Nye	Vandenberg
Clark, Mo.	Holman	O'Mahoney	Van Nuys
Connally	Holt	Overton	Wagner
Danaher	Hughes	Pittman	Walsh
Davis	Johnson, Calif.	Radcliffe	White
Downey	Johnson, Colo.	Reed	Wiley

The PRESIDING OFFICER. Eighty Senators having answered to their names, a quorum is present. The question is on agreeing to the amendment offered by the Senator from Texas [Mr. CONNALLY], as modified.

Mr. HARRISON and Mr. LODGE called for the yeas and nays, and they were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HALE (when his name was called). I have a general pair with the junior Senator from South Carolina [Mr. BYRNES]. Being unable to transfer my pair, I cannot vote. If at liberty to vote, I should vote "nay" and the Senator from South Carolina would vote "yea."

The roll call was concluded.

Mr. DAVIS (after having voted in the negative). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. Not knowing how he would vote if present, I withdraw my vote.

Mr. HILL. My colleague [Mr. BANKHEAD] and the Senator from North Carolina [Mr. BAILEY] are absent on important business. They have a pair on this question. I am advised that if my colleague were present he would vote "yea" and if the Senator from North Carolina were present he would vote "nay."

Mr. ANDREWS. My colleague [Mr. PEPPER] is out of the city. If he were present he would vote "yea." He is paired with the Senator from Maryland [Mr. TYDINGS], who, I understand, if present, would vote "nay."

Mr. HAYDEN. My colleague [Mr. ASHURST] is detained from the Senate because of illness in his family.

Mr. MINTON. I announce that the Senator from New Jersey [Mr. SMATHERS] is detained from the Senate because of illness in his family.

The Senator from Michigan [Mr. BROWN], the Senator from South Carolina [Mr. BYRNES], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Ohio [Mr. DONAHEY], the Senator from Kentucky [Mr. LOGAN], the Senator from Nevada [Mr. MCCARRAN], and the Senator from Maryland [Mr. TYDINGS] are absent on important public business.

The Senator from Iowa [Mr. GILLETTE], the Senator from Minnesota [Mr. LUNDEEN], and the Senator from South Carolina [Mr. SMITH] are detained in various Government departments.

The Senator from Arkansas [Mrs. CARAWAY] is paired on this amendment with the Senator from Iowa [Mr. GILLETTE]. I am advised that if present and voting, the Senator from Arkansas would vote "yea" and the Senator from Iowa would vote "nay."

The Senator from Montana [Mr. WHEELER] is detained in the Committee on Interstate Commerce. I am advised that if present and voting, he would vote "yea."

The result was announced—yeas 43, nays 35, as follows:

YEAS—43

Andrews	Frazier	Miller	Schwellenbach
Barkley	George	Minton	Sheppard
Bilbo	Guffey	Murray	Shipstead
Bone	Harrison	Neely	Slattery
Borah	Hatch	Nye	Stewart
Bulow	Hayden	O'Mahoney	Thomas, Okla.
Chavez	Hill	Overton	Thomas, Utah
Clark, Idaho	Hughes	Pittman	Truman
Connally	La Follette	Reynolds	Van Nuys
Downey	Lee	Russell	Wagner
Ellender	McKellar	Schwartz	

NAYS—35

Adams	Gerry	Johnson, Colo.	Reed
Austin	Gibson	King	Taft
Barbour	Glass	Lodge	Tobey
Bridges	Green	Lucas	Townsend
Burke	Gurney	McNary	Vandenberg
Byrd	Herring	Maloney	Walsh
Capper	Holman	Mead	White
Clark, Mo.	Holt	Norris	Wiley
Danaher	Johnson, Calif.	Radcliffe	

NOT VOTING—18

Ashurst	Caraway	Logan	Smith
Bailey	Davis	Lundeen	Tydings
Bankhead	Donahey	McCarran	Wheeler
Brown	Gillette	Pepper	
Byrnes	Hale	Smathers	

So Mr. CONNALLY'S amendment, as modified, was agreed to.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. LEE. Mr. President, at this time I wish to have taken up an amendment of mine lying on the table. I ask that the clerk state the amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to strike out beginning with line 7 on page 1, through line 22 on page 5, and to insert in lieu thereof the following:

SEC. 101. Effective January 1, 1940, title I of the Social Security Act is amended to read as follows:

"TITLE I—OLD-AGE ASSISTANCE

"SECTION 1. (a) Every citizen of the United States who is 60 years of age or older and who is not gainfully employed shall, upon application, be entitled to receive a payment of $40 for each month beginning with the month in which he files application or the month in which he becomes 60 years of age, whichever month is later.

"(b) No such citizen shall be deemed to be gainfully employed in any month unless he renders services during such month for which he receives remuneration in excess of $10. The amount of any payment made to any such citizen for any month in which he is gainfully employed shall be deducted from subsequent payments to which he may be entitled.

"SEC. 2. (a) Applications for payments under this title shall be filed with the Social Security Board in such form as the Board may prescribe.

"(b) The provisions of sections 204 to 208, both inclusive (including penalties), shall, insofar as they are not inconsistent with the provisions of this title, be applicable with respect to payments under this title in the same manner and to the same extent as such provisions are applicable with respect to payments under title II.

"SEC. 3. (a) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

"(b) The sums appropriated for making payments under this title shall be maintained in a separate account in the Treasury; and such payments shall be made by the Secretary of the Treasury from such account in accordance with certification by the Social Security Board."

Mr. LEE. Mr. President, I shall first explain the amendment by telling what it does not do. It does not change the pending bill or the present law with respect to, first, aid to the blind; second, aid to crippled children; third, aid to dependent children; fourth, aid for public health; fifth, aid for maternal and child welfare; sixth, vocational rehabilitation; seventh, unemployment compensation; and, finally, it does not change the present law or the pending bill with respect to old-age and survivors' insurance.

The amendment would, however, repeal the requirement of State contribution for aid to needy old people, and substitute therefor an outright Federal pension of $40 a month to every citizen 60 years of age or more who is not gainfully employed.

The amendment provides that the pension shall be paid directly to the old person, without State administration. It also provides that payment be made regardless of need. In other words, the amendment provides a clear-cut Federal pension of $40 a month without the administration of State officials, without regard to need of the individual.

Mr. President, this administration is the first administration to give old-age pensions. This administration deserves great credit for blazing the trail on the entire program covered by social-security legislation.

For the first time in the history of our Nation the Federal Government, in present law and in the pending bill, recognizes its obligation to crippled children, recognizes its obligation to blind people, recognizes its obligation to care for the health of the people throughout the Nation. For the first time in the history of this Nation the Federal Government, through this administration, has recognized the obligation of the Government to mothers, for maternal care, for the welfare of crippled children, and for the welfare of dependent children. For the first time in the history of this Nation the Federal Government, through this administration, has recognized the obligation of the Government to the old people of this country. Therefore I have only praise for the efforts which have been made already to meet these problems, and I certainly have no caustic criticism to make of the present administration for the things it has done in that direction.

However, we must learn by experience. We can profit by the years of experience which we have already had with respect to the administration of the law in its application to old-age pensions.

Again let me make it clear that the amendment does not change the law which provides for contribution and for old-age insurance. For example, a person who is contributing now to a fund which will later be paid to him in the form of an old-age annuity would still be allowed to draw that fund. Whatever is provided in the amendment would be in addition to that. If that person, who is now contributing to a fund, should die, his survivors—that is, his widow and orphans—would receive the amount of money he has contributed. That is not changed by the amendment. It seeks only to repeal that part of the law which provides that the States must match money for the payment of pensions to old people, and to put in its place a Federal old-age pension which is paid to old people regardless of whether the State matches it or not, and is paid directly to them by the Federal Government.

Mr. TAFT. Mr. President——

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Does the Senator from Oklahoma yield to the Senator from Ohio?

Mr. LEE. I yield.

Mr. TAFT. Has the Senator an estimate of how many people there are in the United States today who are over 60 years of age?

Mr. LEE. According to the last census, the Census of 1930, the total is 10,385,026. According to an estimate made by the Bureau of the Census in July 1938 there are 12,450,000 such persons in the United States.

Mr. TAFT. Then am I to understand that the amendment would require approximately $5,000,000,000 a year from the Federal Treasury as opposed to approximately $250,000,000 which the bill provides?

Mr. LEE. I do not believe so, and I base my belief on the following facts. In the first place the amendment provides payment only for those who are not gainfully employed, and according to figures furnished me, which seem to be reasonably accurate, there are 4,155,000 persons 60 years of age and over who are gainfully employed, which would leave a total of 6,230,000 who are not. That calculation is based on the census of 1930 of 10,385,026 persons, instead of the other figure which I gave. There is a little difference between the two. But it leaves a total of 6,230,000 persons, and that would amount to $2,990,400,000.

Mr. President, there is precedent for paying old-age pensions. In the first place, we now make retirement payments to certain groups. We pay to those who have served in the Army and Navy after a certain number of years of service. We retire such persons on a good income. A major general is retired after 30 years' service on a monthly retirement pay of $500. A brigadier general is retired on a monthly pay of $375. A colonel is retired on a monthly pay of $375. A lieutenant colonel on $359.37 monthly pay. A major on $338.12 monthly pay. A captain on $281.25 monthly pay. A first lieutenant on $225 monthly pay. A second lieutenant on $187.50 monthly pay.

In respect to the Navy, a rear admiral's retirement pay is $6,000 a year. A captain's retirement pay is $4,500 a year. A lieutenant's retirement pay is $3,300 a year. An enlisted man's retirement pay is from $133.80 down to $31.50 a month.

In addition to that, a Supreme Court Justice's retirement pay is $20,000 a year. Federal judges are retired on full pay. Whatever their salary is, they are retired on that salary.

Furthermore, the civil-service groups are retired on pay according to their service and their pay after a certain number of years' service.

I do not hear any questions asked in the Senate when we appropriate money to make these retirement payments. I do not hear a Senator rise and ask, "How much will it cost?" It is accepted as a matter of course that these people have earned this retirement pay.

The mail carrier who brings our mail every day knows that at the end of a certain period of time he is going to be retired on sufficient to keep him in a respectable station of life. He also knows that he is protected by the civil-service laws; that he cannot be arbitrarily discharged. In other words, he is given a guaranty, so to speak, of a job with an income for 30 years, and then a guaranty of an income on retirement pay.

An Army officer or an enlisted man is given a certain guaranty of an income while he lives and while he serves. Then he is guaranteed an income afterward on retirement.

Let me ask the Senate, What about the laborer who does not know whether or not he will have a job next month? Consider his condition. It may be argued that because a man has given 30 years of service to the Government, therefore he should be retired with pay; but compare that with this argument: The man who is not sure of a job may say, "Why, I look at it the other way. That other man has been guaranteed a job for 30 years. If there is any difference, it ought to be in my favor, because I have not had a guaranty of a job. He has had an assurance that his job is secure, and in addition to that you guarantee him a living on a decent standard afterward, but I am not guaranteed even a job, and because I am not guaranteed a job, neither am I guaranteed a retirement pension after a certain number of years. Why," he says, "instead of saying that you owe that man retirement pay, you should say that he has been guaranteed a job all the time and has had an opportunity to save for his old age. He has had the best of it. I am the one who has been receiving the rebuffs of life. I lost my job and used up my saving. I am the one who needs a pension more than the man who has had a steady income all of his life."

A Federal judge cannot be dismissed. He serves for life during good behavior. He has a guaranteed income; and because of his service the Government says to him, "When you reach 70 years of age, after 10 years' service, we will continue you on full pay."

Mr. SCHWARTZ. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. SCHWARTZ. Under sections 1 and 2, would the Government pay $40 a month to a person over 60 years of age who has a substantial income but who has retired and is not performing any service?

Mr. LEE. That is correct. I shall discuss that question before I conclude.

I am pointing out that our Government is already committed to a policy of pensions and retirement pay. I do not wish anyone to interpret my remarks to mean that I do not favor retirement for Army or Navy officers or for enlisted men who serve in the Army or Navy. I favor such retirement. I favor retirement pay for men who serve on the bench. I favor civil-service retirement. However, I am arguing that since such individuals are protected from the hardships of life by virtue of the perpetuity and security of their positions, and since we grant them a continued income after a certain period of service, we should grant an income to the man who serves and who has not been so protected.

Whom could we better do without, the civil-service worker or the farmer? Who is to guarantee the farmer an income after he has spent his vigorous years producing food for the country? Who is to guarantee an income to the merchant? Who is to guarantee an income to the doctor, or to professional and business people who are not protected by our system of insurance and retirement funds? Who is to guarantee an income to the wage earner after he has given a life of labor?

I mention these things to show that we are committed to a system of retirement pay. The farmer, the laborer, the merchant, and the professional people, and all workers, are just as much entitled to an income after they have served their fruitful years as are those who have served in protected capacities.

Mr. HATCH. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BILBO in the chair). Does the Senator from Oklahoma yield to the Senator from New Mexico?

Mr. LEE. I yield.

Mr. HATCH. I do not wish to interrupt the Senator's remarks; but he was talking about civil-service employees, and the thought occurred to me that there is a provision under which certain deductions are made from their salaries throughout the years to provide a retirement fund. Is not retirement something for which they themselves pay? I am asking for information.

Mr. LEE. I cannot answer that question directly. I am inclined to think that they make a contribution, and I believe the Government also makes a contribution. However, they have sufficient salary after the contribution is made to insure them a reasonable income. I am not saying what I say in criticism of that system. In fact, I voted for it when I was a member of the Civil Service Committee in the House.

Mr. HATCH. I merely wanted to interrupt the Senator to say that I am sure he desires to be fair in the matter.

Mr. LEE. That is correct.

Mr. HATCH. The RECORD should show that in a sense civil-service employees are paying for the retirement which is granted to them. In other words, it is not a gratuity from the Government.

Mr. LEE. In the case of an Army or Navy officer I believe that if there is a contribution from his pay it is not so considered. The same is true of Federal judges.

Mr. HATCH. I am sure the Senator is correct with respect to Federal judges. I have no information with respect to Army and Navy personnel.

Mr. LEE. If it be true that they make a certain contribution, they have enough left over to sustain them during the time they are working and after they have worked the necessary period to entitle them to a retirement income.

The present law with respect to old-age pensions for the needy is not good. Of course, it is better than none at all. I voted for it, and it is today serving a great purpose; but it has defects and faults which I believe we should correct at this time. We are blazing a new trail. We are working on a new subject. We should perfect and improve the law where it falls short.

At the present time the law requires State matching. We have just adopted an amendment; and all the argument in support of that amendment could just as well apply to the amendment which I have offered. It would apply even better, for the reason that the amendment which we have just approved, the amendment offered by the Senator from Texas [Mr. CONNALLY], removes only a degree of the objection raised to the present law. Everything the Senator from Texas said with regard to the present situation could be said with greater force in support of my amendment, because his amendment goes only part of the way toward correcting the fault of the present law. It only matches $2 for $1, instead of dollar for dollar, and that only up to $15.

The Senator from Texas said yesterday, very effectively:

> The point I am trying to drive home is that the Federal Government is responsible for this system. The Federal Government decreed that the policy of giving something to dependent aged persons in the United States should come into existence.
>
> Why did we do that? Did we have any obligation to do it? It is said, "Yes; the Federal Government owes an obligation to all of the aged people who are dependent, who are in need. It owes them the duty of seeing that they get something toward relieving their need."
>
> Very well. Where are these citizens? They are not all in Washington; they are not all in the Senate; they are not all in the House of Representatives. They are scattered throughout 48 States of the Union. They are all the same kind of citizens. They are all in need. They are all sovereigns in some State, in some Commonwealth.
>
> What would we think of a government which said, "Well, now, there is a good citizen down in Arkansas who is in need. The Federal Government owes him something. But how much does it owe him? It owes him only $3.08. There is another citizen in California in need. How much does the Federal Government owe

him? It owes him $15." He is the same kind of a citizen, in the same condition, in the same country, under the same flag. But we give one of these citizens, the one in Arkansas, just $3.08, and the other one, in California, $15. Is that right?

We adopted an amendment which would cause the Federal Government to give the citizen in Arkansas a little more than he is receiving now. It would increase the amount he receives by one-third and to that extent it is an improvement over the present law. However, there would still be an inequality, and the Senator admitted that his amendment would not entirely correct the evil of which he spoke.

What is the average old-age pension in Arkansas? It is $6.15 a month. What is the average old-age pension in Oklahoma? It is $19.94. There is an imaginary line between Oklahoma and Arkansas. When I was campaigning for the Senate I may have crossed the line into Arkansas. I did not see any line. At that time Senator Robinson was living. One of my friends asked one of the men who was attending the meeting, "Are you going to vote for JOSH LEE?" He replied, "Well, I like JOSH all right, but I guess I will have to vote for Uncle Joe again." [Laughter.] Either I was over the line campaigning or this citizen was over the line listening. Usually I could tell when I crossed the line. When I crossed the line the applause was unanimous. When I got back into Oklahoma only those who were supporting me applauded. That was the only way I could tell I was over the line into Arkansas. [Laughter.]

The line is an imaginary one. A citizen living on one side of that imaginary line draws a monthly pension of $6.15, while a citizen in exactly the same circumstances on the other side of the imaginary line, which cannot be seen, draws $19.94. That is making fish of one and fowl of the other.

The amendment which we have just adopted does not correct that situation. It helps it only to a degree; but it does not eliminate the difference. It is left up to the States to decide, first, whether they are able, and, second, whether they want to match Federal funds and to what extent, even on a 2-to-1 basis, up to $15. Even the pending bill, which amends the present law, would not correct that situation. It would only ameliorate it.

Yesterday the Senator from Florida [Mr. ANDREWS] read into the RECORD a very fine statement from the late Mr. Justice Cardozo, following the decision on the present law, in which he recognized and stated that our obligation to the old people is a national obligation. In the opinion, which was written by the late Justice Cardoza and concurred in by six Justices of the United States Supreme Court, all except Justice McReynolds and Justice Butler, the Court said:

> The purge of Nation-wide calamity that began in 1929 has taught us many lessons. Not the least is the solidarity of interests that may once have seemed to be divided. Unemployment spreads from State to State, the hinterland now settled that in pioneer days gave an avenue of escape. * * * Spreading from State to State, unemployment is an ill not particular but general, which may be checked, if Congress so determines, by the resources of the Nation. If this can have been doubtful until now, our ruling today in the case of the *Chas. C. Steward Mach. Co.* (301 U. S. 548, ante, 1279, 57 S. Ct. 883, 109 A. L. R. 1293, supra), has set the doubt at rest. But the ill is all one or at least not greatly different whether men are thrown out of work because there is no longer work to do or because the disabilities of age make them incapable of doing it. Rescue becomes necessary irrespective of the cause. The hope behind this statute 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.

Then later in the opinion the Court said:

> The problem is plainly national in area and dimensions.

A second fault of the present law is that old people are required to prove their poverty in order to receive old-age pensions. An old man must prove that he is "broke"; that he has no property; that he has no relatives or kin sufficiently close who will support him. In other words, whether or not we like to say it, he must take a pauper's oath in order to be eligible to receive an old-age pension.

The present plan penalizes the thrifty and rewards the extravagant. A man who has nothing and proves that he has nothing is put on the pension roll, but another man who has been a little more thrifty and has foregone some of the pleasures of life and accumulated and saved a little property is penalized by not being eligible to receive a pension. So the present law places a penalty upon the thrifty and offers a reward to the extravagant.

Again the present law is faulty because it causes friction since the human equation enters into the decision of whether or not a man or a woman is entitled to receive an old-age pension. The amendment which I have offered will remove that friction because it will remove the element of human judgment. A State board in every State now sits in judgment to decide the question whether or not an individual is in need and to what extent he is in need before he may receive a pension. I say that form of procedure should be eliminated. Most of the misunderstanding, most all of the friction that has arisen in the administration of the law, has been due to that very element of human judgment deciding that one man is in need and his neighbor is not in need or is in need to a lesser degree.

Year before last Oklahoma received some unfavorable publicity, which I greatly regretted. It grew out of the allegation that dead men were on the pension rolls in Oklahoma. When investigation was held before the Social Security Board, members of the State board of Oklahoma explained that the reason the names of some who were dead were on the rolls was due to the fact that the case load in Oklahoma was so heavy that the social-security workers could not visit the pensioners sufficiently often to check the rolls. One social-security worker, a girl, perhaps—most of them are girls—had 1,000 old people whom she had to interview. That was the average, we were told. The social-security worker had to go to the homes, ascertain everything possible as to the economic condition of the old people, and then report back to the State board. If she had to visit a thousand homes that would mean at least three or more pensioners a day from whom she would have to secure all the necessary information. The statement was made that the case load was so heavy that she could make the rounds so infrequently that some of those on the pension roll had died since the list was last checked. That is a reasonable explanation of that condition.

The point I am coming to is that the machinery of administration under the present law is so intricate and complicated that, in itself, it results in friction and will continue to result in friction, and it also adds to the cost of administering the present law. Much of the money that is intended to go to the old people must, of necessity, be spent in administration, in order to determine who should be on the rolls and who should not be on the rolls.

The Senator from Wyoming [Mr. SCHWARTZ] asked a very proper and important question a while ago. He asked if, under this proposal, every person 60 years of age would receive $40 a month. My reply is, "Yes; he would"; and the universality of its application would meet with the approval of the people throughout the country. For example, Henry Ford would receive a pension of $40 a month if it should be determined that he was not gainfully employed, but, with a fair tax adequate to raise the money for the payment of the amount provided, Henry Ford would pay back in taxes much more than he would receive in pension, and he would pay it much more willingly when he realized that the plan was fairly administered and that its simplicity argued in its favor.

Mr. SCHWARTZ. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. SCHWARTZ. I wonder if the Senator has any information as to the number of people over 60 who have private incomes which enable them to live according to good, American standards of living?

Mr. LEE. I do not have such information. I have only the figures as to those who are considered to be gainfully employed, and, in round numbers, of 10,000,000 people 60 years of age or over, 4,000,000 are gainfully employed or are so considered. It is safe to say that only a small percentage of people 60 years of age and over have an income sufficient to sustain them. The percentage must, of necessity, be small, because when we consider the people around us, we

know that the number who are poor is much greater than the number of those who are wealthy. Those who no longer have jobs and who can depend entirely upon income from wealth naturally must constitute a small percentage. For that reason I am persuaded that the payment of old-age pensions, regardless of need, is desirable, because many persons in the middle class who would receive $40 a month, even though they might be able to eke out an existence without the $40, would have their purchasing power increased, and the money would find its way immediately back into the current of circulation, for they would spend it; they would buy things they want and need; and many who might be able to get along without it would put it back in circulation and thereby increase our national income and stimulate employment.

The question is asked, "Why $40 per month? Why not $45, or why not $50, or why not $60, or why not $30?" I grant you that I have no magic method of determining exactly the right amount; but the Gallup poll which was published in the Washington Post of February 26, 1939, gave us the figure of $40 per month. After Dr. Gallup had taken a poll, the average pension which the people of the United States were willing to support was $40 per month.

The question which was sent out by Dr. Gallup was, "Do you believe in old-age pensions?" The response to that question was, "Yes," 94 percent; "No," 6 percent.

The next question was, "About how much pension per month do you believe should be paid?" The average of the answers to that question was $40. These figures are the average for all those who stated a figure. The amounts varied in various sections. For example, Southern States had a low figure of $31; Western States had a high figure of $44; West Central States had a figure of $36; but the average was $40.

This question then was asked, "Would you be willing to pay a sales tax or an income tax to pay these pensions?" The result of that questionnaire was, "Yes," 87 percent; "No," 13 percent.

Forty dollars per month is not enough to discourage taking out life-insurance policies. Forty dollars per month is not enough to destroy retirement plans of private companies. A pension of $40 per month would augment an income from the pension of a private company, or it would augment an annuity paid by a life-insurance company. I am persuaded that it would even encourage taking out such annuities, because it is very difficult for an average man in the middle class to pay for enough life insurance to give him a large enough annuity to encourage him to lay aside the little he would be able to spare from his daily living; but when he realized that he would receive a pension of $40 per month, he would know that whatever life insurance he might be able to pay for would simply augment his income to that amount, and I think the adoption of the amendment would encourage taking out life-insurance annuities. I believe it would further encourage the retirement plans of private companies and institutions and professions.

Forty dollars per month is not enough to discourage saving. It would encourage saving. A person would have an incentive to save. If he knew his income above 60 years would be only $40 per month, he would say, "Well, if I can save a little I shall have more to spend. I can live in a little better condition than I could with only $40 per month."

Again, the question is asked, "Why 60 years? Why not 65? Why not 70? Why not 50?" I cannot answer that question. We have to arrive at some reasonable figure. It may be that the age ought to be lower than 60 years, because business discriminates against a man after he is 40 years of age. If you apply for a job after you are over 40 years of age you run squarely into the policy of companies which will not employ workers above 40 years of age.

In this regard I wish to read again from the opinion which was written by Mr. Justice Cardozo, and which the Senator from Florida [Mr. ANDREWS] quoted yesterday:

> In 1930, out of 224 American factories investigated, 71, or almost one-third, had fixed maximum hiring-age limits; in 4 plants the limit was under 40; in 41 it was under 45. In the other 153 plants there were no fixed limits, but in practice few were hired if they were over 50 years of age.

As a man grows older, usually his responsibilities increase, his obligations increase, and his possibility of earning decreases. Sixty years seem to be a fair and reasonable age, because I doubt if a man 60 years of age could secure employment in industry today unless he was a craftsman of unusual expertness, and his efficiency was not impaired because of his years. It might be possible then that he could secure employment for a few more years. The principle involved of paying an outright Federal pension is the important thing, not as to whether the age should be 60 or 65.

Mr. President, I am going to ask for a yea-and-nay vote on this amendment. I have heard different persons giving lip service to the old people in very general terms and very general phrases. Now, let us see if that lip service was lip service only. Here is the vote.

I support this old-age pension for economic reasons as well as for sentimental reasons, if you want to call them that, or emotional reasons, or humanitarian reasons. I support it for economic reasons.

The amendment would decrease unemployment, first, by making room for more young men. As the amendment is drawn, the pension would be paid to those not gainfully employed. Many old persons who are working, but who are not really able to work, would surrender their employment under this plan, and that would make room for younger men and give them employment, and the old persons would still have incomes.

Again, the amendment would decrease unemployment because it would tremendously increase purchasing power, and that increase in purchasing power would increase the demand for goods. The increased demand for goods would increase the demand for employment and thereby increase jobs.

The amendment would force money into circulation and restore prosperity.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Michigan?

Mr. LEE. I do.

Mr. VANDENBERG. I desire to ask the Senator for one bit of information regarding his proposal. Has he submitted an estimate of its cost?

Mr. LEE. The nearest estimate I can arrive at is $2,990,000,000.

Mr. VANDENBERG. In round numbers, $3,000,000,000?

Mr. LEE. In round numbers, $3,000,000,000. The estimate is based upon the census of 1930, and the estimate of old persons gainfully employed.

Mr. VANDENBERG. How is the Senator proposing that the money shall be raised? Is he suggesting some special tax in connection with it?

Mr. LEE. I am not suggesting any tax in the amendment. I am prepared to vote for a tax, but the money would have to be raised in the same manner that money is now being raised to pay pensions through the present law.

Mr. VANDENBERG. But it cannot be raised, as the Senator knows, from income taxes to an extent equal to $4,000,000,000. We must find some other method of taxation, and I was wondering whether the Senator would approve the theory of the sales tax or the transactions tax in order to get the money.

Mr. LEE. I will approve whatever tax the Finance Committee report as one that they recommend to raise this money, and let me correct the Senator. Instead of $4,000,000,000, the estimated amount is $2,990,000,000, or, if the Senator likes, in round numbers, $3,000,000,000. The amount is large enough. Let us not make it larger than it actually is.

I am prepared to vote for a tax to raise this sum. In this particular measure I am not offering or recommending a tax, but whenever the Finance Committee of the Senate or the Ways and Means Committee of the House shall report a measure providing for a tax to raise the money to pay these benefits, I am prepared to support it and to vote for it.

Mr. VANDENBERG. I happen to be a member of the Committee on Finance, and I happen to know some of the grave difficulties in finding available tax targets from which to get enough money to make it possible to come anywhere near closing the existing fiscal gap in the Government's operations, and I was wondering whether the Senator had any suggestions to offer as to where this tax could be levied in order to produce the $3,000,000,000.

Mr. LEE. Of course, I have some opinions, which I shall be glad at the proper time to offer to the Committee on Finance. However, I feel that the Senator and the other members of the committee should, and will, at the proper time, if this amendment shall be agreed to, bring forward a tax, and whatever tax plan they bring forward, it is my intention to support it, and I believe the people of this country will support it. I cannot swear by the Gallup poll, but it seems to hit a pretty good average in getting the opinions of the people; and in one of the questionnaires which Mr. Gallup has sent out, and which was published in the Washington Post on February 26, 1939, this question was asked:

Would you be willing to pay a sales tax or an income tax to pay these pensions?
Yes, 87 percent.
No, 13 percent.

I believe that the people of this country are willing and ready to support the imposition of a tax for this purpose. I am not yet prepared to say that it should be a sales tax. I am not prepared to say it should be a tax raised all from one source.

Mr. VANDENBERG. Of course, it would not be possible to get $3,000,000,000, or anything like it, from an income tax. It will be necessary to resort to some new tax method, and that is what induced me to ask the Senator the question. I feel as the Senator from Virginia stated he felt a few hours ago; much as I disagree at the moment with the philosophy of the transactions tax, under the Townsend plan, I think the proponents of that plan are to be tremendously commended for their courage and their bravery in proposing the means with which to pay the bill which they propose to incur. I share every sentiment the Senator has uttered about the wisdom and desirability of old-age pensions, yet it seems to me it is a snare and a delusion to hold that mirage before the senior citizens of this country, except as it is balanced with a specific program for producing the money with which to pay the bill.

Mr. LEE. Of course, that is very sound; but let us see about it. I stated that I was willing to vote for any tax the committee would present to this body to finance what I propose. The Senator from Michigan says he agrees with everything I propose.

Mr. VANDENBERG. No; I say I agree——

Mr. LEE. With the sentiment.

Mr. VANDENBERG. With the sentiment the Senator utters, and that it would be a splendid thing if what he proposes could be done. I am asking the Senator to show me how it can be done, in dollars and cents.

Mr. LEE. Will the Senator then join me also in saying he will vote for any tax bill the Committee on Finance will present to this body for financing such a proposal?

Mr. VANDENBERG. Certainly not, unless the tax bill is one which in its very nature does not stifle American industry and commerce, and does not make it impossible for us to do anything except to live on a pension system sooner or later. That is the reason why I am interested in finding how the Senator wants us to raise the money, because I am keenly concerned in finding the practical means of doing it, and I am wondering whether the Senator has any suggestion.

Mr. LEE. This is just another case of lip service, but when it comes to voting the Senator says, "No, I will not vote for anything the committee brings out; I will not vote for a transactions tax;" and I suppose the Senator is ready to say he will not vote for a gross income tax.

Mr. VANDENBERG. The Senator uses the phrase "lip service" with a great deal of freedom. Let me say to the Senator that I think it is lip service to propose these pensions without proposing a way to raise the money.

Mr. LEE. The Senator seems to favor an old-age pension, but he is not willing to say that he will propose a tax or vote for a tax to provide the money for paying it. I say I am willing to vote for any tax the Finance Committee will report for financing it.

Mr. VANDENBERG. I do not think the Finance Committee can find a tax with which to pay it, and I am asking the Senator where he would find it.

Mr. LEE. If the Finance Committee is made up of members of the same frame of mind as that of the Senator from Michigan, no doubt the Senate Finance Committee will never find one, or bring in a proposal, for financing such a humanitarian program.

Mr. VANDENBERG. It takes more than a frame of mind to finance a tax.

Mr. LEE. Yes; it takes courage.

Mr. VANDENBERG. And it takes resources.

Mr. LEE. Does the Senator mean to tell me that in the richest Nation on the face of the earth we cannot get sufficient money to take care of the men and women who made the wealth of this country?

Mr. VANDENBERG. I mean to say to the Senator that for 7 years we have failed by $3,000,000,000 a year to find the money with which to pay our bills.

Mr. LEE. Because the Finance Committee has not brought in a tax bill to accomplish that, and every time we offer a tax bill the Senator is one of the first to say, "Let us not stifle business."

Mr. VANDENBERG. The Senator knows that is not accurate if he is familiar with the RECORD. I have voted for every increased tax amendment proposed by the distinguished Senator from Wisconsin [Mr. LA FOLLETTE]. I have voted for every increased tax that has been proposed in the Senate for the purpose of paying the Government's bills, and I cannot do any more than that.

Mr. LEE. But the Senator is not willing to vote for a tax bill to raise the money with which to pay old-age pensions.

Mr. VANDENBERG. I cannot vote for a tax bill which the Senator will not present to me. I am trying to find out how he proposes to raise the money, what kind of a tax it is he wants.

Mr. LEE. Tax proposals have been presented, but the Finance Committee have not reported them. The Townsend-plan advocates proposed a transactions tax, a turn-over tax, a gross-income tax; they have all been presented, but I have not heard the Senator advocating any of them with which to finance this proposal.

Mr. VANDENBERG. Is the Senator in favor of the transactions tax?

Mr. LEE. I am in favor of any tax the Finance Committee will report; and if they will report a tax to this body, I will support it.

Mr. VANDENBERG. The Senator is very careful to hide behind the Finance Committee before he makes his commitment. Will the Senator support a transactions tax per se, himself?

Mr. LEE. Certainly.

Mr. VANDENBERG. That is the exact answer I want; and if the Senator joins that with his proposal, I say he is on sound ground.

Mr. LEE. Will the Senator vote for the amendment, then?

Mr. VANDENBERG. I will not. [Laughter.] But this is the first time in the course of the Senator's address that I have discovered precisely how he is willing to raise the money, which is what I have been trying to discover.

Mr. LEE. I am willing to raise it in that way; I am willing to raise it by a gross-income tax; I am willing to raise it by any tax the Finance Committee will report to this body, or the Ways and Means Committee will report to the other body. I think any tax ought to have the careful scrutiny of the committees. I think it ought to be gone over by experts.

At first it was my intention to offer a tax measure along with the amendment I am now offering, but finding that it

had not gone through the hot fires and the close scrutiny and the careful, fine-tooth combing of either one of the revenue committees, I did not present the measure, because I did not want merely to make an empty gesture. I will prove my faith by my works at any time, but I am convinced that the Senator from Michigan is not willing to support any kind of a tax that will raise the money to pay the old people of this country $40 a month. I challenge him now to stand up and tell the Senate, in my time, whether he will support any kind of a tax; and if so, what kind?

Mr. VANDENBERG. I shall be very happy to tell the Senator. The first thing I want to find is a tax which will pay the existing $3,000,000,000 deficit of the Federal Government. Thus far the Finance Committee, under the leadership of the Senator's administration, has been unable to find such a tax, although I have supported every increase proposed.

In my judgment, if the existing spending tempo, without an increase of any nature, shall continue, there will be no recourse except a national sales tax, and much as I should regret to resort to that, I expect sooner or later to have to vote for some kind of a national sales tax, unless the spending deficits decrease.

After we have found a way to put the Public Treasury on a solvent basis, in the presence of its existing obligations—which, in my judgment, cannot be ignored very much longer—then, on the basis of what I anticipate will be the increased costs of this Nation, just so soon as we are on a sound fiscal basis nationally, with respect to the Government, I should be perfectly willing to expand the sales tax to pay whatever reasonably ought to be paid in behalf of the senior citizens, so-called, of this country. I am not prepared to give the Senator a bill of particulars, because I have not the slightest idea of what it will be.

Mr. LEE. The Senator expected me to give a bill of particulars and answer definitely, which I did, but the Senator has not done so, and I will give him a chance now to say what tax will he vote for to pay the old people of this country $40 a month.

Mr. VANDENBERG. I asked the Senator for a bill of particulars because he is proposing a measure which would call for the expenditure of a vast sum. Whenever I propose that the Government expend money I will submit the method by which I think the Government should obtain the money.

Mr. LEE. But the Senator wanted it to go into the RECORD that he agreed with the sentiments of the Senator from Oklahoma, which were for an old-age pension, but he is not ready to offer any proposal for paying the pensions, and I am.

Mr. VANDENBERG. I am glad the Senator finally has done so.

Mr. REYNOLDS. Mr. President, will the Senator from Oklahoma yield?

Mr. LEE. I yield.

Mr. REYNOLDS. As the Senator knows, I am very much interested in providing for the elderly in this country, and I have a suggestion to make. I should like to know from the Senator how much it is going to cost annually to take care of the elderly people of this country, under the plan proposed by him?

Mr. LEE. As near as I can estimate, $2,990,000,000.

Mr. REYNOLDS. I have a proposal to make which will take care of those people for at least 6 years. The countries abroad, with whom we were allied during the World War, owe us $13,000,000,000. I am suggesting, and have heretofore suggested, and have presented a resolution to that end, the appointment of an American gentleman to go abroad and rap on the doors of all those nations every day and ask them to pay us the money which they owe us. He might tell them that we want that money because we are nearly broke, and we want to look after the old people in this country, whom we love. If we can get those "chiselers" to pay the taxpayers of this country the $13,000,000,000 they owe us, then we can take care of our old folks, at least for 6 years.

Mr. LEE. I appreciate that statement from the Senator, and I imagine that he and I will both be waiting a long time, and the Congress will be waiting a long time if we have to wait for either the Senator from Michigan to advocate a tax plan which will finance this proposal, or for foreign governments to pay the debt which the able Senator from North Carolina is interested in collecting. I may say that I share his feeling in the matter. I wish we could collect the debt. But I have never been one who continues to follow a vain hope. I am ready and willing now to vote, and will vote today for a tax measure which the proper fiscal committee of either House is willing to recommend which will pay for this proposal. I will vote for a tax measure, if the committee will report it, which will enable $40 a month to be paid to the old people. I should like to hear the Senator from Michigan say as much. Yes; there is lip service to the old people. Yes; they are told how they built this country. They are told how their dear trembling old fingers have erected monuments in America, but when we come to the vote, where are those who tell them that? We just cannot get the money to do it.

In a campaign it is very easy to say, "I am for a reasonable old-age pension." And there is another good statement behind which lip-service pension advocates can hide: "I am for an adequate old-age pension which can be raised in a reasonable manner without stifling business." There is plenty of cover there to hide anyone.

Yes, Mr. President; I am for an old-age pension, and I am offering an amendment which would provide a pension of $40 a month. Forty dollars a month would make the old people very happy, and it would keep many of them from misery.

We no longer send old people to the poorhouse. We make them take a pauper's oath for a pauper's pension. We have just voted to adopt an amendment to increase the amount of the pension. I voted for it, and I approve it. I commend the present administration for being the only administration which has ever considered the old folks in legislation so far as an old-age pension is concerned. I am for that, and I think we ought to refine and improve the pension legislation. The way to improve it is to separate the Federal old-age pension from the State pension, and not make fish of one citizen and fowl of another. We pay one citizen $6.15, and another citizen, under exactly the same circumstances, across an imaginary line, not 100 yards away, $19.94.

Mr. CLARK of Idaho. Mr. President——

The PRESIDING OFFICER (Mr. BILBO in the chair). Does the Senator from Oklahoma yield to the Senator from Idaho?

Mr. LEE. I yield.

Mr. CLARK of Idaho. Is it fair to say that what the Senator from Oklahoma means is that today we pay the old folks a pension not to live on but to die on?

Mr. LEE. I imagine that pretty well covers it.

The average amount paid in Oklahoma is $19.94. That means, as was shown in the hearings here, that some old people there receive $1.36; perhaps some receive less than that.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. CHAVEZ. When the Senator from Oklahoma says that some States pay as much as $6 he is too liberal. I have right now on my desk many letters from persons in my State who say they receive as low as $2.82. I do not know which would be the better, to go to the poorhouse or to receive only $2.82.

Mr. LEE. Mr. President, I have always felt that the poorhouse is a disgrace and a shame. Of course, the poorhouse was developed and came into being, I supposed, as an act of mercy. People decided that instead of letting old people die on the street they would have a county farm or a county poorhouse, and those who were not able to take care of their mothers and fathers, or were not charitable enough to take care of them, sent them "over the hill to the poorhouse," where most of them died of a broken heart instead of old age. There is not a great deal of difference in that

and forcing our fathers and mothers to say by affidavit, and to prove, "I do not have a cent in the world. I do not have a thing in the world on which to live. I must take the pauper's oath in order to get $6.16 a month." Of course, it is the intention of the administration that the procedure shall be kindlier, and I suppose it is. I voted for the improvement in the law relating to that matter. I shall vote for every amendment which will improve the law and provide a better and a more adequate old-age pension for old people.

Mr. President, I did not build any of the great buildings in the United States. I did not build any of the great industries. Not many other Senators did. In the years we have lived we may have contributed to creating the wealth in America. The economists estimate the assessed wealth in the United States at $450,000,000,000. I suppose I have contributed very little of that; and persons younger than I have contributed still less.

Mr. President, who erected these buildings? Who built America? Who cut down the timber and cleared the land? Who broke the sod? The old people in this country made this country the great Nation it is today. They have served; they have worked; they have toiled; they have foregone pleasures; they have foregone necessities.

The first time I remember gazing on western Oklahoma I was looking out of the back end of a covered wagon. That little hole where the wagon sheets come together was just big enough for my head. There was an old hound dog trotting under the coupling pole, and the wagon tongue was pointing west. Father drove the wagon. We were driving from Pauls Valley, Indian Territory, to a new strip in western Oklahoma. We drove there, and we dug a hole in the ground and we lived in it. I saw other settlers come. I saw them pick up sod as the sod plow turned it over. I saw them lay it in long strips, one layer on top of another, until they built what we called sod shanties. Then I saw them break out a little strip of land. They would haul water in times of drought. Then they would dig down to get "gyp" water. We lived out there as best we could.

Mr. President, I think we never would have settled western Oklahoma if it had not been for prairie dogs. We did not eat the prairie dogs—at least I do not think we did—but the prairie dogs destroyed the crops, and at Hobart, the county seat of Kiowa County, they offered a bounty for every prairie dog we would kill and take in to the county seat. At Cordell, the county seat of Washita County, a bounty was offered for every prairie dog we killed and took to the county seat.

Mr. President, every westerner is a good shot, and the dogs accumulated faster than they could be taken care of. Finally, the county authorities said, "Do not bring the whole dog. Just bring in his head or his tail, or some part of him to show you killed him." That was done at Hobart, and it was also done at Cordell in Washita County. We soon got onto that. We took the tails to Kiowa County and the heads to Washita County, and we settled western Oklahoma on heads and tails. [Laughter.]

The old pioneers developed that country. Later I went back and I saw the fields of alfalfa growing there. Then I have seen the hot winds sweep over that country and blight the crops.

Not long ago I was in western Oklahoma. I attended a meeting where there were many old-age pensioners. There I saw some of the men whom I had known years ago when they were young, when their muscles were hard and strong, when their eyes were quick and clear. There they were in a mass meeting, begging for enough money to live on until the Grim Reaper should take them away. There they were, silver-crowned mothers; there they were, the first citizens of Oklahoma, gray-bearded fathers who had made Oklahoma one of the great empires of the Nation. They had toiled; they had worked; they had labored; they had hoped, and they had nothing to live on until they died. They were asking for a pension as dividends for services already rendered.

Mr. President, I say it is not charity. It is not a gift. It is a delayed annuity. It is dividends on labor already accomplished.

Our Government is already committed to such a policy. We have passed a law called the wage-hour law which limits the number of hours that people may work. Why? Because we have more workers than we have jobs. Therefore we are cutting down on the hours. Then it is sensible to cut off employment at both ends. We have an N. Y. A. program, a youth program which gives employment to young people and takes them out of competition with regular wage earners. Then why not offer some inducement and some incentive to the old people to surrender jobs which they are no longer able to perform, and make more room at the top as well as at the bottom of the scale, thereby increasing employment?

We are already committed to a limitation on hours. My amendment would simply further that program by cutting off employment at the top, or at the bottom, whichever way one looks at it, and making more jobs available for young people, paying to the old people a delayed accumulation of their dividends from the wealth of America, which they have helped to create and accumulate.

It may be said, "But that is a compulsory insurance policy."

That is exactly what it is; and the Government has a precedent for it. During the war we passed the War Risk Insurance Act, under which the Government said to every mother's son who went to war, "You must take out an insurance policy. We will take the premiums out of your soldier's pay. We will insure you." My proposal is that the Government, through whatever tax program Congress deems advisable, raise the money from those who are able to pay, at a time in their lives when they are earning enough to pay a part of the premium and store up for themselves an annuity to be paid in their old age. That is what the proposal amounts to. It is an old-age annuity, to begin at the age of 60, and pay $40 a month as long as the beneficiary lives.

Mr. President, I ask for the yeas and nays on this question. Let us show by our votes whether we are rendering only lip service, or whether we are willing to face the music and go on record for an old-age pension.

Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Oklahoma [Mr. LEE].

Mr. LEE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Downey	King	Schwellenbach
Austin	Ellender	La Follette	Sheppard
Barbour	Frazier	Lee	Shipstead
Barkley	George	Lodge	Slattery
Bilbo	Gerry	Lucas	Smith
Bone	Gibson	Lundeen	Taft
Borah	Green	Maloney	Thomas, Okla.
Bridges	Guffey	Mead	Thomas, Utah
Bulow	Gurney	Minton	Tobey
Burke	Hale	Neely	Townsend
Byrd	Harrison	Norris	Vandenberg
Capper	Hatch	Nye	Van Nuys
Chavez	Hayden	O'Mahoney	Wagner
Clark, Idaho	Herring	Overton	Walsh
Clark, Mo.	Hill	Pittman	Wheeler
Connally	Holman	Radcliffe	White
Danaher	Hughes	Reynolds	Wiley
Davis	Johnson, Calif.	Russell	
Donahey	Johnson, Colo.	Schwartz	

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Seventy-four Senators have answered to their names. A quorum is present.

The question is on agreeing to the amendment offered by the Senator from Oklahoma [Mr. LEE]. The yeas and nays have been ordered, and the clerk will call the roll.

Mr. HARRISON. Mr. President, I understand the yeas and nays have been ordered on this amendment.

The PRESIDING OFFICER. That is correct.

Mr. HARRISON. I merely wish to make the statement that representatives of the Social Security Board inform me that the amendment, if adopted, would cost approximately $5,000,000,000 at the very outset.

Mr. LEE. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. LEE. Will the Senator give us the figures upon which he bases his estimate?

Mr. HARRISON. The Senator gave figures which were based upon the census for 1930.

Mr. LEE. Have we had any census since that time?

Mr. HARRISON. The figures which I have given are based on the latest obtainable figures from the Social Security Board. The Senator will realize that over a period of 9 years there has been a large increase in the number of persons in the United States over 60 years of age.

Mr. LEE. There has been no official census, though, since 1930.

Mr. HARRISON. No; there has been no official census since then.

Mr. LEE. The estimate of the Bureau of the Census places the figure on July 1938 at 12,450,000.

Mr. HARRISON. I may say to the Senator that I desired to call attention before the vote is taken to the fact that the figures given by me are the latest that could be procured by the Social Security Board. The Board states that the Lee amendment would probably cost about $5,000,000,000 a year at the very outset, and the sum would increase in future years, due to the increase in the number of the aged.

The figures as given in the committee report and as furnished by the Advisory Council on Social Security show that of persons 65 years of age and over, there are now in the United States about 8,200,000, and that in 1980 there will be 22,000,000 such persons. It is perhaps a peculiar thing, but the number of old people increases proportionately greater than the number of the young people. So the Board states there will be in 1940 over 13,000,000 persons aged 60 and over. About 4,500,000 of this number are estimated to be gainfully employed, but a large percentage of these persons earn less than $480 per year and would be encouraged to withdraw from gainful employment to accept the pension proposed by the Senator from Oklahoma. It is reasonable to assume, therefore, that 10,000,000 persons could qualify for pensions in the first year at a cost of $4,800,000,000. Since the number of persons aged 60 and over will double within the next 40 years, such a pension will eventually cost the Federal Government a minimum of $10,000,000,000 a year.

Mr. BARKLEY. Did the Senator say "ten million" or "ten billion"?

Mr. HARRISON. I said "$10,000,000,000 a year."

Mr. LEE. Mr. President, will the Senator yield?

Mr. HARRISON. Yes.

Mr. LEE. First, I cannot accept those figures. They are based on estimates, and I feel that they do not come from a sympathetic source. Then, I wish to state that, according to the only official figures I can obtain, in round numbers, the cost will be $3,000,000,000, and that a gross-income tax of 1 percent or a transaction tax of 1 percent, if the estimates furnished in the hearings of the House are correct, would pay that amount.

Mr. HARRISON. I ask permission to insert in the RECORD at this point a table giving the actual and estimated number of persons aged 60 and over and aged 65 and over compared to total population, 1860–1980. These estimates were made by the President's Committee on Economic Security. As indicated in the table, the figures for 1860 to 1930, inclusive, are actual; those for 1940–80 are estimates.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Actual and estimated number of persons aged 60 and over and aged 65 and over, compared to total population, 1860–1980 [1]

Year	Total population	Population aged 60 and over		Population aged 65 and over	
		Number	Percent	Number	Percent
1860	31,443,000	1,348,000	4.29	849,000	2.70
1870	38,558,000	1,933,000	5.01	1,154,000	2.99
1880	50,156,000	2,827,000	5.64	1,723,000	3.44
1890	62,622,000	3,882,000	6.20	2,424,000	3.87
1900	75,995,000	4,880,000	6.42	3,089,000	4.06
1910	91,972,000	6,225,000	6.77	3,958,000	4.30
1920	105,711,000	7,923,000	7.49	4,940,000	4.67
1930	122,775,000	10,385,000	8.46	6,634,000	5.40
1940	132,000,000	13,251,000	10.04	8,311,000	6.30
1950	141,000,000	16,908,000	11.99	10,863,000	7.70
1960	146,000,000	20,168,000	13.81	13,590,000	9.31
1970	149,000,000	22,685,000	15.22	15,055,000	10.10
1980	150,000,000	25,406,000	16.94	16,990,000	11.33

[1] Figures for 1860–1930, inclusive, are actual; 1940–80 figures are estimates of the President's Committee on Economic Security, 1935.

Mr. HARRISON. Mr. President, I am opposed to the amendment, and I hope the Senate will vote it down.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma [Mr. LEE], on which the yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HALE (when his name was called). I have a general pair with the junior Senator from South Carolina [Mr. BYRNES]. I understand that, were he present, he would vote as I intend to vote. I therefore am at liberty to vote, and vote "nay."

Mr. HOLMAN (when his name was called). I have a general pair with the distinguished Senator from Tennessee [Mr. STEWART], who has been called away to attend the funeral of the late Representative McReynolds of Tennessee. I do not know how the Senator from Tennessee would vote, if present. If I were permitted to vote, I should vote "nay."

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if present he would vote as I intend to vote. I am therefore free to vote, and vote "nay."

Mr. TOWNSEND (when his name was called). I have a general pair with the senior Senator from Tennessee [Mr. MCKELLAR]. Not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. HARRISON (after having voted in the negative). I transfer my general pair with the Senator from Oregon [Mr. McNARY] to the senior Senator from North Carolina [Mr. BAILEY] and allow my vote to stand.

Mr. DAVIS (after having voted in the negative). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. Not knowing how he would vote if present, I withdraw my vote.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. BAILEY], the Senator from South Carolina [Mr. BYRNES], the Senator from Virginia [Mr. GLASS], and the Senator from Maryland [Mr. TYDINGS] are detained on important public business. I am informed that if present and voting, these Senators would vote "nay."

The Senator from Iowa [Mr. GILLETTE] and the Senator from Montana [Mr. MURRAY] have been called to Government departments and are unable to be present for the vote.

The Senators from Tennessee [Mr. McKELLAR and Mr. STEWART], the Senator from Arkansas [Mr. MILLER], and the Senator from Missouri [Mr. TRUMAN] are members of the committee to attend the funeral of the late Representative McReynolds, and are, therefore, necessarily absent.

The Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Arkansas [Mrs. CARAWAY], the Senator from West Virginia [Mr. HOLT], the Senator from Kentucky [Mr. LOGAN], and the Senator from Nevada [Mr. McCARRAN] are detained on important public business.

The Senator from Florida [Mr. ANDREWS] is attending a meeting of the Committee on the Judiciary.

The Senator from Florida [Mr. PEPPER] is absent on official business. He has a pair with the Senator from Maryland [Mr. TYDINGS]. I am informed that if present and voting, the Senator from Florida would vote "yea," and the Senator from Maryland would vote "nay."

The Senator from Arizona [Mr. ASHURST] and the Senator from New Jersey [Mr. SMATHERS] are detained from the Senate because of illness in their families.

Mr. AUSTIN. I announce that the Senator from Kansas [Mr. REED] is detained on official business. He has a general pair with the Senator from Missouri [Mr. TRUMAN].

The result was announced—yeas 16, nays 55, as follows:

YEAS—16

Bilbo	Donahey	Lee	Schwartz
Borah	Downey	Lundeen	Schwellenbach
Chavez	Ellender	Minton	Thomas, Okla.
Clark, Idaho	Frazier	O'Mahoney	Wheeler

NAYS—55

Adams	Gerry	King	Sheppard
Austin	Gibson	La Follette	Shipstead
Barbour	Green	Lodge	Slattery
Barkley	Guffey	Lucas	Smith
Bone	Gurney	Maloney	Taft
Bridges	Hale	Mead	Thomas, Utah
Bulow	Harrison	Neely	Tobey
Burke	Hatch	Norris	Vandenberg
Byrd	Hayden	Nye	Van Nuys
Capper	Herring	Overton	Wagner
Clark, Mo.	Hill	Pittman	Walsh
Connally	Hughes	Radcliffe	White
Danaher	Johnson, Calif.	Reynolds	Wiley
George	Johnson, Colo.	Russell	

NOT VOTING—25

Andrews	Davis	McKellar	Stewart
Ashurst	Gillette	McNary	Townsend
Bailey	Glass	Miller	Truman
Bankhead	Holman	Murray	Tydings
Brown	Holt	Pepper	
Byrnes	Logan	Reed	
Caraway	McCarran	Smathers	

So Mr. LEE's amendment was rejected.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. LA FOLLETTE. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 59, between lines 5 and 6, it is proposed to insert the following new subsection:

(c) Section 521 (a) of such act is amended by striking out $1,500,000 and inserting in lieu thereof $1,510,000.

Mr. LA FOLLETTE. Mr. President, a brief explanation. When the Finance Committee adopted the amendments increasing the authorizations for work for the promotion of maternal and child health, through an inadvertence the fact was overlooked that in the House bill Puerto Rico had been designated as a State. The only effect of this amendment is to provide $10,000 for Puerto Rico in conformity with the action of the House in describing Puerto Rico as a State under the provisions of these titles of the Social Security Act.

In view of the action taken by the Senate on yesterday, I feel sure that there will be no objection to the amendment.

Mr. HARRISON. Mr. President, it was thought that this provision was carried in the bill; but, as stated by the Senator from Wisconsin, it was inadvertently omitted. I can see no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was agreed to.

Mr. LA FOLLETTE. Mr. President, I offer another amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the bill it is proposed to insert the following new section:

SEC. 908. All functions of the Social Security Board shall be administered by the Social Security Board under the direction and supervision of the Federal Security Administrator.

Mr. LA FOLLETTE. Mr. President, a brief word of explanation in regard to this amendment.

When the reorganization order was drawn the language affecting the Social Security Board—through, I am certain, an inadvertence or an oversight—was different than that relating to the other agencies which were consolidated under the order. This is a clarifying amendment in connection with the amendments to the Social Security Act, and will make the phraseology of the order in that respect conform to governing all the other agencies which were thus consolidated into the agency created by the reorganization order.

Mr. HARRISON. Mr. President, I hope the amendment will be agreed to. It removes some abiguities which are in the law that we passed regarding reorganization and places the Social Security Board on the same basis as the Public Health Service and others that were reorganized.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was agreed to.

Mr. BILBO. Mr. President, I send to the desk Senate bill 750, the text of which I offer as an amendment to the pending measure.

The PRESIDING OFFICER. The amendment offered by the Senator from Mississippi will be stated.

The CHIEF CLERK. It is proposed to insert, at the proper place in the bill, the following:

That, effective January 1, 1940, clause (7) of section 2 (a) of the Social Security Act is amended to read as follows:

"(7) provide that, if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, the net amount so collected shall be prorated between the United States and the State in the proportion that the amount the United States contributed to such old-age assistance during the year next preceding the year such net amount was collected bears to the amount the State contributed during such year and the amount due the United States shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title."

SEC. 2. Effective January 1, 1940, section 3 (a) of such act is amended to read as follows:

"(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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, of $30 per month, with respect to each aged needy individual who, at the time of such expenditure, is 65 years of age or older, and is not an inmate of a public institution, and (2), 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose: *Provided*, That no amount for old-age assistance shall be paid by the Secretary of the Treasury to any State which shall contribute for old-age assistance during any quarter an amount smaller than the amount contributed by the State during the quarter beginning January 1, 1939. Any individual entitled to Federal old-age benefits under title II of this act may elect to receive in lieu thereof old-age assistance under the State plan for old-age assistance as provided in title I of this act."

Mr. BILBO. Mr. President, there are two divisions of this amendment.

The first division merely provides that all amounts recovered from the estates of deceased recipients of old-age assistance shall be divided in proportion to the amounts contributed by the State and by the Federal Government. The present law provides that the amounts so recovered shall be evenly divided between the State and the Federal Government.

The second division of the amendment merely provides for the substitution of a pension of $30 per month to those who are eligible under the present set-up.

There is quite a difference between the amendment offered by the Senator from Oklahoma [Mr. LEE] and the one I am offering. He proposed to give $40 per month to all old persons 60 years of age or over unless they were self-sustaining; and, as he himself admitted, over $3,000,000,000 would be required to pay the pensions. My amendment is based upon the enrollments shown by the records of the Social Security Board. Under the amendment I have offered the cost to the Federal Government will be about $400,000,000 more than the present appropriation, or about $550,000,000 or $600,000,000 altogether.

Mr. President, this is not a raid on the Treasury. This is an obligation which the United States Government owes to the old and needy people of the country 65 years of age or older. I disagree with some of the Senators who have expressed themselves on this legislation. Some insist that the obligation is a local one, a State obligation. Others insist that it is a dual obligation. Personally, I think old-age assistance is a Federal obligation which should be met by the Government doing business in the city of Washington.

Pensions to soldiers are paid by the Federal Government. This is a pension, not for soldiers of war but for soldiers of peace. They have fought the battles of the country in times of peace as well as those who fought its battles in time of war. As the Senator from Florida [Mr. ANDREWS] announced on yesterday, and again today, the Supreme Court of the United States by a practically unanimous decision has held that this is a Federal obligation which should be met by the United States Government.

You have heard a great deal about the Townsend plan, and the great demand on the part of many persons for the enactment of the Townsend plan. I want to warn you that if the Senate does not do something that is decent in providing pensions for the old people of the country who are in need, sooner or later you will get the Townsend plan whether you like it or not.

My goal for a pension is $60 per month. My amendment provides that the Federal Government shall put up $30 per month; and I safeguard the amount of money which the States are now contributing to old-age pensions by providing in the amendment that no State shall be permitted to desert the field that it has already undertaken, because my amendment requires that the States shall continue to appropriate as much as and never less than they are now appropriating for old-age pensions. In other words, if this amendment should be agreed to, the old people of the United States who are now eligible and on the rolls and certified as needy would receive $30, plus what the States throughout the United States, are now appropriating.

For instance, in my State, where the payments are the lowest in the Union, the State appropriates a little over $3 per capita. That is the average. If this amendment should be agreed to the old people in Mississippi would receive $33 a month.

In the great State of California, where the old people are receiving $32, the State government of California putting up today the difference between $32 and $15, or $17, under my amendment the people of California would receive $30 plus the $17. So all that is necessary in order to find out what the people of a State would receive is to find out what the legislature is appropriating.

I do not think the amount I have suggested is excessive. I know there is a growing demand for an increase in the pensions to the old people of this country, and there are enough old people, with their friends and their relatives, and others who honestly believe in old-age pensions, to hold the balance of power in the coming election. If we, the party in power, are not willing to do what they want, they are going to try some other party which will, and when it comes to making promises, my colleagues know how wonderfully successful the Republican Party has been in the past. They will make more promises in the next convention of the Republican Party than the Democrats will make, and even if we should make better promises and more promises, we would not be believed, because we are on the job, we have the majority, we have the administration, we can pass a bill, and if we refuse to do so no one will believe our promises.

Mr. KING. Mr. President, will the Senator permit me to ask a question for information?

Mr. BILBO. Certainly.

Mr. KING. I desire to be sure that I properly interpret the amendment which the Senator has offered. As I read and interpret it, it means that if Mississippi, for instance, should put up $3 per capita for all those receiving old-age pensions, then the Federal Government would have to put up $30.

Mr. BILBO. Yes.

Mr. KING. And if Mississippi put up $10, then the Federal Government would still put up $30?

Mr. BILBO. Yes.

Mr. KING. And if California put up $35, the Federal Government would have to put up $30?

Mr. BILBO. Yes.

Mr. KING. That is the proper interpretation?

Mr. BILBO. That is the proper interpretation. That is what I intended by the amendment.

Mr. KING. I may say that I am very much opposed to it.

Mr. BILBO. So far as the generosity and liberality of the State is concerned, the sky is the limit. But each and every aged person who has been certified as eligible for old-age assistance, no matter in which State he may live, would receive $30 from the Federal Government in Washington.

Mr. President, I have not much patience with some who are economical, especially when it comes to appropriations for the welfare of the suffering citizens of this country. I was rather astounded, indeed, I was rather amused, by the most wonderful speech made this morning by the distinguished junior Senator from Virginia in the interest of balancing the Budget—whatever that means—and of economy.

The thing which surprised me about the speech was that he was so late in making such a good speech, because during this session of Congress we have appropriated nearly $10,000,000,000, and when the time comes to take up the cause of the old men and women of this country who are suffering because of want, and poverty, and need, the distinguished Senator proposes to "take it out" on the old folks, when we have been voting day after day, not millions, not hundreds of millions, but billions for the Army and the Navy and every other purpose on earth. If we are to economize anywhere, God forbid that we should economize at the expense of the old people, who cannot help themselves, and who need and deserve the discharge of this just obligation from their Government.

A remark was made on the floor this morning to the effect that this obligation should be met by the States and could be better met by the States, and should not be a Federal obligation, because the States are able to take care of the obligation. If we examine the statistics, we find that the per capita income in 30 of the 48 States is below the national income per capita. Four hundred and thirty-two dollars is the per capita income from the national standpoint, the income over the whole Nation, yet there are 30 States whose per capita income is lower than $432.

I do not like to admit it but my State stands at the bottom, with a per capita income of only $170. Yet the State of Mississippi, with a per capita income of $170, against $900 in some other States, is expected to be able to appropriate $15 a month in order that we may get our share of the money being offered by the Federal Government for the benefit of the old people of the country.

I confess, frankly, that my State is not able to make the contribution. Yet the old people of my State are as much entitled to this Federal bounty or Federal appropriation as an old man or an old woman in Massachusetts or California is entitled to it. We pay taxes. It is not our fault that we are poor. It is not our fault that our per capita income is so low. For the last 50 years we have been the victims of policies of government, and of rules and regulations and laws which are responsible for the condition of my people.

It is not that this country is poor. This is the richest country on earth. We have more resources; we have more wealth and more power than any other nation on earth. Yet it is said that we cannot pay a pitiful $30 a month to the needy old people of this Republic.

We are not consistent. Consider the 300,000 enrollees of the C. C. C. I wish to say that I think that agency of the Government is doing some of the best work being performed by the New Deal for the youth of this country, but Senators are willing to vote $73 a month for the 300,000 boys in the C. C. C. Consider the relief rolls. Senators are willing to vote $61 a month to every man and woman in the country on the relief rolls. Yet they hesitate to vote $30 a month for the old people of this country.

Why not be fair? Do not my colleagues know that the old men and women have given their lives for the welfare of this country, that they have lost their earning capacity, that they are no longer wanted anywhere, so far as jobs are concerned, and have only a few more years to spend on earth? Is it not much better to give them at least $30 than to spend $73 on the young of the country? There is more humanity in it. I would not discount the splendid work the C. C. C. is doing. I should like to see that organization made permanent. The only regret I have about it is that we have not encouraged military training. I think we are losing a splendid opportunity to give these boys proper training and discipline by enforcing military regulations.

I repeat, Mr. President, this is not a billion-dollar proposition I am offering. I am merely suggesting an increase of about $400,000,000. I am asked, "Where are you going to get the money?" We can get it from the same source where we are to get the $10,000,000,000 we have already appropriated.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BILBO. I am glad to yield.

Mr. LEE. I understood some of the Senators who voted against the amendment which I offered a while ago and which was defeated, to console themselves by saying, "Well, Josh, I would have voted for your amendment if you had had a tax provision included in it for raising the money." According to that philosophy, if they follow the same reasoning, they will have to vote against the pending bill, because there is not included in it a tax provision for raising the money that is being paid under the present plan, or that will be paid under the amended bill. I imagine the proposal of the Senator from Mississippi would fall in the same category. Some will ask, "Where are you going to get the money?" My answer would be, "At the same place from which the money which is being used to pay under the present plan is coming."

I intend to support the Senator's amendment. I think it is a good one, and I believe that if we should adopt the amendment, as would have been true if we had adopted the other one, the Finance Committee would report a tax bill, as they are going to have to do anyway, to meet the deficit.

Mr. KING. Mr. President, will the Senator from Mississippi yield?

Mr. BILBO. I am glad to yield.

Mr. KING. As a member of the Committee on Finance, I can assure the Senator from Oklahoma, although I cannot speak for all of the members of the committee, but I can speak for a majority of them, I believe that the Finance Committee would report a bill to raise $5,000,000,000, in addition to the $6,200,000,000 of taxes we have already imposed on the people. If we continue these outrageous expenditures, these profligate expenditures, obviously we will soon have inflation, and our economic system will be destroyed.

Mr. BILBO. I am sure the Senator is speaking his honest conviction. I am indebted to the Senator from Oklahoma for his observation on the pending amendment.

I wish to urge my colleagues to give serious consideration to this proposal. No one wants to spend the money of the taxpayers ruthlessly and criminally, but I dare say that the taxpayers of the United States would justify and would honor Senators for voting to provide $30 per month for the old people of the United States.

Mr. LUNDEEN. Mr. President——

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator from Mississippi yield to the Senator from Minnesota?

Mr. BILBO. I yield.

Mr. LUNDEEN. How much would the Senator's amendment cost approximately?

Mr. BILBO. My estimate is that the amendment would cost between $350,000,000 and $400,000,000, in addition to what the present set-up on old-age assistance will cost.

Mr. LUNDEEN. If the Senator will further permit, I should like to say that that will not be any more money than it will cost to build the two 45,000-ton battleships which we read about in the newspapers this morning, which, I take it, are in addition to two other 45,000-ton battleships previously ordered to be constructed, and in addition to the 1940 Navy appropriation, the greatest peacetime Navy appropriation we have ever had in the history of the United States, and in addition to the $1,000,000,000 we voted last year, which was in addition to the regular appropriation of last year. Each battleship costs between $90,000,000 and $100,000,000. Then there must be spent another $90,000,000 or $100,000,000 to build submarines, destroyers, and aircraft to prevent this dinosaur of the deep, this dreadnaught of the sea, from being sunk. For every dollar spent for the construction of the giant battleships an equal amount must be spent to provide protecting ships. So, if upward of $100,000,000 is spent for a battleship, we must count on a total of $200,000,000 for that ship and its protecting ships. Besides all that, hundreds of millions will be expended for their imperial upkeep, and so on, all because our internationalists itch to meddle in Europe—

are afflicted by a world-saving mania and other illusions and delusions. I understand the able Senator's proposal will cost less than that.

Mr. BILBO. Yes.

Mr. LUNDEEN. I think we have gone a little far in building armaments and in interfering in the quarrels of other continents, and we had better pay more attention to our folks at home—our fine, patriotic, old folks at home—those who have helped build America.

Mr. BILBO. Mr. President, I am indebted to the Senator from Minnesota for his contribution.

Mr. BYRD. Mr. President, is not the Senator in error concerning the cost under his proposal? As I understand, he proposes to give $30 a month, which is $360 a year.

Mr. BILBO. Yes.

Mr. BYRD. He proposes to give that amount to approximately 2,000,000 of those receiving old-age assistance?

Mr. BILBO. About 1,800,000.

Mr. BYRD. The list has the figure of 1,900,000. If that be multiplied by $360, the result is a cost of over $700,000,000.

Mr. BILBO. No; after subtracting the amount which the present set-up now will cost from the total under the proposal of $30 per month, I think the Senator will find it is between $350,000,000 and $400,000,000 in addition to the cost of the present set-up.

Mr. BYRD. Is it not the plan of the Senator to pay $30 a month, and add to it whatever the States may pay?

Mr. BILBO. Yes.

Mr. BYRD. Then it will cost $360 a year to the Federal Government for each person on relief.

Mr. BILBO. Yes, $360.

Mr. BYRD. It will make about $700,000,000, if the number of those receiving old-age assistance is multiplied by $360.

Mr. BILBO. It would be between $650,000,000 and $675,000,000. I have no reference to the amounts the States are contributing. I am talking now about what Congress will have to appropriate. I wish to say there is not one State in the Union that will not profit by this, and it will be interesting, if Senators will take the list showing the amount that each State contributes, to see what they will be able to receive.

I have a suspicion that when Senators get back home and the people look at the monthly check they are receiving, when those in Georgia receive $8.14, whereas they had an opportunity of receiving $34.14 by voting for this simple amendment, Senators will have some explaining to do.

In South Carolina the payment is $3.90, and that is matched by the Federal Government. In other words, South Carolina is getting only $3.90 per capita for her old people who are listed on the rolls. Under my amendment they would get $30 per capita plus the $3.90 they are now receiving, which would give the old people of South Carolina $33.90 a month.

In North Carolina—I think that is a State in the Union——

Mr. REYNOLDS. Mr. President, will the Senator yield?

Mr. BILBO. I shall be delighted to yield.

Mr. REYNOLDS. I wish to say to the Senator that North Carolina is the finest State in the Union.

Mr. BILBO. And well represented.

Mr. REYNOLDS. Excellently represented.

Mr. HUGHES. I should like to say that the State of Delaware is the first State in the Union.

Mr. BILBO. The State of North Carolina today pays her old people an average of $9.57. It is receiving from the Government $4.78. The old people of California are getting $15 out of the Treasury of the United States. The old people of Massachusetts are receiving from $14 to $15.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. SCHWELLENBACH. I take it that a few minutes ago the Senator from Mississippi agreed with the Senator from North Carolina that North Carolina was at least one of the finest States in the Union. I should like to have the Senator from Mississippi explain why it is that one of the finest States in the Union—and I have been very much enamored of the eloquence of the Senator from North Carolina, particularly when speaking about Asheville, "the little gem city of the mountains"—I should like to have the Senator explain why it is that that great State which produces such a large percentage of the tobacco of the country and is so wealthy, pays only a very small amount to its aged people. I think that perhaps one of the great national organizations we have heard about recently, which is interested in a great many other things, might interest itself in taking care of that problem in North Carolina.

Mr. BILBO. I shall be glad to yield to the Senator from North Carolina in order that he may answer this very embarrassing question.

Mr. REYNOLDS. Mr. President, I wish to say to the Senator that it is not embarrassing to me at all. As a matter of fact, I am very rarely embarrassed. [Laughter.]

I am very unhappy that North Carolina has not provided more generously for its citizens from a standpoint, particularly, of providing for its elderly and its aged. I am very happy indeed to be able to report that we no longer have poorhouses or county homes in North Carolina. We have in the past endeavored as best we could to provide for our aged, because we of North Carolina recognize, with the able Senator from the great Commonwealth of Mississippi, that the aged now were the youthful in years gone by, and that the aged now are the ones who have made North Carolina a great and a prosperous and a grateful State.

Mr. President, I am going to vote for the amendment which has been offered by the Senator from Mississippi, because he tells us that it will cost the taxpayers of the United States of America only approximately $300,000,000 or $400,000,000. As a matter of fact, the way we are digging into the pockets of the taxpayers of America and are continuing to dig into the pockets of the taxpayers of America, that is merely a drop in the bucket. We have appeased every one upon the face of the earth with the exception of the elderly people of America.

A few months ago, as the result of propaganda which swept this country from the Atlantic to the Pacific and from Canada to Mexico, there was a great hue and cry that we should provide for ourselves an adequate national defense. The Senator from Mississippi knows, as well as the Senator from North Carolina knows, that there is just about as much likelihood of any country in the world attacking the United States of America as there was likelihood of Al Smith bringing the Pope and putting him in the White House in 1928, as suggested by our friendly enemies.

We have appeased the people of this country who are afraid of being attacked by the enemies from abroad by appropriating billions upon billions of their hard-earned dollars. That was one appeasement.

Mr. President, I say that the time has arrived when we must do a little appeasing for the elderly of our country. The very able Senator from Minnesota [Mr. LUNDEEN] a moment ago made mention of the fact that 45,000-ton battleships cost today under present conditions $90,000,000 each. I read a statement in one of the local newspapers only a few days ago to the effect that under present conditions those ships in contemplation would cost no less than $100,000,000 apiece, and I think there are some three or four or five on order. For the amount of money spent on those ships we could take care of the old people of the United States, as was suggested by the Senator from Mississippi.

As I mentioned a moment ago in private conversation with the Senator from Minnesota, we must not only consider the initial cost of the ships but we must consider also the upkeep and the maintenance of those ships.

As a matter of fact, we never recover the initial cost. We never collect any of it. If we can remain so big-hearted as to permit countries abroad to fail to pay their debts to the United States of America, as I suggested on the floor of the Senate a moment ago; if we can afford to give to the European countries $13,000,000,000, after having already given them $13,000,000,000 when we cut the war debts immediately following the Great War, certainly we can afford to give a

few million dollars to the aged who actually constructed this country and made it the greatest and most powerful nation on the face of the earth.

A moment ago the Senator mentioned the young men in the C. C. C. camps of the country. It is my recollection that today we have in the C. C. C. camps more than 300,000 young, able-bodied men.

Mr. BILBO. Costing $73 a month each.

Mr. REYNOLDS. Costing $73 a month each. I inquire of the able Senator what the annual total is. It is 300,000 times 73 times 12. As a matter of fact, it costs almost as much to house, clothe, and feed those young men annually as it would cost to take care of the old people under the Senator's amendment. Is not that true?

Mr. BILBO. That is correct.

Mr. REYNOLDS. I am very happy that we are able to care for the young men of the country, particularly in view of the fact that $25 out of every $30 derived by the 300,000 young men monthly is in turn delivered to their dependents and aged parents. If we can take care of those young men, surely we can take care of the others. I do not know where the money is coming from. But do we know where the money is coming from for any of the terrific appropriations we have made in the present session of the Congress? I say that if we can vote billions upon billions of dollars for sundry items, we can certainly afford to open up our hearts and take care of the old people of the country. In order to do that, and with that in view, so far as the junior Senator from North Carolina is concerned, I shall support the amendment of the Senator from Mississippi.

Mr. BILBO. Mr. President, I am indebted to the Senator from North Carolina for developing that idea. We are appropriating more than $200,000,000 to take care of only 300,000 of the boys in the C. C. C. For twice that amount we should be able to bring happiness, peace, comfort and joy to 1,800,000 old people in the country.

Mr. REYNOLDS. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. REYNOLDS. In view of the fact that the Senator again made mention of the C. C. C. camps, I should like to state that although we are spending more than $200,000,000 annually to take care of those worthy young men, and although we have appropriated billions and billions to provide a national defense to appease the people of the country, we have not enforced military training in C. C. C. camps, which I think we should have done.

Mr. BILBO. Mr. President, I am ready to proceed further. I should like to ask permission to continue my address tomorrow at the beginning of the session.

I now yield to the Senator from Kentucky [Mr. BARKLEY].

Mr. BARKLEY. The Senator realizes that we are anxious to conclude consideration of the pending measure. Other legislation is waiting on it. We do not wish to delay it any longer than necessary. We had hoped to conclude consideration of the bill today.

Mr. BILBO. I understand it will be impossible to conclude it on account of the address of the Senator from California [Mr. DOWNEY] which will consume possibly 2 or 3 hours.

Mr. BARKLEY. Whatever is agreeable to the senior Senator from Mississippi [Mr. HARRISON] is agreeable to me.

Mr. HARRISON. Mr. President, I wonder if it will be agreeable to vote on the pending amendment not later than 1 o'clock tomorrow.

Mr. BARKLEY. It is agreeable to me. Is it agreeable to the junior Senator from Mississippi?

Mr. BILBO. That is agreeable, provided I may begin speaking at 12 o'clock.

Mr. HARRISON. I understand my colleague has the floor. I have no objection to his having the floor tomorrow to continue his remarks.

The PRESIDING OFFICER. Is there objection to the request of the junior Senator from Mississippi [Mr. BILBO] that he be recognized tomorrow to resume his remarks? The Chair hears none, and the request is granted.

Mr. HARRISON. Mr. President, I ask unanimous consent that tomorrow, not later than 5 minutes past 1, the Senate vote on the amendment offered by my colleague [Mr. BILBO], and that 5 minutes be given to some member of the committee to speak in opposition to the amendment, if desired.

The PRESIDING OFFICER. Is there objection to the request of the senior Senator from Mississippi?

Mr. DOWNEY. Mr. President, the agreement extends merely to voting on the pending amendment, does it not?

Mr. HARRISON. Only on the pending amendment.

Mr. DOWNEY. And not on the measure itself?

Mr. HARRISON. No; merely on the pending amendment.

The PRESIDING OFFICER. Is there objection to the request of the senior Senator from Mississippi? The Chair hears none, and it is so ordered.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Mississippi [Mr. BILBO].

Mr. BILBO's amendment proposes to insert at the proper place the following:

That, effective January 1, 1940, clause (7) of section 2 (a) of the Social Security Act is amended to read as follows:

"(7) provide that, if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, the net amount so collected shall be prorated between the United States and the State in the proportion that the amount the United States contributed to such old-age assistance during the year next preceding the year such net amount was collected bears to the amount the State contributed during such year and the amount due the United States shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title."

SEC. 2. Effective January 1, 1940, section 3 (a) of such act is amended to read as follows:

"(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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, of $30 per month, with respect to each aged needy individual who, at the time of such expenditure, is 65 years of age or older, and is not an inmate of a public institution, and (2), 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose: *Provided*, That no amount for old-age assistance shall be paid by the Secretary of the Treasury to any State which shall contribute for old-age assistance during any quarter an amount smaller than the amount contributed by the State during the quarter beginning January 1, 1939. Any individual entitled to Federal old-age benefits under title II of this act may elect to receive in lieu thereof old-age assistance under the State plan for old-age assistance as provided in title I of this act."

Mr. NORRIS and Mr. LA FOLLETTE addressed the Chair.

The VICE PRESIDENT. Does the Senator from Mississippi yield; and if so, to whom?

Mr. BILBO. Before yielding I should like to state that yesterday, while discussing the amendment now pending, I acquiesced in a request for unanimous consent to vote on the amendment at 1 o'clock and 5 minutes today on condition that I be permitted to begin speaking at 12 o'clock. I desire to be courteous and kind to my colleagues, but there seems to be a disposition to consume all the time, and it is my fault, because I have yielded. So I now ask Senators to postpone whatever matters they desire to have put into the RECORD until I have occupied the few minutes left me before the vote on the amendment.

Mr. President, my amendment is an attempt to meet the demand of the American people as it has been evidenced by various polls taken by Mr. Gallup, as well as the sentiment expressed through the press of the country and by various and sundry organizations. It is an attempt to meet the recent demand that the Government of the United States assume its responsibility in making adequate provision for the needy aged who are 65 years of age or older.

I was present yesterday while the Senator from Oklahoma [Mr. LEE] was discussing his amendment, and I heard a very interesting colloquy between the Senator from Oklahoma and the senior Senator from Michigan [Mr. VANDENBERG]. They were both in full sympathy with the sentiment that the American Congress should do something about the old-age pension problem, something substantial, something more than they have done, and make decent and adequate provision. But the trouble with my friend on the opposite side of the Chamber, the Senator from Michigan, was that the Finance Committee was having difficulty in finding new sources of revenue to supply the funds to take care of this pressing obligation.

It is passing strange that no anxiety has been expressed, nothing has been said since January, about the sources of the funds to be gathered in, the golden shekels to be placed in the coffers of the Government, while we have been appropriating almost $10,000,000,000 for the purpose of building ships and airplanes, and making needed improvements in our national defense, along with a great many other appropriations, totaling in the neighborhood of $10,000,000,000.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BILBO. I am delighted to yield.

Mr. VANDENBERG. I am sure the Senator wants the RECORD to be correct. He says nothing has been said from January to July upon this subject with respect to any of these other appropriations. I think he will find that I have spoken upon almost every one, and I call his attention particularly to the fact that I voted against the largest armament bill for the very reason indicated. So I am not guilty of the entire crime which the Senator assigns to me. I think I have been about as consistent in the matter as a man could be.

Mr. BILBO. The distinguished Senator from Michigan is an exception to the rule.

In this case I am asking for an additional appropriation of only $400,000,000 to take care of the old-age problem which confronts the American people. If this money is appropriated and spent for this purpose, it will be the best expenditure we can make to help the public welfare, because the money will be uniformly distributed to every nook and corner of this great Republic. It will increase purchasing power; it will give us that free distribution of wealth about which we have been hearing for so many years. It will put the money into the hands of people who will be forced to spend it, because their days on earth are few, and they lack the necessaries of life. It will help everyone all along the line. It will help the merchant, the lawyer, the doctor, the teacher, and the preacher. It will help the bankers, it will help the community in general, because it will be uniformly distributed. It is not like spending a hundred million or two hundred million dollars on some dam in the West, when all the money is poured out at one spot. It is not like spending several hundred million dollars in the city of New York on municipal improvements, when the money is all poured out in one spot. But this additional $400,000,000 will go into

every nook and corner of this great Republic, increasing the purchasing power in every community in America.

Furthermore, Mr. President, the amendment will do away with that unfair, unjust, and unrighteous provision of the present security law which requires the States to match Federal funds, which is so unrighteous that it is downright criminal. We have been told that the South is the country's economic problem No. 1. This matching provision is the reason why the South has been suffering.

From an examination of the statistics I have found that from 1862 to 1936 over $8,000,000,000 has been paid by the Federal Government in pensions, and of the $8,000,000,000 only $1,000,000,000 went to that great section known as the South. Seven billion dollars have been used to enrich the other sections of the country, so that today they are in a position to take advantage of the 50-percent matching scheme of the present social-security law; whereas the South and the West, which have not had an opportunity to share in the bounties of the billions taken from the Government in the way of pensions, are thus impoverished and are unable to meet the requirements of the 50-50 scheme of the present social-security law.

My amendment would correct the injustice under which the West and the South especially are suffering today, because the States in the West and the South are not able, as are the rich States of the North and East, where the wealth has been concentrated, lo, these 60 to 75 years, to take advantage of the present arrangement.

Mr. President, I cannot understand why any Senator with a sense of fairness would want to impose upon the sections of the country which, through no fault of theirs, are unable to get their share of the money for the old men and women who are needy. An old man in New Mexico, an old man in Mississippi, or an old man in Alabama who has been a faithful citizen and contributed his bit to the success of our great Republic is just as much entitled to his $15, or his $20, as the bill is now amended, as is the man who lives in California, or in Massachusetts, or in New York, or in Illinois, where the wealth of the Nation has been concentrated during the last 75 years.

Mr. President, we in the States of the South and the West are not to blame for that condition. In other words, if this damnable scheme of the social-security set-up shall be continued as it is now it will do the same thing that has been done in the past with the pensions of the country; it will draw them all into one section of the country, a condition which has resulted in bringing prosperity to that section to the detriment of other sections.

Before a vote is taken on the amendment, perchance someone may say that my proposition was before the Finance Committee and was rejected, notwithstanding that some of the best authorities of the Republic have pronounced it to be the best solution of the old-age question. It may be argued that we must have the approval of the Finance Committee; we must follow the advice of Mr. Altmeyer; we must have a favorable recommendation from the Bureau of the Budget. That argument, however, cannot be used today, because yesterday, in the face of the action of the Finance Committee, of the ruling of the Bureau of the Budget and the recommendations of Mr. Altmeyer, the Senate adopted the amendment proposed by the Senator from Texas [Mr. CONNALLY], which contained only a slight suggestion of improvement of the present situation.

It is needless to pay attention to what the Finance Committee has decided, or what Mr. Altmeyer has recommended, or what the Bureau of the Budget has ruled; the Senate has already acted in the face of those recommendations and rulings. The Senate has violated the rule in that respect. Now the Senate has a chance to do the right thing, the righteous thing, the just thing.

I wish to call attention to another matter. By the payment of the proposed $30 a month, reaching every section of our great country, social conditions will be improved and the W. P. A. will be released from a portion of its burden, because when $30 comes into the homes of the aged needy people of the country the result will be to lift the burden from the shoulders of the struggling sons and daughters of the old people, so that they may give better attention to the education and the welfare of their own children and families. It will result in a decrease in the burden placed on the W. P. A., because $30 a month going into every little community of the United States will improve conditions, so there will not be so much need for the aid rendered by the W. P. A. and the relief which is now being furnished.

I wish to say a word now to my Republican friends across the aisle. Next spring they will hold a Republican National Convention, and they will write a platform of promises, and in that platform they will want to implant a promise to the Townsendites, to the old people of the United States, that if the Republicans are placed in power they will be faithful to the aged and the needy of the country and will do something in a substantial way for their relief in the way of pensions. I wish to say to my Republican colleagues on the other side of the Chamber that now they have a chance to show what they will do if they are placed in power, because I have a suspicion that, with their votes, there may be sufficient votes on this side of the Chamber possibly to adopt the amendment. But if the Republicans continue to vote against measures which mean so much to the old people of the country—and they have a chance to vote favorably for such an amendment now with the help of some humanitarians on this side of the Chamber, some who are not afraid of, and have not been influenced by, the economy cry and the economy campaign—if when they have a chance to render this service in 1939 and they decline or refuse to do it, they will be on the spot in 1940, because how can the people believe them when they realize they had a chance to do it and would not do it?

Mr. GEORGE. Mr. President, will the Senator yield for a question?

The PRESIDENT pro tempore. Does the Senator from Mississippi yield to the Senator from Georgia?

Mr. BILBO. I shall be glad to yield.

Mr. GEORGE. I wish to understand the amendment. Does the Senator from Mississippi propose to pay $30 per month from the Federal Treasury to each needy person on the rolls of the States? Or does the Senator propose to take the $30 per person and carry it into a general fund, to be redistributed by the State to the pensioners?

Mr. BILBO. My proposition is to give $30 straight out to every person on the eligible roll of the Republic.

Mr. GEORGE. To each person who is on the roll?

Mr. BILBO. Yes. And if there are any degrees of need which require that there be an adjustment, that is a matter which the State can attend to.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. O'MAHONEY. As I read the amendment, the payment is to be made by the Secretary of the Treasury without any intermediary action on the part of anyone in the State.

Mr. BILBO. Certainly; it goes direct.

Mr. O'MAHONEY. From the Treasury to the individual?

Mr. BILBO. No; it is handled by the Social Security Board through the regular channels. That is the purpose of the amendment.

Mr. O'MAHONEY. Then the payment is to be made to the State and not to the individual?

Mr. BILBO. Yes; but each individual is to be given $30, and if there are any grades of relief, or different types of need shown in various cases, adjustment can be made in the use of the funds appropriated as the cases are thoroughly investigated by the State. But each person shall receive $30. My proposition is to treat every son and daughter of the Republic fairly and squarely at the hands of the Government, because all pay taxes alike. If the State wants to make differentials as the result of its investigation, that is a matter which lies in the hands of the State.

Mr. GEORGE. Then, Mr. President, the Senator means, as I understand his amendment, and I so interpreted it but

I was not clear in my understanding of it, that the Federal Government will pay $30 to each person on the roll.

Mr. BILBO. Yes.

Mr. GEORGE. So each pensioner on the State roll will receive $30 plus whatever amount the State itself may pay to the pensioner?

Mr. BILBO. That is correct. I will say that is a correct interpretation of the amendment. The amendment has been thoroughly analyzed, scrutinized, and criticized by some of the social-security experts and by the usual counsel who attempt to serve the Senate in carrying out such matters.

Mr. President, I have prepared an amendment which I propose to introduce before the bill is finally acted upon to do away with the custom or, rather, the rule in force in some of the States requiring old people to take a pauper's oath. In view of the great official family which has been brought together by the social-security organization, not only in Washington but throughout the country, to investigate the needs of aged persons, I wish to save the old people the embarrassment and the odium of having to take a pauper's oath before the Government decides to do its duty. With all the organization under the Social Security Board I believe they can ascertain the true status of the old and needy persons of the country.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. THOMAS of Oklahoma. Does the Senator's amendment make it incumbent upon any State to contribute any sum whatever as a prerequisite to receiving $30 for its old people?

Mr. BILBO. The amendment provides that before any State can receive the $30 per capita from the Federal Government it must make the appropriation which is now in force and never reduce it. It can go up as high as it wants to, but it must continue to make the appropriation it has previously made.

Mr. THOMAS of Oklahoma. Then if the amendment should be adopted, each elderly person in each State would receive what each State is paying him or her plus $30 from the Treasury?

Mr. BILBO. Plus $30 from the Treasury.

Mr. THOMAS of Oklahoma. As I understand the amendment further provides that the age limit shall be 65 years?

Mr. BILBO. Yes; 65 years.

Mr. THOMAS of Oklahoma. In that particular it is different from the amendment suggested by my colleague [Mr. LEE] yesterday?

Mr. BILBO. Yes.

Mr. THOMAS of Oklahoma. The age limit proposed by him was 60 years. The age limit proposed by the Senator from Mississippi is 65 years.

Mr. BILBO. Yes.

Mr. THOMAS of Oklahoma. My colleague's proposal was for an appropriation of $40 for each person. The amendment of the Senator from Mississippi proposes $30.

Mr. BILBO. Yes.

Mr. SCHWARTZ. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. SCHWARTZ. I think there is quite a distinction between the two amendments, in that the amendment proposed yesterday applied to all persons over 60 years, regardless of their financial situation, while under the amendment proposed by the Senator from Mississippi the payments are to be made only to those who are classified as being needy.

Mr. BILBO. Those who are classified as being needy.

Mr. SCHWARTZ. Those who are classified as needy are those who are required to take the pauper's oath at the present time.

Mr. BILBO. Yes; those who are registered as eligible.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. LEE. There is one other difference. Those who are gainfully employed would have the choice of keeping their jobs or giving them up and accepting the pension.

Mr. BILBO. Yes.

Mr. LEE. While I am on my feet I should like to ask the Senator a question: Does the Senator's amendment provide that every person on the rolls shall receive $30, regardless of the degree of dependence?

Mr. BILBO. That is my understanding of my amendment. He shall receive $30 first from the Federal Government, and if it is desired to make any differential on account of varying degrees of need that can be done by the local social-security board from the funds appropriated by the State legislature.

Mr. LEE. It seems to me it would be fairer to provide for payment to the old people according to the degree of dependence. For example, I can understand that a person declared to be 10 percent dependent would receive $30, while some other person who was not declared to be dependent would not receive anything, either from the State or from the Federal Government. Therefore, it seems to me it would be more consistent to pay every aged person the pension. How many persons 60 years of age can the Senator think of who have today an income, aside from their jobs, sufficient to sustain them? Therefore, I believe the Senator would do well to modify his amendment so as to make the payment in proportion to the degree of dependence.

Mr. BILBO. No. The theory of my amendment is that every citizen who is declared to be eligible for an old-age pension because of needy condition shall receive $30 from the Federal Government. The amounts now contributed by the various States are sufficiently large to permit any necessary adjustment because of varying degrees of need. I do not think there would be sufficient difference in the degrees of need to require anything other than a flat $30 payment. There is ample margin to make the necessary adjustments, if, in the judgment of the Social Security Board, there should be adjustments. The theory of my amendment is that the Federal Government shall treat all alike, and that every citizen under the flag shall receive the same amount, $30. So far as the State is concerned, the sky is the limit.

Mr. LEE. Except for those who are not on the rolls, those who have not been able to prove their poverty.

Mr. BILBO. They are not eligible.

Mr. LEE. They should be.

Mr. BILBO. That is the theory of the Senator's amendment. I took pleasure in voting for it.

Mr. LEE. I intend to support the Senator's amendment, and, as I announced, support amendments to help increase the pension to the old people, but I should like to see them all put on the same basis.

Mr. BILBO. I share the Senator's sentiments to the extent that I voted for his amendment; but, since we cannot get what we want, we will take what we can get. I should like to see the Senate do its duty to the needy old people and grant $30 per capita to those who have been declared needy and eligible under the social security rules and regulations.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BILBO. I yield.

Mr. O'MAHONEY. A few moments ago the Senator called attention to the fact that some States in the Union are more wealthy than others, and therefore more capable of paying pensions of this kind.

Mr. BILBO. Yes.

Mr. O'MAHONEY. He also called attention to the fact that the conditions under which we are living have brought about a concentration of economic power and wealth in some States. As I understood him, he expressed the desire that his amendment would have the effect of equalizing the payments among the States. As I read the amendment, I wonder if it would have that result.

Mr. BILBO. I would equalize the payment of pensions to the needy old people, regardless of the State in which they live.

Mr. O'MAHONEY. Under the provisions of the Senator's amendment a pensioner in California, which is at the top of the list so far as State payments are concerned, would receive an average of approximately $62, while a pensioner in the State of Arkansas, which is at the bottom of the list, would receive an average of about $36 or $37; so the inequality would not be done away with.

Mr. BILBO. That is a matter with which the Federal Government cannot concern itself, because that difference is brought about by the generosity, liberality, and humanitarianism of the States themselves. I still believe in States' rights.

Mr. O'MAHONEY. Perhaps not their humanitarianism or their desire to serve so much as their ability to pay. I think the people of Arkansas would be thoroughly pleased to be able to pay what the State of California pays, or what the State of Massachusetts pays, or what the State of New York pays.

Mr. BILBO. I appreciate the correction. I should have included the ability to pay.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield?

Mr. BILBO. I am delighted to yield.

Mr. THOMAS of Oklahoma. What would be the attitude of the Senator from Mississippi toward a proposal to have the Federal Government make all the collections and all the payments? The people have to pay the tax anyway. They have to pay it all. They pay the State tax to make up the State contribution, and they pay the Federal tax to make up the Federal contribution. If the National Government should make all the collections, then the National Government could make uniform payments. What would be the attitude of the Senator toward such a proposal?

Mr. BILBO. I announced on yesterday that I considered the obligation of a pension to the aged and needy of the country strictly a Federal obligation. I should be glad if it were possible to enact such legislation and have the Federal Government pay the entire bill. However, I am not now dealing with a theory. I am dealing with a condition. We have the social-security law, which imposes a dual obligation or responsibility; and, since that is true, I could not give my consent to the Federal Government taking over the funds appropriated by the States. So long as the States put up a part of the money I think they should have something to do with the qualification or eligibility of those to whom the payments are made.

Mr. THOMAS of Oklahoma. Will the Senator yield further?

Mr. BILBO. I yield.

Mr. THOMAS of Oklahoma. My inquiry did not contemplate that the Federal Government should take over the money collected by the States, but it contemplated an amendment to the Social Security Act providing that the Federal Government should make the entire collection and relieve the States from the collection and disbursement of any funds, making the obligation a Federal obligation, under the Federal law and a Federal system.

Mr. BILBO. I agree 100 percent with the Senator that that is the correct theory of how the pension should be handled and who should pay it. The Federal Government should pay it, instead of the States. However, since there is now a dual responsibility, we have to deal with the law. I am merely trying to come as near perfection as possible and eliminate the inequalities.

Mr. GEORGE. Mr. President, will the Senator yield for another question?

Mr. BILBO. I yield.

Mr. GEORGE. Yesterday we adopted the so-called Connally amendment.

Mr. BILBO. Yes; I voted for it and was glad to do so.

Mr. GEORGE. The Senator will recall that the Connally amendment requires contributions on the basis of 2 to 1 up to an average of $15. If the Senator's amendment were adopted, would it be in lieu of the Connally amendment, or would it be in addition?

Mr. BILBO. My amendment would take the place of the Connally amendment.

Mr. GEORGE. Then it would be in lieu of the Connally amendment.

Mr. BILBO. Yes; though I am glad to have the Connally amendment in the bill.

Mr. GEORGE. Mr. President, we are in a state of parliamentary confusion if the pending amendment is in lieu of an amendment adopted yesterday, without any motion to reconsider the amendment adopted yesterday. It was for that reason that I propounded the question to the Senator. If his amendment is in addition to the Connally amendment, and simply an additional provision, then, of course, it would not be affected by the Connally amendment.

Mr. BILBO. If the Senate will adopt my amendment, the conferees can work out the legal details. As I understand, it would take the place of the Connally amendment.

Mr. President, my time has just about expired. In conclusion I wish to say that we now have an opportunity to correct a great injustice which the present social-security law imposes upon the poorer and weaker States of the Republic. We have an opportunity to do the right thing, the just thing, the square thing, the righteous thing, for the citizens of the Republic, without any partiality. The present law is a rich State's pension law. It seems to me it was written for the benefit of the rich States, because they are able to take advantage of it. Senators know that the poorer States cannot take advantage of it. We are discriminating against the old people in the poorer States. If I cannot obtain a correction in any other way, I am almost persuaded to go back to Mississippi, organize the old people of my State, and move them to California, Massachusetts, or some State which is able to take advantage of the social-security law. That would be one way to solve the problem. Mississippi is unable to match the Federal Government and pay the pension. That circumstance is an injustice to the old people living in Mississippi, something for which they are not responsible.

When Senators go back to their constituents they will have to answer the question: "You had an opportunity to give us $30 from the Federal Government. Why did you not give us the $30 when you had an opportunity to do so?" We now have an opportunity to let our people know that we really mean to take the action which is necessary for the relief of the old people. Remember they can all vote, because they are beyond the poll-tax age.

The PRESIDENT pro tempore. The hour of 1 o'clock having arrived, under the unanimous-consent agreement, the time of the Senator from Mississippi has expired.

Mr. GEORGE. Mr. President——

The PRESIDING OFFICER. The Senator from Georgia has 5 minutes, under the unanimous-consent agreement.

Mr. GEORGE. Mr. President, I desire to say a few words regarding the pending amendment. While I am loath to make a point of order against the amendment, it seems to me that it is clearly not in order; because if it is in lieu of the Connally amendment, obviously, it would follow that a motion to reconsider the vote by which the Connally amendment was adopted should be made.

But with respect to the merits of the amendment offered by the Senator from Mississippi, permit me to say that the provision amending clause (7) of section 2 of the Social Security Act is cared for in the bill. Clause (7) of section 2 simply relates to repayment out of funds collected by the State from a pensioner's estate of the pro rata part going to the Federal Government. That is cared for in the pending bill, and cared for effectively.

It should be said that when the Senator from Mississippi prepared his amendment the House had not reported the social security bill, and he, therefore, did not know that the first portion of his amendment would be covered by the bill as actually reported. So much for the first section.

The second section of the amendment, Mr. President, raises the important question of whether we are in a position to increase out of the Federal Treasury old-age benefits by $30 per month to each pensioner upon the rolls of a State. We have made great progress; we are doing something toward an increase; the Connally amendment provides for a more equitable distribution up to an average of $15 of the portion of the fund paid by the Federal Government to aged persons in the several States.

The Senator from Mississippi [Mr. BILBO] yesterday said that the added cost of his amendment would be approximately $300,000,000. At another point he made the statement that it would be something like $400,000,000.

Mr. BILBO. About $400,000,000 is the correct amount.

Mr. GEORGE. Now I desire to call attention to the fact that the Treasury has estimated and reported that the cost of the old-age assistance to the Federal Government under the present law would be $225,000,000 on January 1 next. It has also estimated that the pending amendment would add $450,000,000 to the cost of carrying the old-age assistance provisions of the Social Security Act. That is true, Mr. President; but I now direct the attention of the Senate to the fact that under this amendment, if adopted, the Federal Government would be required to contribute $30 a month to each person on the pension roll.

I call attention to the further fact that each State receiving this additional benefit must not reduce its contribution made during the first quarter of 1939. So, without increasing the payment from the State by a single dollar, every needy person could be put on the rolls of the State merely by reducing the amount it pays to each person.

We have in this country now 8,370,000 people 65 years of age and over. The Social Security Board has advised us that there are, at least, 4,000,000 needy aged persons 65 years of age and over; that is at least 4,000,000 who could qualify now. The Social Security Board, therefore, has estimated that the adoption of this amendment, if only 50 percent of those 65 years of age and over should qualify and go on the rolls, would increase the amount of the Federal contribution to $1,440,000,000, or an increase of $1,215,000,000 over the present law.

Mr. BILBO. Mr. President, will the Senator yield?

Mr. GEORGE. I have only about a minute remaining, but I yield to the Senator.

Mr. BILBO. In view of the figures the Senator has cited, he ought to be willing to yield.

Mr. GEORGE. I am willing to yield.

Mr. BILBO. Does the Senator mean to tell the Senate that some statistician in the Social Security Board, who is not in sympathy with taking care of the obligation of the Government to the old people and who does not know anything about conditions, says, under the rules and regulations that are now placed in the hands of the Social Security Board in Washington, that 4,000,000 people can qualify at this time?

Mr. GEORGE. There are now 4,000,000 needy people on the waiting list and on the rolls who are 65 years of age and over.

Mr. BILBO. Does the Senator from Georgia object to these needy people being on the rolls?

Mr. GEORGE. No; I do not; but I am simply calling attention to the cost of the Senator's proposal.

Mr. BILBO. Why are they not on the rolls?

Mr. GEORGE. Because the States have not put them on the rolls.

Mr. BILBO. Why the discrimination?

The PRESIDENT pro tempore. The hour of 1 o'clock and 5 minutes p. m. having arrived, under the unanimous-consent agreement, the Senate will now vote on the pending amendment. The question is on the amendment offered by the Senator from Mississippi [Mr. BILBO].

Mr. BILBO. Mr. President, I ask for the yeas and nays. I desire to see how Senators stand on the question.

The PRESIDENT pro tempore. The yeas and nays are demanded. Is there a second?

The yeas and nays were not ordered.

The amendment of Mr. BILBO was rejected.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. KING. Mr. President, we are advised by the press of the results of an election which occurred yesterday in North Dakota. It indicates the views of the people of that State with respect to some of the aspects of the social-security policy.

It appears that an active campaign has been conducted by former Gov. William Langer in favor of a plan to pay $40 per month minimum old-age pensions. It appears from the Associated Press dispatch that the plan called for a gross income or transactions tax to raise funds for the payment of pensions, the votes in 588 precincts being 9,481 for the income or transactions tax and 66,886 in opposition.

It appears from the action of the electorate of North Dakota that when they are required to meet pensions by taxation they are not so enthusiastic for the same. There is evidence, however, that propositions are not looked upon with so much disfavor which call for the Federal Government to make appropriations to meet pension plans. Perhaps that accounts for the demands that Congress shall make large appropriations to meet pensions of various kinds and bounties and gratuities.

The press dispatch relating to this matter is as follows:

MEASURES TO PAY FOR NORTH DAKOTA PENSIONS LOSING ELECTION

FARGO, N. DAK., July 11.—Early returns from today's special election indicated a strong vote against passage of the four measures sponsored by former Gov. William Langer in a move to pay

for the $40 minimum old-age pension plan he helped push through the recent legislature.

On an act abolishing the office of grain storage commission, 576 of 2,260 precincts gave 11,146 for the act, 64,455 against.

On a proposed system of municipal liquor control, 576 precincts gave 11,030 yes, 65,980 no.

On a 2-year moratorium on highway construction, 572 precincts gave 10,271 yes, 65,913 no.

On a gross income or transactions tax, 588 precincts gave 9,481 yes and 66,886 no.

The three latter measures were intended to help pay for the $40 minimum monthly pensions.

Mr. DAVIS. Mr. President, I wish to speak briefly on the bill. The distinguished Senator from Mississippi [Mr. HARRISON], as chairman of the Finance Committee, is to be congratulated on the committee report and on the masterful way in which he has conducted hearings on the pending legislation. He has combined practical wisdom with genuine human sympathy and understanding.

Two years ago this spring I had the honor of serving on the Nonpartisan Social Security Commission, sponsored by the Hearst newspapers. My colleagues on this commission included Merryle S. Rukeyser, chairman; Henry I. Harriman; Samuel W. Reyburn; William J. Graham; Herman Feldman; and Dr. Richard A. Lester. The function of this commission represented a new technique in American journalism. It gave the sponsoring newspapers and the press generally the benefit of the considered judgment of a balanced group after it had carried on research, consulted outside authorities, and debated the issues at stake. On four separate occasions—March 11, April 22, May 6, and June 1, 1937—I presented to the Senate the findings of the Commission. More than 18 months later the major portion of these findings, in broad essentials, were validated by the similar recommendations of the advisory council set up jointly by the Social Security Board and the Senate Finance Committee.

These two bodies agreed on the following seven significant points:

First. In suggesting that old-age benefits start in 1940, instead of 1942;

Second. In proposing the increase of benefits to the aged in the early years of operation;

Third. In recommending the sharing of benefits with widows;

Fourth. In urging a moderate contingency reserve instead of a colossal mythical reserve approaching $47,000,000,000;

Fifth. In urging that benefits be extended to exempt groups, such as maritime workers, and national bank clerks;

Sixth. In warning against excessive pay-roll rates; and

Seventh. In insisting on the earmarking of Federal receipts to support social security.

Mr. President, in this time of subnormal economic activity I think it is of paramount importance to encourage business and to facilitate the exchange of goods by lightening rather than increasing the tax burden. The mandatory and automatic increase in old-age benefit taxes will be obviated when Congress is relieved of the scheme to set up a huge actuarial reserve—the so-called $47,000,000,000 reserve fund by 1980. If the analogy of private insurance were forgotten, and the country turned to the sound pay-as-you-go principle, with a moderate contingency reserve, it would be practicable to operate for some time longer on the present tax scale. A reserve of from ten to fifteen billion dollars would seem to be ample.

With business still subnormal and with unemployment still large, no heavier drain than is necessary should be made for social security on current production. In the circumstances, it would be a national blunder to continue the effort to build up a colossal actuarial reserve at the expense of dissipating the purchasing power of men and women now at work. It is currently believed that about 90 cents of every dollar collected under the plan to lay by a reserve of $47,000,000,000 would go to reserves, and only about 10 percent into benefits. I understand the experience of the Board has shown that the 10-percent estimate was somewhat low. If the tax excess is kept down, it will automatically keep the reserve down to a reasonable figure.

I am opposed for a number of reasons to the accumulation of the contemplated huge reserve fund, which is estimated to run as high as $47,000,000,000 in 1980. It would make mandatory an increase in the Federal debt. It would be a constant temptation to reckless spenders and might be used for political purposes. It would fail to perform an economic function unless it should be spent in a way to increase our productive power and the national income. It would make the entire old-age-benefit program rigid and inflexible to changes in the price level or in the rate of industrial progress. Such procedure is contrary to practice and experience abroad. I am informed that in Sweden, after a comprehensive study of this subject by a commission of experts over a 6-year period, the full reserve principle was abandoned at the beginning of this year, after 24 years of experience.

Mr. President, I have already referred to the patriotic and analytical work of the Nonpartisan Social Security Commission, sponsored by the Hearst newspapers. I wish to add that as a young man representing iron and steel workers, desiring to keep informed on labor conditions, I found the Hearst newspapers out front, among only a few others, advancing the cause of collective bargaining editorially and showing the mutual responsibilities of labor and management.

The activities of the Hearst Nonpartisan Social Security Commission that have played such a significant part in advancing the revisions of the Social Security Act recommended by the Ways and Means Committee of the House and the Finance Committee of the Senate are but one example of the long-continued service rendered by William Randolph Hearst to this Nation. Frequently involved in fierce controversy, this veteran publisher has stuck to his guns and fought his way through. Every manner of complaint has been brought against him, with one exception. No one has ever said that he was a coward. His papers have campaigned vigorously for higher wages and better working conditions. Long after the hue and cry of present-day controversies are over, Mr. Hearst will be remembered for the substantial contributions he has made to the preservation of the democratic system of free enterprise and the protection of the aged, the unemployed, and the helpless.

Mr. President, in conclusion I wish to call attention to a paragraph of the report of the Social Security Board to the President and the Congress of January 1939 relative to the disclosure of confidential information obtained under the Social Security Act:

> The Board recommends that State public assistance plans be required, as one of the conditions for the receipt of Federal grants, to include reasonable regulations governing the custody and use of its records, designed to protect their confidential character. The Board believes that such a provision is necessary for efficient administration, and that it is also essential in order to protect beneficiaries against humiliation and exploitation such as resulted in some States where the public has had unrestricted access to official records. Efficient administration depends to a great extent upon enlisting the full cooperation of both applicants and other persons who are interviewed in relation to the establishment of eligibility; this cooperation can only be assured where there is complete confidence that the information obtained will not be used in any way to embarrass the individual or jeopardize his interests. Similar considerations are involved in safeguarding the names and addresses of recipients and the amount of assistance they receive. Experience has proved that publication of this information does not serve the avowed purpose of deterring ineligible persons from applying for assistance. The public interest is amply safeguarded if this information is available to official bodies.

Mr. President, failure to observe these principles resulted in conditions nothing short of a public scandal in the State of Pennsylvania during last year. Surely there is no place for political partisanship in the administration of social-security legislation. It should not be tolerated.

While the bill is not just exactly as I should prefer to have it, I shall nevertheless vote for its passage.

Mr. SCHWELLENBACH. Mr. President, day before yesterday, when committee amendments were being discussed and acted upon, I raised an objection to an amendment on page 42, after line 6, which refers to the fishing industry and eliminates from the provisions of the act those em-

ployees engaged in the catching, taking, harvesting, cultivating, or farming of fish, shellfish, and so on, and fixes a limitation of 400 tons for ships excluded by the amendment.

The Senator from Mississippi [Mr. HARRISON] agreed that the amendment might go over to the next day, and then, through a misunderstanding on his part because of a conversation I had had with representatives of a department, he thought I was satisfied with the amendment, and it was agreed to. Then another amendment, on page 71, line 13, which covers the same subject, was also adopted.

Mr. President, I have not agreed to the amendment, but I shall not now, because of a conversation which the Senator and I had yesterday, ask for a reconsideration of the vote by which the amendment was agreed to.

My understanding with the Senator from Mississippi is as follows—and if I am incorrect, I am sure he will correct me: That he will present the facts concerning the fishing industry so far as I have been able to ascertain them, and since this is a Senate amendment and will be subject in its entirety to negotiations between the Senate conferees and the House conferees, the Senate conferees will attempt to work out such modifications of the amendment as will meet the situation which I present, and will also take care of the situation which was intended to be taken care of by the Finance Committee when the amendment was included in the Finance Committee's report of the bill to the Senate.

On that basis I am willing at this time to have the clerk read the amendment which I would propose if it were not for the agreement with the Senator from Mississippi. My present idea is to have the matter worked out. It may be that the conferees will find that my amendment is not practicable, and under the assurance of the Senator from Mississippi I am certain that if that is so, the conferees will work out something which will meet the other situation and will not meet the situation with which the committee was confronted when the amendment was included.

The PRESIDENT pro tempore. The clerk will state the amendment suggested by the Senator from Washington.

The CHIEF CLERK. On page 42. it is proposed to strike out the committee amendment in lines 7 to 17, and in lieu thereof insert the following:

(14) Service performed by an individual in connection with 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, in the employ of a person who does not on any one day during the pay period in which such service is performed have in his employ five or more persons engaged in rendering such service; or.

On page 71, to strike out the committee amendment in lines 13 to 23 and insert in lieu thereof the following:

(14) Service performed by an individual in connection with 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, in the employ of a person who does not on any one day during the pay period in which such service is performed have in his employ five or more persons engaged in rendering such service; or.

Mr. SCHWELLENBACH. Mr. President, the situation with which the committee was confronted was that there are in certain parts of the country fishermen employed in very small operations. A father will own a little fishing boat, and he will work on it, and perhaps have his son or two of his sons working with him. The nature of the operation is such that the committee did not feel that it would be possible to practically administer the act in reference to those people, and the committee felt it probably would work a great hardship in reference to that type of operators to have them come under the act.

I have no quarrel with that position. However, the amendment submitted by the committee would go much further than that. According to the figures taken from the 1930 census there were at that time approximately 129,207 people employed in the fishing industry in the United States. The estimate of the Social Security Board as to the effect of the committee amendment is that it would eliminate from the operation of the act at least a hundred thousand of these 129,000 people. Clearly the committee did not intend that sort of an amendment.

The committee included the 400-ton standard because they thought that would take care of the situation, and the Board has furnished me figures to the effect that upon the basis of the elimination of vessels of less than 400 tons, of the 80,500 fishermen whose employment is directly upon ships which are under registry, there would be only 530 of the fishermen who would come under the act, and the remainder would all be eliminated from the operation of the act. I think, clearly the committee did not have any intention of creating that sort of a situation.

I then tried to figure out whether or not the 400 tons was too high, and whether it would be possible to get it down to a 50-ton basis, and I asked for the figures upon that basis. I found that that would bring about this result—that out of 28,000 involved 22,000 would be excluded, and only 6,000 included.

Upon the basis of the ships themselves, the Bureau of Fisheries, in the Department of Commerce, estimates that there is a total of only seven ships operating in the fishing industry which would be under the operation of the act if the Senate amendment were enacted in its present form. There are two whaling vessels, one cod vessel, four sardine or pilchard reduction plants. Clearly there is no intention upon the part of the committee, and there would be no intention upon the part of the Senate to have that situation result from the final acceptance of the Senate amendment.

Looking at the figures of the merchant-marine statistics for the year 1938, the total number engaged as seamen on these ships operating in the fishing industry is 24,437. I do not know what percentage of the 24,437 are employed upon the 7 ships to which I have referred, but clearly the number who are employed on the 7 ships is a very small and infinitesimal percentage of the total number of 24,437.

I place these facts in the RECORD so that my position may be made clear. We have no objection to the committee taking care of the situation which was contemplated by the Senator from Mississippi and by the Finance Committee, but I feel sure that they do not want to have all of these people—if 100,000 out of 129,000 is the correct number—eliminated from the operation of the act merely for the purpose of taking care of a comparatively small group of people throughout the country who operate their fishing industry upon the basis which the Senator from Mississippi contemplates.

I should like to have the Senator from Mississippi state the position he, at least, would take on this question in the conference.

Mr. HARRISON. Mr. President, the Senator from Washington and I are in thorough accord as to what has happened with reference to this amendment, and I am delighted that he has given these facts for the RECORD, and has presented this amendment, which he is not going to press, I understand, but which will receive the consideration of the conference committee because the matter will be in conference. We want to be helpful in the matter that is presented by the Senator from Washington, and there is no conflict in our views with reference to it. I give the Senator every assurance that the amendment which he has offered will be given consideration when the bill goes to conference.

Mr. SCHWELLENBACH. Mr. President, if I may I should like to ask for a little stronger statement than as to consideration. I think the Senator will recognize that in face of the facts, if I merely presented an amendment or opposed the Senate committee amendment, the Senate itself would not accept the Senate committee amendment as it has been adopted.

Mr. HARRISON. I am in thorough accord and sympathy with the Senator's position, and, as I understand, he is in further conference with various individuals interested in the subject of this amendment and, so far as I am concerned, I shall make an effort to have the amendment, which I understand will be further clarified, included in the conference report.

Mr. SCHWELLENBACH. I thank the Senator. I send to the desk an amendment on another phase of the bill, which I have had printed, and which I ask to have reported.

The PRESIDENT pro tempore. The clerk will state the amendment.

The CHIEF CLERK. It is proposed, on page 2, to strike out beginning with line 19 down to and including the word "assistance" in line 20, and in lieu thereof to insert the words "take into consideration the income of an individual claiming old-age assistance, but shall not deny old-age assistance to any individual because he owns real property having a value not in excess of $2,500 or because he owns personal property having a value not in excess of $500 or because other persons are under a duty to furnish support to such individual"; on page 2, line 24, before the period, insert a semicolon and the words "and (9) effective July 1, 1941, provide for a determination upon each claim for old-age assistance within thirty days from the time of filing application; and (10) effective July 1, 1941, provide that no individual shall be required, in order to receive old-age assistance, to convey or give any lien upon any property owned by such individual, and provide that in the absence of fraud and deception there shall be no recovery from the estate of any deceased individual with respect to old-age assistance received by such individual"; and on page 3, line 12, strike out "sixty-five" and insert in lieu thereof "sixty."

Mr. SCHWELLENBACH. Mr. President, during the last few days the Senate has had under consideration three different amendments involving the question of amount. The statement has been made by many Senators that it was of extreme importance that the bill be amended so as to change the amount. The argument has been used that it is necessary and desirable to do this because of the fact that if it were not done dissatisfaction with the act would be such as to result in an entirely different system, which is held by some who have discussed it to be more or less of a threat.

I recognize that the question of amount is of importance, and I believe that, insofar as we possibly can make them, increases in amount should and must be made. But if we are interested in the question of dissatisfaction, the possibility of the perpetuation of a social-security problem in the country, it is of equal if not greater importance to see that what may seem to be minor matters are adjusted so as to be satisfactory to those with whom the Social Security Board is working, either directly or through the State agencies.

The question of satisfaction with a piece of legislation usually depends first upon what it contains. But of equal, if not greater, importance, it depends upon the way in which it is administered; and if there are in the act possibilities for administration which will result in dissatisfaction, it seems to me of supreme importance that they should be eliminated. While my amendments do not involve the question of amount, they do involve questions which my experience has shown will probably result, as they have resulted in the past, in more dissatisfaction with the old-age pension system, the social-security system, than any question of amount.

Take the first part of the amendment, which refers to the question of need. The administration of the act, so far as the possible recipient is concerned, in most of the States of the Union, at least, has been through the medium of trained social-service workers. There are a good many people who take one side and a good many people who take the other side of the argument as to the fitness of trained social-service workers in handling this kind of an activity.

We must admit that the trained social-service worker does have a background which enables him or her more carefully and probably more scientifically to examine the cases. At the same time we must admit that the trained social-service worker looks upon the problem with which he or she is confronted in a different and I think in a slightly less humanitarian way than does the average citizen. It may be it is simply because such workers have had so much experience along that line that they do not impress those with whom they deal as having that humane sympathy which other people might have toward the problem.

But we have a general definition of need. We say that these people must be in need in order to participate in the program, and the social-service worker goes to the house and she makes an examination of the family. She asks innumerable questions. Many of the questions are viewed by the person in the family who is interviewed as being impertinent, as being none of the business of the social-service examiner.

Then the social-service worker finds, perhaps, that an individual over the age of 65 has, as a result of saving through the years, acquired a piece of real estate or acquired a home. The chief criticism that is made generally of the establishment of old-age pensions is that it will remove from those who are thinking that possibly they will be participants in the social-security program when they reach old age the incentive to save their money; that it will take away from them the incentive to thrift, and bring about on the part of our people in the future such a frame of mind that they will never want to save any money, for they may say the Government will take care of them when they are old, and therefore it is needless and not desirable to save any money.

That is the stock argument which we hear against the establishment of old-age pensions. Yet, in the measures which we have enacted in the past, by leaving leeway to those who administer the acts, we have done the most important thing to bring about that situation by giving to the administrators the right to say to the old person who has saved a little money and has been able to get for himself and his wife a home worth $3,000, $4,000, or $5,000, that because he has a certain amount of money or of property, therefore he cannot get the pension unless he conveys the title to the Government and gives the property to the Government.

That strikes directly at incentive toward thrift. If, in addition to providing an old-age pension when people get old, we say that he or she must be a pauper in order to get it, then certainly there is no incentive toward saving a little money in order to obtain a home in which to live. Certainly an old man or woman should not be penalized because he or she has been sufficiently thrifty possibly to save sufficient money with which to buy a home for $2,500, or which at the time it was acquired had a value of $2,500. So one part of the first amendment provides that an exemption of $2,500 in real estate shall be allowed, and that that shall not be taken away from the possessor.

The second part of the amendment provides that old people shall be allowed to have $500 worth of personal property. Here again, while a saving of $500 may not seem so much to the Members of this body, the saving of $500 and its possession at the age of 60 or 65 years does seem of importance to a great many people. If we are going to tell these people that they cannot even have $500 if they are to be eligible to receive the old-age pension, then certainly we are playing right into the hands of those who say that we should not provide any pensions at all because they take away all incentive toward thrift.

I present the proposal not merely upon the basis of humanity. Certainly there is not anything humane in saying to these people, "If you desire to participate you cannot participate if you have $2,500 worth of real estate or $500 in cash or personal property of any kind." There is nothing humane about that kind of a provision.

The fact is that those who have administered this act in the past on the basis that it was necessary to show need have assumed that they had a right to say if aged people had anything at all they were not entitled to participate under the act.

The purpose of the first amendment is simply to provide that in determining need the board shall—

> Take into consideration the income of an individual claiming old-age assistance, but shall not deny old-age assistance to any individual because he owns real property having a value not in excess of $2,500 or because he owns personal property having a value not in excess of $500 or because other persons are under a duty to furnish support to such individual.

Referring to the last part of the amendment, it does not say arbitrarily that the son or the daughter who is in a position to assist the father or the mother may completely evade all

responsibility. It does not completely destroy any responsibility upon the part of the family. But it does say to the social-service worker, "You are not in a position to say to the father or mother, 'You have a son or a daughter who can support you, or could support you, and therefore you must be supported by them.' "

I do not know of anything more cruel than, for example, placing a mother-in-law or a father-in-law on the support of a married son or daughter where there is, as many times happens, severe friction between the daughter-in-law or the son-in-law and the father-in-law or mother-in-law. I know in my State it is the position of the State department which administers the law that if there is any possibility that the son or the daughter or other relative is in a position to take care of the parents, then they are to be arbitrarily cut off.

My amendment takes care of the general situation by permitting and compelling the Administrator to take into consideration the other possible sources of income of the person who is eligible for old-age benefits, but it does not place upon the person administering the law the right to say arbitrarily, "You cannot get any money because of the fact that you have a relative who can and who possibly should take care of you."

Mr. President, I think it is true of perhaps 90 percent of our people that they would not under any circumstances permit their fathers or mothers to secure an old-age pension while they are able to take care of them. However, there is a percentage of people who do not have that attitude of mind, and it is a condition which we all recognize, a condition which we must recognize.

It seems to me that if we are to have a social-security program as a permanent policy in the United States, now is the time to protect against such situations, which result in more dissatisfaction with the measure than any provisions in it relating to money.

The next amendment is, on page 2, line 3, which provides for a determination upon the claim within 30 days of filing application. I do not know how the situation is generally throughout the country. I have mentioned this matter to a number of the Members of the Senate, and those with whom I have discussed it have said that the same situation exists in their States as exists in my own State.

The period of time between the filing of the application and action upon the application extends month after month, and even into a year, and sometimes up to 18 months or 2 years. How very much better it would be for a person who has an application on file which is to be rejected to have it rejected within a reasonable period of time, rather than to have it delayed month after month. I will admit that during the first year of operation there probably was very great justification for delay; but the law has now been in operation sufficiently long so that there is no justification for the administrators of the act to say that an applicant for old-age assistance or an old-age pension cannot have a determination of his application within a period of 30 days after the application is filed. If we make the process speedy, we shall eliminate one of the greatest causes of dissatisfaction. While I am in Washington I receive two or three letters a week from applicants, and when I am at home I have conversations every day with persons who have filed applications for old-age pensions. I am told, "I filed my application last January and nothing has been done about it. Why do you not do something about it?" I explain that the State has control of the operation so far as that question is concerned. The applicant says, "Very well; that may be true, but the Federal Government furnishes half the money, and you represent the Federal Government. Why can you not insist that something be done?"

There is only one way that the Federal Government can insist upon action, and that is to say to the States that if they are to receive money from the Federal Government they must use reasonable speed in the consideration of the applications. I think that question has much to do with the dissatisfaction with the present law.

Mr. LEE. Mr. President, will the Senator yield?

Mr. SCHWELLENBACH. I yield.

Mr. LEE. I intend to support the amendments proposed by the Senator. With respect to the situation just referred to in the Senator's own State, the same situation is true in Oklahoma. However, in justification of those who administer the law it may be said that the case load is so heavy and there are so many more applicants than can be taken care of that the social workers cannot get around to all of them in a short time. As I pointed out yesterday, for every social worker there are perhaps a thousand clients who must be interviewed to find out their economic status. With a thousand clients to each social worker, if the worker gets around even once a year to check the rolls, more than three clients a day must be interviewed. The problem is very difficult. I believe the solution lies in a complete repeal of the State administration, with an outright old-age pension which puts everyone of a certain age on the rolls. After we have sifted them we find many who are not on the rolls, but they are not self-supporting, as the Senator from Washington has just pointed out. They live with relatives. That is not an ideal condition. In other cases they hold jobs which they are unable to perform, and which should be left for younger people to do. The percentage of those who have attained the age of 60 and are able to sustain themselves without jobs is so small that in my opinion an outright pension which would pay everybody 60 years of age a pension would effect a great saving in the machinery of administration, and the universality of the application of the law would result in greater satisfaction.

I appreciate the fact that the Senator voted for the amendment which I proposed yesterday, which would have accomplished the object I have in mind. I presume the Senator is doing as I am doing. If you cannot get a whole loaf, take a half. If you cannot get a red bird, a blue one will do. We should get the best we can out of the law, and improve it all we can. I feel that we have made some advance. We are providing a pension for those who have never had one before, and we are considering a great problem. I wish to say to the Senator that I shall support his amendments, and that I favor the efforts of all Senators who are undertaking to improve the law, which is a complicated statute because we are trying to solve a complicated problem.

Mr. SCHWELLENBACH. I thank the Senator from Oklahoma for the statement he has just made. So far as delay being justified because of the number of applications, I will say that for the first year or year and a half I accepted that argument by the various State agencies and apologized for them. I thought they were doing the best they could. However, I do not think that situation any longer exists. I believe the time has now come, the law having been in operation for a considerable length of time, when it should be possible, and it must be made possible, for those who have applications before the administering agencies to be given a decision upon their applications within a period of 30 days after the application is filed.

The second part of the second amendment refers to claims against the estates of individuals who have been recipients of old-age pensions. It provides that only in cases of fraud may a claim be laid against the estate of an individual. As I pointed out in reference to the first amendment, we are not helping the general cause of social security or the cause of old-age pensions by permitting those who administer the law to take away from those who have a little property the property which they have. If the administrators do not succeed in obtaining the property while the individual is alive, they succeed after he is dead by laying a claim against his estate. Certainly if there is any fraud or deception of the Government on the part of these individuals, the Government is entitled to obtain the property; but, in the absence of fraud, there should not be the constant threat of filing liens against property and laying claims against the estates of individuals.

The third amendment is with reference to the question of age, and reduces the age limit from 65 to 60. Those who are familiar with the long movement in this country in behalf of old-age pensions know that in the beginning it was

anticipated that the age of 65 was probably the proper age at which the payment of old-age pensions should commence. I think undoubtedly 20 or 25 years ago that was the proper age. However, anyone familiar with economic and industrial conditions in the country and the changes which have taken place in the past 20 years must recognize that there has been a direct relationship between the general changes and the age at which people are no longer able to work. There is, and has been, a terrific movement in the country toward the substitution of machinery for the labor of individuals. I remember reading a survey of the automobile industry, made in 1934. It was made as a result of the National Industrial Recovery Act. The findings of the committee showed that in the production of automobiles the average age of those employed was 31 years, and that young men coming into the automobile industry at an early age were unable to carry on their work after they had reached the age of about 35.

There has been a very definite and very certain reduction in the age at which people are eligible for employment. I do not think that the reduction in age from 65 to 60 would mean any material loss to the Treasury of the United States. I do not think it would materially increase the expenditures which the Federal Government and the local governments must make, because I think the facts conclusively show that those who would be eligible under the reduction in the age limit and who would participate in an old-age pension between the ages of 60 and 65 are those who are already securing assistance from some form of relief or work relief, in many instances in a larger amount than the amount which they would receive under an old-age pension. We shall very shortly reach the time when we must recognize such a change in our industrial and economic forces as to require that those above the age of 60 be recognized as eligible for old-age pensions, old-age benefits, and old-age assistance.

It seems to me that all three of the amendments which I have introduced, and which I am now asking the Senate to adopt, go to a point which has created more friction, more dissatisfaction, and resulted in more aggravated cases of complaint than any of the other questions involved in the policy of social security. In my opinion, the adoption of these amendments is absolutely essential, not merely to prevent what was described yesterday as a threat of something which would involve much more money than the Social Security Act. I think that unless we take care of the situations involved in my amendments we shall see a breakdown of the social-security system in this country.

I urge that the Senate adopt the three amendments, which may seem to be minor in importance, but which, nevertheless, reach points which are more likely to cause trouble than any other points in the whole system.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator desire to have the amendments voted upon en bloc?

Mr. SCHWELLENBACH. Yes; Mr. President.

Mr. HARRISON. Mr. President, the amendments of the Senator from Washington were considered by the Finance Committee, but did not receive the approval of the committee. We felt that eligibility for assistance to needy aged people was a question for determination by the States. That was the theory upon which the legislation was first passed; and if we now start to make a change, the problem will be constantly before us.

I hope the amendments will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Washington [Mr. SCHWELLENBACH].

The amendments were rejected.

Mr. WAGNER. Mr. President, there is an amendment at the desk which I now offer for the consideration of the Senate.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 119, at the end of the bill, it is proposed to insert the following:

SEC. 908. (a) There is hereby authorized to be established by the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, in cooperation with the Social Security Board, an Advisory Council on Unemployment Insurance, representing employers, employees, and the general public, to study and report to said committee on the following matters concerning unemployment insurance:

1. Scope and coverage.
2. Amount, character, duration, and qualification for benefits.
3. Advisability and nature of individual employer and State unemployment experience ratings for tax purposes.
4. Size, character, adequacy, and disposition of reserves.
5. Source, character, and method of financing.
6. Coordination of unemployment insurance with relief, work relief, and other programs for alleviating economic distress among the unemployed.
7. Pertinent experience in the operation and administration of existing unemployment-insurance laws.
8. Any other matters which either of the above-mentioned committees or the Social Security Board may deem relevant to the inquiry.

(b) The Social Security Board shall furnish all necessary technical assistance in connection with such study.

Mr. WAGNER. Mr. President, the amendment I have just offered establishes an Advisory Council to study and report on the problem of unemployment insurance in the United States, with a view to improving and perfecting the provisions of the Social Security Act in that regard. The amendment was submitted to the Committee on Finance. Although it was too late to be included in the committee report, the amendment has received the unanimous approval of the committee.

Mr. HARRISON. Mr. President, the Senator is correct. The Finance Committee authorized me to accept the amendment when the Senator from New York offered it. So it has the approval of the Finance Committee.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York [Mr. WAGNER].

The amendment was agreed to.

Mr. WAGNER. Mr. President, I offer another amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the bill, following the amendment last agreed to, it is proposed to insert the following:

SEC. 909. (a) There is hereby authorized to be established by the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, in cooperation with the Social Security Board, an Advisory Council on Disability Benefits, representing employers, employees, and the general public, to study and report to said committees on the establishment of disability benefits under the Social Security Act as amended, with particular reference to the following:

1. Relationship of disability insurance to other forms of social insurance.
2. Scope and coverage.
3. Amount, character, duration, and qualification for benefits.
4. Source, character, and method of financing.
5. Pertinent experience in the operation and administration of existing disability-insurance systems, public and private.
6. Coordination of disability insurance with relief and other programs for alleviating economic distress among the disabled.
7. Rehabilitation services.
8. Any other matters which either of the above-mentioned committees or the Social Security Board may deem relevant to the inquiry.

(b) The Social Security Board shall furnish all necessary technical assistance in connection with such study.

Mr. HARRISON. Mr. President, the purpose of this amendment is similar to the purpose of the amendment just offered by the Senator from New York and approved by the Senate, except that it relates to disability benefits.

Mr. WAGNER. The amendment authorizes a similar Advisory Council to study and report on the establishment of disability benefits under the Social Security Act as amended. Payment of such benefits in connection with the old-age-insurance system has already been approved in principle by the Advisory Council which reported last December.

Mr. HARRISON. There is no objection on the part of the committee to the acceptance of this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York [Mr. WAGNER].

The amendment was agreed to.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. DOWNEY obtained the floor.

Mr. GEORGE. Mr. President, will the Senator from California be good enough to yield to me to offer two amendments, which I think will occasion no debate? If they should, I will withdraw them, so that the Senator from California may proceed.

Mr. DOWNEY. I yield.

Mr. GEORGE. I offer an amendment that has been approved by the committee. It relates to the revenue act, but the amendment is very brief and self-explanatory.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the bill following the amendment last agreed to it is proposed to insert the following new section:

SEC. —. Subsection (d) of section 602 of the Revenue Act of 1936, as amended (relating to floor stocks adjustment), is amended by striking out "January 1, 1937" and inserting in lieu thereof "January 1, 1940."

Mr. KING. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. KING. Obviously this is a matter dealing with the revenue, and I was wondering whether it is appropriate to be attached to the pending bill and whether or not it will provoke a controversy with the other House?

Mr. GEORGE. I do not think so, I will say to the Senator, because it was intended by an amendment which was adopted to the Revenue Act to cover this particular matter. It was more by inadvertence than otherwise that it was omitted. The matter was submitted to the Committee on Finance, and the committee in considering the Social Security Act authorized the amendment to be offered from the floor.

Mr. KING. What is the purpose of the amendment? I was not in the committee when the matter was under consideration.

Mr. GEORGE. I will explain it in a word. The amendment is to give merchants holding floor stocks the same period within which to file claims for refunds as was given to processors by the amendment to the recent Revenue Act. This group was overlooked when the tax bill was under consideration.

Mr. KING. Would this meet with the approval of the Treasury Department?

Mr. GEORGE. I do not know. The Finance Committee adopted an amendment to the revenue act extending the time within which those who had paid the tax might file claims for refunds. This amendment simply permits a merchant who has the goods on hand to have the same period within which to file his claim for refund.

Mr. KING. Is there any considerable number of those who would avail themselves of the benefits of this provision?

Mr. GEORGE. Yes; there are a considerable number, but their claims are very small as a rule, and, under the rigid requirements of the law, very few of them can prove that they have not passed on the tax.

Mr. KING. I shall not object, but I regret that it has not been considered more carefully.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia.

The amendment was agreed to.

Mr. GEORGE. Mr. President, there is another revenue matter embodied in the amendment which I am offering on behalf of the Senator from Maryland [Mr. TYDINGS], who is not present in the Chamber. While some technical language is used in the amendment, I should be very glad in one or two sentences to explain what its purpose is.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the bill following the amendment last agreed to it is proposed to insert a new section, as follows:

SEC. —. (a) The provisions of section 213 (f) of the Revenue Act of 1939 shall apply without regard to the exception therein provided, if (1) the taxpayer in the determination referred to in such exception is a corporation; (2) such determination is by a decision of the Board of Tax Appeals or of a court; (3) under the law applicable to the taxable year in which the exchange occurred, the basis of the property, acquired upon the exchange from the

taxpayer by the party assuming a liability of the taxpayer or acquiring the property subject to a liability, is the cost to such party of the property acquired upon the exchange; and (4) the taxpayer in pursuance of the plan of reorganization effected a complete liquidation immediately subsequent to the exchange.

(b) No overpayment determined to have been made for any taxable year by reason of the provisions of paragraph (a) of this section shall be refunded or credited unless a claim for refund is filed within the period of limitations otherwise provided by law for filing a claim for refund for such taxable year, or within 1 year from the date of enactment of the Revenue Act of 1939, whichever of such periods expires the later.

Mr. GEORGE. Mr. President, considerable technical language is used in the amendment, it being necessary to use it in order effectively to amend the revenue act so as to meet the situation in contemplation. The amendment applies only to one single instance, and is intended to apply to only one case that was discussed at very great length by the Finance Committee at the time the revenue act was under consideration. It simply permits one taxpayer the privilege of filing a claim for refund, although there had been a final court decision in his case. Inasmuch, however, as the Government itself asked that the rule which had resulted from the decision favorable to the Treasury should be abrogated for all other taxpayers by an amendment to the revenue act, it was deemed just and equitable that it be abrogated in the case which actually went to final adjudication. That is, the decision being favorable to the Treasury, and the Treasury asking that the decision be upset, it was felt that this condition presented a strong equitable reason for offering this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia.

The amendment was agreed to.

Mr. HARRISON. Mr. President, will the Senator from California yield to me to offer some clarifying amendments?

Mr. DOWNEY. I yield for that purpose.

Mr. HARRISON. I wish to offer certain amendments which are clarifications of certain language which appear in the bill. One is on page 47, line 2. I send the first amendment to the desk and ask to have it read by the clerk.

The PRESIDING OFFICER. The amendment offered by the Senator from Mississippi will be stated.

The CHIEF CLERK. On page 47, line 2, it is proposed to insert the following new sentence:

In any case where an individual has been paid in a calendar year $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 dies or becomes entitled to a primary insurance benefit and any quarters succeeding such quarter in which he died or became so entitled.

Mr. HARRISON. Mr. President, the change from an annual to a quarterly basis for eligibility requires that an individual be paid $50 in wages in a quarter for the quarter to be counted toward eligibility. Wages is a defined term and does not include salary in a year after the first $3,000 is paid. Accordingly an individual receiving $12,000 a year might, under the definition, have only one quarter of coverage in the year because all the part of his salary which could be counted as wages was paid in the first quarter. Under the amendment he would also have the succeeding three quarters in the year counted as quarters of coverage. This is merely a clarifying amendment to remove any possible ambiguity in this type of situation.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. HARRISON. I offer another amendment, which I send to the desk and ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 111, line 15, it is proposed to strike out the word "No" and insert "Except as provided in section 906, no."

Mr. HARRISON. This technical amendment is necessary because the new section 906 inserted by the Finance Committee affects the Railroad Unemployment Insurance Act, and would therefore be in conflict with the language contained in this section unless the exception clause were inserted.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. HARRISON. I offer another amendment, which I send to the desk and ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 116, line 14, it is proposed to strike out the words "effective January 1, 1939," and insert in lieu thereof the following: "as of the effective date thereof, and paragraph (4) of section 811 (b) of the Social Security Act is repealed as of January 1, 1939."

Mr. HARRISON. Mr. President, the repeal of paragraph (4) of section 1426 (b) of the Internal Revenue Code as of January 1, 1939, failed to take into account the fact that the Internal Revenue Code became effective subsequent to that date, with the result that the corresponding provision of the Social Security Act which was operative until the code became effective technically may remain in force. The amendment makes clear that paragraph (4) of section 811 (b) of the Social Security Act is repealed as of January 1, 1939, and that the corresponding but subsequent provision of the Internal Revenue Code is repealed as of its effective date.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. HARRISON. I offer another amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 119, after line 23, it is proposed to insert the following:

SEC. 909. Subsection (h) of section 5 of the Home Owners' Loan Act of 1933, as amended, is amended by inserting after the words "United States", where they first appear in such subsection, the following: "except the taxes imposed by sections 1410 and 1600 of the Internal Revenue Code with respect to wages paid after December 31, 1939, for employment after such date."

Mr. HARRISON. Mr. President, this amendment would include under the Social Security Act certain Federal savings-and-loan associations affiliated with the Federal home-loan banks, which would otherwise be excluded from the old-age insurance, the Federal insurance contributions act and the Federal unemployment tax act provisions of the bill as passed by the House, since under the Home Owners' Loan Act they are exempt from all taxes imposed by the United States.

Many savings and building-and-loan associations and their employees are covered under the Social Security Act at present. It is only those which have become affiliated with the home-loan bank which are exempt, it having been determined that they are instrumentalities of the United States. The bill as passed by the House narrowed this exclusion to such instrumentalities as are wholly owned by the United States or are exempt from taxes by other provision of law and accordingly failed to include these Federal savings-and-loan associations.

There seems to be no sound reason for excluding from the benefits of the Social Security Act employees of a building or savings-and-loan association merely because the association has organized itself as a Federal savings and loan association. Moreover, the present provision of the bill would permit those associations otherwise included to avoid coverage by becoming affiliated with the Home Loan Bank Board.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. HARRISON. Mr. President, those are all the clarifying amendments that I have to offer. The Senator from Vermont [Mr. AUSTIN] has an amendment dealing with a subject which, I am informed, is already covered; but if he feels that there is any doubt about it, I am perfectly willing, so far as I am personally concerned, to accept his amend-

ment and let it go to conference. I think the farmers referred to by him already come in the excluded class in the bill.

Mr. AUSTIN. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 48, line 14, after the comma, it is proposed to insert the following:

Or in salvaging timber or clearing land of brush and other debris left by a hurricane.

On page 74, line 12, after the comma, it is proposed to insert the following:

Or in salvaging timber or clearing land of brush and other debris left by a hurricane.

On page 103, line 16, after the comma, it is proposed to insert the following:

Or in salvaging timber or clearing land of brush and other debris left by a hurricane.

Mr. AUSTIN. Mr. President, in a word, all three of these amendments affect the definition of agricultural labor.

I ask unanimous consent to have inserted in the RECORD at this point, for the use of the Senate and of the conferees, some correspondence which shows the background and the need for these amendments:

First, a letter from me to E. W. Tinker, Acting Chief of Forest Service, dated January 5, 1939.

Second, a letter from Payson Irwin, special assistant to acting administrator, Northeastern Timber Salvage Administration, to me, dated January 7, 1939.

Third, a letter from Guy T. Helvering, Commissioner, to me, dated January 26, 1939.

This correspondence shows the necessity for these amendments and the policy of the amendments.

The PRESIDING OFFICER. Without objection, the letters will be printed in the RECORD.

The letters are as follows:

JANUARY 5, 1939.

E. W. TINKER, Esq.,
Acting Chief of Forest Service, Washington, D. C.

DEAR MR. TINKER: Referring again to the question whether the work of salvaging the wind-thrown timber and clearing of land of debris caused by the hurricane in New England properly falls within the exemptions from taxation of employers and employees:

The presentation of the claim of the farmers of New England, made on behalf of Vermont and New Hampshire this morning, that all of this work which is necessary and incidental to restoration of the land to agricultural use constitutes agricultural labor, resulted in a request for further evidence to be furnished to the Social Security Unit of the Internal Revenue Bureau.

Therefore, will you please furnish me with such facts as you can regarding the following points:

(1) Whether individuals cutting and clearing are in the employ of a farmer or of a contractor;

(2) Whether the services are performed on or around the land of the employer, or whether they are performed for an employer who clears the land for others.

(3) Whether any of the employees are in the employ of the Government agency, Northeastern Timber Salvage Corporation, which is a subsidiary of the Surplus Commodities Corporation that will issue the invoices for logs and lumber on which farmers can obtain an advancement of 80 percent of the value of the salvaged logs. (The Surplus Commodities Corporation is financed for this purpose with money borrowed from the Reconstruction Finance Corporation.)

(4) Another question asked is: Are the millers who do the sawing, contractors, or do they serve only as a link in the operation of clearing the land?

(5) If it is proper that we be furnished with a copy of the type of contract used in both the delivery of logs and the sawing of logs, we should like to have it.

Our attention was called to a ruling, S. S. T. 289:

"Services performed by an employee on land owned or tenanted by his employer in the removal of stumps, brush, etc., for the purpose of preparing the land for use as an orchard constitute 'agricultural labor' within the meaning of titles VIII and IX of the Social Security Act. However, services performed on such land in cutting, sawing, and preparing timber for market do not constitute 'agricultural labor' and are not excepted from 'employment' under the act."

This syllabus is prefixed to a report of a case which clearly differs from the salvaging project we have under consideration.

I believe that we can get a prompt decision by the unit after furnishing the required details regarding the mechanics of both timber removal and fire prevention.

Thanking you for your courteous assistance, I am,

Sincerely yours,

WARREN R. AUSTIN.

UNITED STATES DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, January 7, 1939.

HON. WARREN R. AUSTIN,
United States Senate.

DEAR MR. AUSTIN: Reference is made to your letter of January 5.

The question of the payment of the social-security tax on labor employed in salvage work in New England was brought to my attention about 10 days ago, and after a discussion over the telephone with Mr. Paul, of the Social Security Unit of the Internal Revenue Bureau, I arranged with our Boston office to have two test cases put before the collector of internal revenue in Vermont and rushed to the Washington office for a ruling.

It seems obvious that logging contractors are under the social-security law, but the case of the farmer who may employ one or or two men to aid him in salvaging the hurricane-felled timber should not be subject to the social-security tax. Agricultural labor is not so taxed. A farmer might presumably employ a laborer on his farm, but a part of the farm work would be work in the woodlot, which, under modern practices of forestry, would require that a certain amount of thinning of the stand would be done each year. If the trees cut were merchantable, such cuttings would constitute produce from the farm, and the laborer's wages should not be taxed. Under the present hurricane disaster conditions in certain areas in New England, this farmer might need to employ several men to aid him in reducing fire-hazard conditions in his woodlot, but in that process he would find many logs which the Government stands ready to purchase. Under the present ruling by the Social Security Unit, this farmer would be subject to tax.

The first two questions in your letter, I believe, are answered by the above statement.

Your third question asks whether any employees of the Northeastern Timber Salvage Administration are engaged in logging operations. The Salvage Administration stands in the relation of a purchaser of logs delivered to certain storage points. The logging operations are carried on either directly by the timber owner or by a contractor employed by the owner or contracted for by the owner.

In answer to question 4, the Salvage Administration, after the logs are purchased, is making contracts with sawmill operators to process the logs. Consequently the milling operation lies completely outside of the logging operations.

Our sawmill contract is undergoing a complete revision. As soon as it has been completed I shall be very glad to send you a copy. The agreement entered into by the Salvage Administration with the timber owner will be sent you as soon as I can secure copies from the Boston office.

I trust this gives you the information you wish, but I shall be glad to have you call on me at any time for anything further you may wish.

Very sincerely yours,

PAYSON IRWIN,
Special Assistant to Acting Administrator,
Northeastern Timber Salvage Administration.

TREASURY DEPARTMENT,
Washington, January 26, 1939.

HON. WARREN R. AUSTIN,
United States Senate.

MY DEAR SENATOR: Receipt is acknowledged of your letter dated January 10, 1939, addressed to Assistant Deputy Commissioner Self, in which the views of the Bureau are requested as to the status under the taxing provisions of the Social Security Act of services performed in connection with the salvaging of timber and clearance of land of brush and other debris left by a recent hurricane. There was transmitted with your letter a communication dated January 7, 1939, from Mr. Payson Irwin, special assistant to Acting Administrator, Northeastern Timber Salvage Administration, containing certain information relating to the manner in which the aforementioned activities are conducted. It is contended that all services performed by employees of farmers in connection with such activities are excepted from "employment" as "agricultural labor" within the meaning of those terms as used in titles VIII and IX of the act. This matter was also the subject of a conference held in the office of Assistant Deputy Commissioner Self on January 5, 1939, at which you and Senator Bridges, of New Hampshire, were in attendance.

You are advised that article 6 of Regulations 91, issued pursuant to title VIII of the act, reads as follows:

"The term 'agricultural labor' includes all services performed—

"(a) By an employee, on a farm, in connection with the cultivation of the soil, the raising and harvesting of crops, or the raising, feeding, or management of livestock, bees, and poultry; or

"(b) By an employee in connection with the processing of articles from materials which were produced on a farm; also the packing, packaging, transportation, or marketing of those materials or articles. Such services do not constitute agricultural labor, however, unless they are performed by an employee of the owner

or tenant of the farm on which the materials in their raw or natural state were produced, and unless such processing, packing, packaging, transportation, or marketing is carried on as an incident to ordinary farming operations as distinguished from manufacturing or commercial operations.

"As used herein, the term 'farm' embraces the farm in the ordinarily accepted sense and includes stock, dairy, poultry, fruit, and truck farms, plantations, ranches, ranges, and orchards.

"Forestry and lumbering are not included within the exception granted by section 811 (b)."

The provisions of article 206 (1) of Regulations 90, issued pursuant to title IX of the act, are substantially similar to the above-quoted provisions of article 6 of Regulations 91.

In view of the foregoing, the Bureau has no alternative but to hold that services performed in connection with the cutting of timber and its preparation for market do not constitute "agricultural labor" for purposes of the taxing provisions of the Social Security Act, irrespective of the fact that such services may be rendered in the employ of farmers or that they may be performed, in part, for the purpose of reducing fire hazards.

The conclusion reached with respect to the services rendered in connection with the cutting of timber and its preparation for market is, for the same reasons, applicable to services performed in connection with the removal of brush and other debris from timberlands since, under the circumstances, such activity would appear to be carried on as a part of the lumbering operations. While the facts submitted are not sufficiently complete to enable this office to rule definitely upon the status of services performed in connection with the removal of brush and other debris from lands that are used for ordinary farming operations, it would appear that such services are excepted from "employment" as "agricultural labor" since they are incidental to ordinary farming operations, provided, of course, that such services are rendered in the employ of the owner or tenant of the farm upon which they are performed.

The letter dated January 7, 1939, from Mr. Irwin is returned, a copy having been made for the files of this office.

In the event further correspondence relative to this matter is necessary, please refer to the symbols A&C: RR: 3.

Very truly yours,

GUY T. HELVERING, *Commissioner.*

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Vermont [Mr. AUSTIN].

The amendment was agreed to.

Mr. DOWNEY. Mr. President——

Mr. LUCAS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Frazier	La Follette	Schwellenbach
Andrews	George	Lee	Sheppard
Ashurst	Gerry	Lodge	Shipstead
Austin	Gibson	Lucas	Slattery
Barbour	Gillette	Lundeen	Smith
Barkley	Glass	McNary	Taft
Bilbo	Green	Maloney	Thomas, Okla.
Bone	Guffey	Mead	Thomas, Utah
Borah	Gurney	Minton	Tobey
Bridges	Hale	Murray	Townsend
Bulow	Harrison	Neely	Tydings
Byrd	Hatch	Norris	Vandenberg
Capper	Hayden	Nye	Van Nuys
Chavez	Herring	O'Mahoney	Wagner
Clark, Idaho	Hill	Overton	Walsh
Clark, Mo.	Holman	Pittman	Wheeler
Danaher	Holt	Radcliffe	White
Davis	Hughes	Reed	Wiley
Donahey	Johnson, Calif.	Reynolds	
Downey	Johnson, Colo.	Russell	
Ellender	King	Schwartz	

The PRESIDING OFFICER. Eighty-one Senators have answered to their names. A quorum is present.

Mr. DOWNEY. Mr. President, I wish now to move to recommit the social-security amendments to the Finance Committee for further study of the whole pension and savings field, with the objective of enacting a proper national pension law for the senior citizens of America. In support of the motion I desire to discuss the issues here involved under three divisions.

I first want to convince the Senate of the United States that the present Social Security Act, with the amendments proposed, is so unworkable and so unjust and so unfair that it should fall by its own weight, and should not receive the support of any Senator.

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. I should like to recall that the day after the Social Security Act was passed in the House of Representatives I delivered a speech on the subject, Social Insecurity. That is all we have had out of the law, social insecurity.

Mr. DOWNEY. I appreciate the contribution of the Senator, and I agree with him that the law should rather be entitled "Unsocial Insecurity" than "Social Security Act."

In the second place, Mr. President, I desire to attempt to show to this body that a State-Federal matching system is wholly futile compared with a wholly national plan, and under that heading I shall discuss the features of the so-called Townsend plan, which would bring relief to millions upon millions of despairing citizens between 60 and 65 years of age who are now unemployed, humiliated, and degraded, facing insecurity and poverty. I shall attempt to show that an act should be passed paying social dividends as a matter of right, not as a matter of cheap charity, to everyone past 60 years of age not gainfully employed, and that the money therefor should not come from an expanding public debt, which we all know will soon crash our credit, and with it our economy, but from a proper consumptive tax, equivalent at least to about 2 percent of the bulk of our business transactions.

Mr. President, as a third point I shall attempt to show that not only is the Townsend plan justified as strictly a relief measure, but that our economy is collapsing because of lack of consuming power; that it is collapsing because of an excess of savings; that at least 90 percent of the economists in Washington today agree that our economy crashed in 1929 because of stagnant savings, that our economy crashed in 1937 because of excessive savings, and that it will crash within the immediate future whenever we balance the Public Budget, or, at the best, even though we do not do so, within a very few years, and that we must move forward to provide a system of savings or pensions for our senior citizens which will provide the purchasing power so that our young people may work, and so that, in lieu of savings, our senior citizens may have purchasing power upon which to live in dignity and security.

Let us first consider the Social Security Act as it now stands, with the amendments proposed and accepted by this body. I say that it is a law which should not receive the vote of a single Senator, and I do not believe it would if the Senators fully realized its futility and injustice. I am speaking now only upon two phases of the Social Security Act: First, that designed to pay pensions to workers past 65 years of age. That branch of the law falls into two divisions: First, payments to workers in covered occupations after they are 65, flowing from contributions made upon the basis of the pay rolls—2 percent for the present; 6 percent within a few years. The other section of the bill is the old-age assistance division, which we have discussed so much here within the last 2 or 3 days, which now, as the bill stands, provides for a maximum contribution by the Federal Government up to $20, to be matched by the States with an equal amount.

Mr. President, I venture to say that never before has so illogical and absurd a law been proposed in this body. How does it operate? It operates in such a way that the workers in the covered occupations, who will have 6 percent of their salaries taken away from them in the immediate future, and in the far-distant future will receive about one-half the payments we will make to other pensioners as a matter of charity or governmental subsidy.

There may be some Senator who can justify that. If there is, I wish he would make a statement to the workers of the Nation; I wish he would here and now declare the justice of a law which penalizes men who contribute compared with those who receive governmental subsidies. If there is any Senator who is willing to face the workers of America in the covered occupations, who are to pay 6 percent of their salaries for old-age insurance, and then in the immediate present receive about one-half what is now paid as

a matter of charity and one-half of what he can look forward to in 40 years, I think the defense of the law should be made by some leader in this body who believes in it.

Mr. President, let me show what we, the Senators from California, must explain to our citizens when we return to report on this law. The Social Security Board estimates that in 1942 the workers in the covered occupations will receive an average of $26.85. It is my firm opinion that that is much too optimistic. I have had independent investigation made, and I do not believe the workers in the covered occupations will receive more than $22 or $23 in 1942 as an average. But, in order to avoid argument on that point, I am going to take the average contributions which will be received by the more poorly paid 80 percent of the workers in the covered occupations, which, upon the most optimistic basis, would be between $19 and $20. Those figures apply to the 80 percent of the more poorly paid workers in the covered occupations.

Consequently, we from California must return to the State of California and report to organized labor and to the workers in the covered occupations of California that, commencing in 1942, if they are 65 years of age and otherwise qualified, they will receive an average of $20 under the proposal here pending; yet we automatically in California, under the amendment lifting the Federal contribution to $20, will be paying $40 to each and every individual past 65 years who qualifies. In other words, the leaders of the majority party are asking this body to ratify a measure which will give one-half as much to the workers in the covered occupations in 1942, if they are single, as we will now give as a matter of governmental subsidy.

But that is not the worst of it. The measure is even more grotesque and absurd. Let us consider it further. If under the contributory act the worker is 65 years of age, and is married to a wife who is past 65 years, his allotment under the proposed amendments would be 50 percent greater, or $30. But in the State of California, as in every other State in the Union, and under the rules of the Federal Government, in making contributions for charity we give the full amount to both husband and wife, so the measure would automatically give to those in California receiving what may be called charity pensions who are both married and past 65, the sum of $80, while we give to the workers of the Nation who are contributing, oh, so generously, the sum of $30. Could anything—I appeal to Senators—be more unfair and grotesque to the workers of the Nation?

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. VANDENBERG. In other words—and I am now agreeing completely with the Senator's challenge—the only way you can approach equity between these two things is by State penury in respect to old-age assistance?

Mr. DOWNEY. The Senator is absolutely correct. We could only bring about any equality between the two different groups under this law by the State of California—and I might say almost every [illegible] State in the Union—reducing its contributions to its aged citizens.

Mr. LUNDEEN. Mr. President, will the able Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. The reference by the distinguished Senator from Michigan [Mr. VANDENBERG] to the word "penury" recalls that the able Senator from California is the author of a book entitled "Pensions or Penury"?

Mr. DOWNEY. Yes, sir.

Mr. LUNDEEN. I should like to call Senators' attention to that book. Some Senators no doubt have read it. In my opinion it is one of the most able statements on the present day old-age problem. It is one of the most able expositions of social security that has come to my attention. The title of the book is "Pensions or Penury," and I sincerely hope that Senators and citizens generally will read and follow the conclusions of the junior Senator from the great State of California.

Mr. DOWNEY. I am very appreciative of the very courteous words used by the Senator in calling attention to my book. I may say that I have sent a complimentary copy to all Senators and many of the Representatives, and I am glad to report that most of them have done me the honor to read it.

Mr. President, the measure before us has been held up by some as providing a liberalization of the present Social Security Act, and I think a majority of Senators believe they are at least making some small step forward by the enactment of the measure.

Mr. President, nothing could be more false than such a belief. When I was engaged in the practice of law there was an aphorism I used to employ that "figures do not lie but liars figure." What is the justification for a rather harsh remark of that kind? It has been stated—and I am not criticizing the press for it—that this measure will provide a liberalization, and particularly in relation to a married man, who will receive 50 percent more than the single man. I may say that that statement is true, but let us test it and see how fallacious is the statement as a whole. Under the existing law, Mr. President, if a worker in a covered occupation for 40 years without missing 1 day earned $100 on an average every month, and paid the 6 percent designed by the law, when he was 65 years of age he would, under the present law, regardless of his marital status, receive $52.50. We, representing the Townsend groups, thought $52.50 was too low for a man who had given up 6 percent of his salary for 40 years, and never missed a single month's work. But this measure reduces that payment 50 percent, or down to $35. And there is a corresponding reduction in the payments to be made to every worker in the covered occupations after the lapse of 10 years. In other words, this is not a liberalization. It is a long step backward, further into the land of poverty and degradation and degeneracy.

Mr. President, under the proposed law, the single man receives $35 and the married man 65 years of age, whose wife is also 65, receives 50 percent more, or $52.75, or 25 cents more if married to a woman past 65 years than he would get under the present law. That is liberalization!

A man who is married, under the proper conditions, will get 25 cents more than under the present law, and a single man will get 50 percent less; and if I am wrong, there are able gentlemen here who can challenge my statements.

That is not the worst of it. The gentlemen who drafted and presented this measure, Mr. President, know that there will not be 1 citizen out of 100 who will ever get the benefit of that 50-percent increase. I do not think one Senator within the sound of my voice realizes that, and yet it is true. Why is it true? The law says that not only must the man be 65 years of age but he is entitled to the increase only if his wife is 65. That is a joker that would have done credit to an insurance-company actuary, because most men who are still married, many of them having remarried, at 65 have wives who are 5 or 10 years younger; consequently, only a limited proportion will get the benefit of it.

Not only that, but when men reach 65 years of age Heaven has taken from almost half of them their helpmates, their wives, and they are not married at all.

That is not the only joker.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. SCHWELLENBACH. Would the Senator mind at that point saying whether or not there is a distinction between an unmarried man of 65 and a married man whose wife is, say, 60 or 64 years—under 65 years of age?

Mr. DOWNEY. I am not aware of any distinction. Is the Senator?

Mr. SCHWELLENBACH. No. I was simply inquiring.

Mr. DOWNEY. No; I know of no distinction. If the wife was 60 years of age and the husband 65, they would get the $35 in one of the most favorable cases. Mr. President, I want it understood that hardly any of them will ever get

$35 or $52.50; that is, presuming that a man has been in a covered occupation, and never missed one pay roll, at an average pay of $100 per month, he probably will not receive enough to live on. I am merely using the figures given by the Social Security Board—the most favorable figures.

In Mr. Doughton's report is a statement which I presume comes from the Social Security Board, and I submit that it ought to be embalmed as one of the most extraordinary platitude of asininity that has ever been published in the CONGRESSIONAL RECORD or in our public files, because these gentlemen know that that 50-percent increase for married workers whose wives are past 65 means practically nothing, and they finally admitted that it will not cost any more. Why? Because there may not be one citizen out of 100 who will get the advantage of it.

They suggest another reason why this particular benefit is still more vital in its application, and I want to quote to the Senate from the Doughton report. I am now quoting:

The supplementary benefit payable an aged wife is one-half the primary insurance benefit of the annuitant.

Now listen—

Because most wives in the long run will build up wage credits on their own account as a result of their own employment these supplementary allowances will add but little to the ultimate cost of the system.

I said I was going to read the most extraordinary platitudinous language that has, I think, ever been uttered by a responsible social body, and here it is. These gentlemen are speaking—and I am still quoting—about the benefits that will flow from this great liberalization by which the married worker will receive 50 percent more than the single worker, and they finally admit that it will mean nothing in dollars and cents, but they say nevertheless it is of great importance. Let us read their own language:

These supplementary allowances will add but little to the ultimate cost of the system. They will, on the other hand, greatly increase the adequacy and equity of the system—

How?—

by recognizing that the probable need of a married couple is greater than that of a single individual.

In other words, this law adds to the adequacy and equity of the system, because it recognizes that it costs more for two to live than for one. As a matter of fact, assuming that that is a benefit, and is not known to every man, woman, and child in the United States today, it is the only benefit which will accrue from the great liberalization for not more than 1 percent of our citizens past 65 years of age.

Mr. President, the law has other features which are so unfair and unjust to the workers of the Nation—who some day, I feel sure, will learn about them—that it should be rejected.

Again quoting the figures concerning a man who has an average monthly payment of $100 for 40 years in a covered occupation, if a man earns $100 monthly for 5 years, he receives $26.25. If he works double that time, or for 10 years, does he receive double the amount? He does not. He receives $1.25 more, or $27.50. If he works for 20 years he receives $30. If he works for 40 years he receives $35. The man who works for 40 years receives $35 and the man who works for 20 years receives $30, or $5 less. In other words, one of our citizens who is to be inspired and protected by this great law has built up a payment of $30 by 20 years of contribution, and he will be encouraged to work for 20 years more by being given an additional $5 for the second 20 years' contribution. If that worker were not entitled to one cent of interest, if he lived until he was 65 and commenced to receive his benefits, as between the 20-year payments and the 40-year payments he would have to live until he was 90 years of age to receive back even the additional amount he paid in during the last 20 years. If we allowed 3-percent interest, he would then have to live to be about 125 years of age, after he had reached the age of 60, to receive back what he had paid in.

Mr. President, if I make any error in my figures I hope some Senator will challenge my conclusions.

Mr. LUNDEEN. Mr. President, will the Senator yield.

Mr. DOWNEY. I gladly yield.

Mr. LUNDEEN. Does the Senator mean to say that that is the best the "brain trust" could do?

Mr. DOWNEY. I should not want to place the responsibility or blame for this law upon any one person. I think probably its authors sincerely and honestly believed in it. Later, I wish to discuss the state of mind which could believe that in a land of imperial wealth, with factories running at half capacity and food destroyed so as to become a stench in the land, we have to cause our senior citizens to live in poverty and degradation. Later, I wish to speak upon that feature of the minds which drafted the act.

Mr. President, the question which immediately arises is, How could men who evidently know the actuarial business have been so prejudiced against the older workers as to deny them any justice or decency? Why is it that after a man has worked from 10 to 20 years he receives almost nothing for the great bulk of the contributions he makes? I will tell the Senate why.

The Social Security Board found that this unhappy and miserable plan would result in the literal starvation of millions of persons past 65 years of age, who would not be able to obtain any relief except by further governmental subsidies and borrowed money. So what did the Board do? It used the contributions of the younger workers in order to work out some liberalization for the older workers. This is exactly what was done, and I challenge anybody to oppose it. Under the law, the older workers will receive their pensions as a result of the contributions of the younger workers; and the gentlemen who have challenged the Townsend plan because we believe in a consumption tax which would bear upon the rich man in proportion to his spending capacity as well as upon the poorer man in lesser degree have finally come down to a system under which, because of its contradictions and futility, hundreds of thousands or millions of pensioners who will receive payments in the next 5 years will be paid by virtue of the pay-roll tax upon other workers.

There is no possible contradiction of that statement. Under the Social Security Act we have not only clamped down the one kind of tax which whips most strongly against the worker, but we have put that tax upon all persons younger than 40 or 45 in order to provide benefits for persons now past 65, because we were unwilling honestly and frankly to face the problem.

Mr. President, the book which I wrote has been referred to. Otherwise, I should make no reference to it. In that book I referred to this law as pure chicanery and fraud. I wish to give one other example. I could give many others, but my time is too limited to do so.

Under the provisions of the bill as it came from the House, any person who did not receive more than $200 in a given year would receive no credit for the tax upon his pay roll. That provision has been changed so that unless his earnings exceed $50 in a quarter he receives no credit. We have millions of unfortunate persons in this land—God help them—who earn $400 or $500 a year, working perhaps a month now and a month again, in and out of covered occupations. The provisions of the bill virtually mean that we are to tax the most miserable, unfortunate people in America on $100, $150, or $199 of their earnings; and if their earnings do not happen to exceed $200 we are going to take their money away from them. That is all it amounts to. Millions of dollars will be drained into the Federal Treasury out of the most miserable unfortunates in America.

Mr. President, I know scrubwomen in California who get down upon their knees and earn perhaps $20 or $30 a month, and who perhaps do not earn more than $100, $150, or $199 a year; and yet we are going to clamp this 6-percent tax down upon them—which is bad enough—and then we are not going to give them $1 of credit or $1 of benefit!

The representatives of the Social Security Board say, "Let that washerwoman or scrubwoman live from the time she is 30 until she is 65, and then we shall take care of her as a charity patient, and we shall make up to her what we took away from her small earnings in order to help finance the

workers of the Nation who are now unable to obtain through governmental subsidy the necessary amount upon which to live."

Mr. President, while I am opposed upon economic grounds to any contributory system at all, I can understand the logic of a man who says that the benefits a man receives should be in proportion to his contributions; and that is what this law pretends to provide. But it is absolutely false and misleading. For the next 5 years the older workers will receive several times the proportionate amount over the younger workers who, as a result of the whole scheme, will gain practically nothing through the last 15 or 20 years of their savings.

Mr. President, I have stated the unhappy position of the Senators from California who will have to go back and tell the workers of California in covered occupations, that is the 80 percent of the more poorly paid ones, that they will receive about $20 a month as a result of these liberalizing amendments, while in California a husband will be receiving $40 and a wife $40, or a total of $80.

Do not let any gentleman say, "Well, we do not care what happens in California; it is not our fault if California is so generous." Do you know, Mr. President, that under this proposition we are agreeing to a subsidy from the Federal Treasury for husband and wife of $20 a month each or a total of $40 a month to a husband and wife who have passed 65 years of age. That is more than the great bulk of the workers under the contributory system will receive from their contributions.

Mr. President, let us forget about the contributions of the States. We are proposing under the State-aid plan to give a Federal subsidy which will be greater than what will be received by the workers under the contributory system. Then, when we add the maximum amount paid by the States the contributory worker is going to be so anguished and heartsick that I am glad that I am not committed to this measure, for, doubt not the day will come, Mr. President, when the workers of America will realize its iniquity.

The present law gives to old-age assistance recipients an average of a little over $19 a month. The Connally amendment, which the Senate has adopted, plus the $20 amendment we have adopted, will raise that average to about $25 a month. Let me say that, with the exception of Senators from two or three States, every other Senator must go back to his State and say to the workers in the covered occupations, if this bill shall be enacted, "We have provided for you, the workers of America under a contributory system, an average of less than is provided as a matter of governmental subsidy."

It is true that many of the Senators will not be in the same extremely embarrassing situation that the distinguished senior Senator from California and I will be in, but the distinguished senior Senator from Massachusetts and the junior Senator from Massachusetts, the Senators from Colorado, those from New York, and those from Ohio—indeed, as a matter of fact, those from every State in the Union—under this new amendment will be in the same position to a greater or lesser degree.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. WALSH. What is the maximum payment for old-age assistance in California?

Mr. DOWNEY. The legal maximum is about $35, but we are only paying an average of about $32.50.

Mr. WALSH. In Massachusetts the average is $28; but the determination of the amount to be paid to a needy individual who has reached the age of 65 is left to the local authorities, as the Senator knows. The result is that the amount paid varies in different communities; and, I am happy to say, in my opinion, the amount paid in Massachusetts ranges as high as $50 in some cases, and $40 and $35 in a large number of cases.

There are other instances in some communities of the contribution being very small. The system under which we are operating—and I am not now speaking in opposition to the system advocated by the Senator from California—leaves to the local communities the determination of the question of need and the amount that should be paid in a particular case to an aged individual. It may be $35 or $45 in one community and in another seven or eight dollars; but if an old person is bedridden and in extremely destitute circumstances and requires more money, provision is made by Massachusetts law for the local authorities to provide for such cases.

As the Senator knows, there is a further provision that one-half the amount is contributed by the Federal Government up to $15. In Massachusetts two-thirds of the remaining amount is provided by the State and one-third by the local communities. So, in the case of an individual in a particular community receiving $30, $15 would come from the Public Treasury, $10 from the State of Massachusetts, and $5 from the local community.

It seems to me that these elastic provisions, under which the determination is left to officials of the local community, who know the needy circumstances of the individual citizen, have operated to better advantage than the general Statewide plan, such as that in California of paying a fixed sum to every individual, no matter what the degree of need may be.

Mr. DOWNEY. I thank the Senator for his very illuminating and interesting statement, and, as a representative of California, I congratulate the State of Massachusetts that in certain payments, at least, it exceeds the payments in California. I had believed we provided the highest payments, and we do have the highest average payments, but in individual cases, as the Senator has pointed out, Massachusetts has the highest. I wish, however, that the senior Senator from Massachusetts had brought his sound judgment and intellect to the question I am propounding. The Senator from Massachusetts must go back and say to the workers in the covered occupations, "Eighty percent of you will get only $20 a month under the law, and, looking ahead 40 years, as the law is now framed, you can hardly hope to get as much as Massachusetts now pays as a matter of subsidy." I take it, that the distinguished Senator from Massachusetts sees the point involved in that, and he may want to respond to me and say, "Well, if the workers in the covered occupations receive so little, we will have to take care of them as a matter of additional charity," which, of course, is what ultimately will happen under this law.

Mr. LUCAS. Mr. President, will the Senator from California yield at that point?

Mr. DOWNEY. I yield.

Mr. LUCAS. Do I understand the Senator to say that ultimately it will be necessary, in his opinion, for the Federal Government to provide subsidies which will make up the difference between what the workers in the covered occupations will receive and what a person who receives an old-age pension now obtains?

Mr. DOWNEY. I will respond to the distinguished Senator from Illinois in this way: If the Congress does not enact legislation embodying the Townsend plan before the workers of America become aroused to what this law is, I venture to say that this Government will be paying subsidies to bring up the payments of the workers who are paying a contribution to what is being paid in the States as a matter of charity.

Mr. LUCAS. Mr. President, will the Senator further yield?

Mr. DOWNEY. Certainly.

Mr. LUCAS. The Senator has made a very interesting statement and argument concerning this important piece of legislation. I am merely wondering whether or not the Senator has offered any amendment which would place in the law what he has in mind in connection with the Social Security Act?

Mr. DOWNEY. No; I may say to the Senator from Illinois that I have not. I have appeared before the Finance Committee in an open and in a closed hearing; I explained my ideas to the Finance Committee; and, of course, they were totally disregarded, as I expected them to be. I knew that I would have no opportunity to reach the ears of the Senate except in some such manner as this, but I may say I did the best that I could.

I may further say to the distinguished Senator from Illinois that since 1925, I venture to say, my mind has been occupied

8 or 10 hours a day on this question of excess savings and pensions, and I declare to the Senate that no logical and sound law can be worked out by a combined State and Federal plan embodying a contributory system on the one side and a governmental subsidy on the other. I am anticipating myself in some of these arguments.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. WALSH. I think it only fair to say that the Senator made it very clear to the Committee on Finance that he was opposed to the whole theory of the present social-security law; indeed, he used very strong language in condemning it, and stated that he thought, in time, it would be considered to be almost a fraud—I think that is the very word he used——

Mr. DOWNEY. I think so.

Mr. WALSH. A fraud on the people of this country. For the reason that he was opposed to the whole theory of the law, he did not choose to make any suggestions or offer any amendment, but he is now proposing an entirely different theory be substituted. Am I correct?

Mr. DOWNEY. I thank the Senator. He is entirely correct.

Mr. President, I desire to say that there is one very material respect in which this social-security law violates every acknowledged rule of taxation and social decency. The condition I am now about to describe has been partially, but only to a degree, rectified by the Connally amendment. This law under which the Federal Government gives a larger subsidy to the wealthier State, or to the State that believes more in pensions than does the poorer State, or the State that, being rich, does not give them, does what? Its tendency is, and only is, and must be, to suck money out of the poorer States for the benefit of the richer States. In other words, beyond any doubt, taken as a general rule, the higher pensions are paid in the wealthier States; not in every case, but as a general rule. The money is collected by the Federal Government from all over the United States. The poorer States get the smaller amounts and the richer States get the larger amounts.

Mr. LEE. Mr. President, will the Senator yield at that point?

Mr. DOWNEY. Yes; I yield.

Mr. LEE. Then the situation operates further to aggravate the maldistribution of national income rather than to alleviate it. Is that correct?

Mr. DOWNEY. I absolutely agree with the Senator.

Mr. LEE. It carries out the idea that—

> Unto everyone that hath shall be given, and he shall have abundance; but from him that hath not shall be taken away even that which he hath.

Mr. WALSH. Mr. President, will the Senator permit an interruption?

Mr. DOWNEY. I yield.

Mr. WALSH. I feel very strongly that the present system, as set forth in the Connally amendment, is unsound and will ultimately lead to the Federal Government assuming the most sacred local right that the people of the country have—namely, the right of taxation.

I cannot understand how it can be said that a State is a poor State or a rich State simply upon the basis of per capita income. Whether or not a State is a poor State in comparison with other States for the purpose of governmental expenditures and income depends also upon its system of taxation. In this country the variation of the ratio of existing true value of general property for taxation purposes extends in the different States from 20 percent to 125 percent, and the same situation exists in the tax rate levied on general property between the States.

If the day comes—and God forbid that it shall come—when we have a Federal uniform system of taxation, when $100,000 of property in California will be valued and taxed exactly as $100,000 worth of property is taxed in Massachusetts or in Alabama or in Mississippi, we can then justify taking out of the Public Treasury the total sum of money which may be required for these social-welfare contributions and activities, and especially for old-age assistance. To my mind, however, it is inequitable and unfair, and that is why I voted against the Connally amendment and other proposals to classify States as rich and poor States simply and solely on the ground of per capita income.

In my own State of Massachusetts, as shown by the figures here, the old-age contribution made in some communities is very small. In others it is large. Does that mean that those are poor communities? No. Does that mean that these are rich communities? No. It means that the people in certain communities have voluntarily levied heavy taxes upon themselves to meet higher standards of health, educational, and social-security legislation, and other obligations.

So I am one of those who feel that I must protest against any attempt to describe States as rich States or poor States upon the basis of per capita income. They can be so described solely and alone on the basis of every man, woman, and child in every State having the same ratio of valuation placed on his or her property, and the same tax rate on his or her property. Then we shall distribute the revenues collected from taxation equitably between the States and the people of the several States.

This, however, is entering into the domain of robbing the local communities of their dearest and most precious right, which I hope may never come; but we are coming to it. We are coming to it; and the Connally amendment is a move in that direction, and every other amendment is a move in that direction, because the people of California who pay, upon $100,000 full value, taxes of $40 to $50 per thousand have a right to demand that in the District of Columbia, instead of paying $17.50 per thousand, the people shall pay taxes of from $40 to $50 on $100,000 worth of property.

The Senator will pardon me; but I wanted to emphasize, in considering what the Senator terms an inequality under the present system, a matter that we shall have to meet and solve in the future.

I hope what I have said indicates that we have not yet found an equitable solution of the problem about which the Senator is talking.

Mr. DOWNEY. Mr. President, I am deeply grateful for the very illuminating and thought-provoking statement made by the Senator from Massachusetts. If I correctly interpret his remarks, as I believe I do, I am wholly in accord with him; and I believe that a national pension system would at least be a step in the right direction to produce uniformity.

Mr. President, I am now going to do something which perhaps some few of the citizens of the State of California may criticize me for, but not the great bulk of them. I am going to say that while the amendments proposed here will automatically bring California up to a payment of $40 per month to a single man and $80 per month to a husband and wife, which is a consummation devoutedly to be desired, yet nevertheless I think it is grossly unfair to the poorer States, like Oklahoma and the others, that California will still be receiving several times as much from the Federal Treasury as is the State of Arkansas. And though I am speaking against the selfish interest of my State, I here and now declare that to the extent that our wealth in California exceeds the wealth in any other State, a uniform tax levied over the United States, returnable to the citizens of the United States in equal amounts, is the only decent, fair kind of a tax. It is elementary in tax law that the burden of taxation should fall upon the shoulders of those best able to bear it; and this inequitable, this strange act reverses that principle and takes away from the poorer State and gives to the richer State.

Mr. President, I have not yet reached the point which is the most shocking to me in this law, but I now approach it. Let me first call to the attention of this body the fact that over a period of 150 years the workers of America have builded by their energy, talent, and toil the richest empire of all times and places; rich almost beyond human conception; rich enough to deluge not only every senior citizen but every man, woman, and child in America with all the good and needed things of life. We need not destroy our chickens because we cannot sell the eggs. We need not

destroy our dairy cattle because children cannot buy milk. We do not have to plow under fruits and vegetables, and let factories run at 50 or 60 percent of capacity. We have the power in the great business leaders of America and in the workers and technicians of America to produce $100 or $200 per month for the senior citizens of America, plus high and decent profits and salaries and wages to the workers. When I hear men solemnly discuss a plat of poverty extending a half century in advance, when right today, as I talk, we are surfeited in our own wealth, do not the men who conceived this plan of giving $20 or $30 a month to retired citizens know that our factories can never run again to employ our workers, that our farmers can never be prosperous, that our businessmen never can be secure unless we, the representatives of the people, work out methods of distributing the wealth which will be produced by general employment?

What are the figures now accepted by everyone? Today, this month, our national income does not exceed the rate of $65,000,000,000 per annum. The most conservative figures now show that with a slight amount of building in the bottleneck industries in a year or two or three years we could produce, in physical goods and services, at least $110,000,000,000, certainly forty or fifty billion dollars of wealth more than we are now producing.

Mr. President, if there is any Senator here, our majority leader or anyone else, who can tell this body how he will end unemployment, except by providing for the Nation sufficient income to buy back what will be produced if we have general employment, I should like to hear him speak. With a productive capacity of $100,000,000,000 or $125,000,000,000, so long as we disburse in this Nation sixty or seventy-five or eighty billion dollars of purchasing power, we are going to have an ever-growing army of the unemployed.

Let us frankly and honestly tell the truth about the United States of America. I love my country and I love democracy. I shall stand as firmly as I can for constitutional principles and for the American people. But, oh, why, instead of criticizing and belittling foreign nations do we not inquire about our own shortcomings and remedy them?

Mr. President, it is a simple fact that today there is more unemployment in the United States than in all Europe combined. We are building poorhouses, penitentiaries, and asylums faster than all the other nations of the world combined. Someone may say to me, "Yes; but in Europe they are employing men in the armament industry." That is true. We have the benefit of two great oceans; we are at peace with each other, and with the world; we do not yet have to spend very much upon our Army and Navy, and it might be argued that that is one of the reasons for unemployment in this country, and that the employment of people abroad is a result of their armament programs. But let me point out to my colleagues in humility and sorrow a thing I regret to say, that the countries in Europe in the last 5 years have steadily increased, and are today increasing, their capital goods, and Germany and Japan and Italy—yes; and Great Britain and France—are steadily today and every year becoming richer in capital goods, while we today are just standing still. In other words, Mr. President, in spite of the fact that they are involved in a great armament race they are doing better than we are doing. Let us admit it with humility and regret.

Let us face the facts. We say there are eleven, twelve, or thirteen million unemployed in this country. Oh, yes; there are that many men in the United States totally unemployed. There are ten or fifteen million more working on part time, precariously holding their jobs, working a day this week and a week next month. There are in the United States today the equivalent of at least sixteen or seventeen million idle men.

Mr. President, that is not the worst part of the story. We now have an unbalanced Budget to the extent of about $4,000,000,000. That $4,000,000,000 not only furnishes assistance for the hopeless, hungry people on our relief rolls—God protect them—but it does something else; it employs at least 5,000,000 more men who are engaged in producing the goods and services for the relief workers. If we attempted today to balance our Budget, and if we withdrew that support from private industry, we would see the army of the idle augmented so rapidly that our entire economy would be placed in jeopardy. As a matter of fact, by September 1937 we had about balanced the Budget; $4,000,000,000 of inventory accumulated in 8 months; then men stopped producing, and by the following July four or five million more men were out of work, and we were compelled to take up the burden of disbursements from an ever-expanding public debt.

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. In other words, I take it the Senator would say that we might well turn from the idea of saving the world and turn to the great American scene, and try to save our own country.

Mr. DOWNEY. Yes; I can agree with the Senator at least this far, that our own internal problems are more vital to me than are any external problems, and what I see 2 or 3 years ahead, and not longer than that, in the internal breakdown of our economy, is more terrifying than the possibility of any Asiatic or European nation ever undertaking to invade our shores.

I have said, Mr. President, that it is only by virtue of an unbalanced Budget of three or four or five billion dollars that we can keep going. Let me say that that does not mean that I condone the increase of the public debt. Let the public debt increase a very few years longer at the rate it has during the last few years, and we are going to see the collapse of every bank and building and loan association and insurance company in the United States. Government bonds would have to fall only 10 percent now to wipe out the surplus and reserves of almost every bank and insurance company in the United States, because at present they are investing almost exclusively in Government bonds.

Mr. President, no one need suggest to me that we can support our own bonds. Of course we can, and we would, and in a few months we would be in the midst of issuing printing-press money, and inflation, and then it would not make very much difference what happened to the banks and insurance companies, because savings and property rights would be destroyed, as they were in Russia and in Germany.

Mr. President, this is what is extraordinary to me about the social-security law. Here we are, lacking thirty or forty or fifty billion dollars of consuming power to get our people back to work, and with that condition existing, we have here a law which is a plat of poverty for 40 years ahead of time. Forty years in advance these gentlemen have calculated their figures, 40 years in advance the actuaries have projected this realm of poverty.

Why do I say that? It is suggested to me that increasing wages might increase what the workers would receive. Oh, no; because these gentlemen have designed this plan, and cleverly, I admit, so that the workers in the contributory system can never hope, as a result of the most prosperous years, to get a decent annuity. Why is that? We are now calculating their annuities upon this basis: For the first $50 in a covered occupation we will give 40 percent, or $20, but after that we give only 10 percent of anything over $50. So, however much a man conceivably might earn, he could never hope to get a pension which would support him with any degree of decency, even though he faithfully worked for 40 years.

As a matter of fact, I may say to the distinguished Senator from Kentucky, that the utmost that could ever be reached by a worker out of this contributory system would be the sum of $56. I do not suppose there will ever be one who will get anywhere near that amount, because it would mean that for 40 years he would have to work every month in a covered occupation and receive the maximum salary of $250. So, while it sounds well to say that a worker might get $56, the likelihood that he will ever get more than $20 or $30 at the end of 40 years is very slight indeed.

So I say, Mr. President, that this plan is a plat of poverty projected by actuaries for a half century ahead.

Today we are surfeited with wealth we cannot use. Machinery, inventions, and business efficiency are continually developing, and yet, while only utilizing 60 percent of our business capacity, we are now going to project a system 40 years ahead when the present payments will not even provide sufficient to take care of the wealth we are now producing.

Mr. LUNDEEN. Mr. President——

The PRESIDING OFFICER (Mr. MEAD in the chair). Does the Senator from California yield to the Senator from Minnesota?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. Do I understand the Senator to say that we will have to wander through the desert for 40 years toward the promised land of social justice if this administration's social-security plan is projected into the future; and if so, is that the best the Solomons of this administration can do?

Mr. DOWNEY. I may say to the distinguished Senator that I do not believe we will wander for 40 years in the desert, because within 3 or 4 years, as I shall attempt later to show the Senate, the collapse of this economy, in my opinion, is inevitable, and I do not make that statement lightly, and when I come to it I shall challenge any debate or argument thereon.

Mr. President, I now want to pass to the proposed system in which some of us believe. In the first place, we believe there should be a national plan because it has got to become the major instrument of relief. We do not want to continue to have C. C. C. camps, and P. W. A. and W. P. A. projects, and N. Y. A. projects. Whatever subsidy is to be provided should be given to men who have done their life's work and are no longer needed by society, who, in my opinion, are those past 60 years of age. Consequently, since it has to be and should be the major instrument of relief, it ought to be administered nationally.

Assuming we would place in operation a pension system which would provide for people past 60 years of age, retired from gainful employment, that probably would cause our senior citizens to yield up about two and one-half million jobs, as I calculate—almost exactly the same number as now work under our relief agencies. I believe that with an adequate national pension system we could return relief burden to the States, which could easily handle it with the amount they are now disbursing in pensions under the present system, and Congress could be relieved of this unhappy, this unwholesome problem of work relief, where, it seems, this body has consumed a great part of its time in argument upon how much should be given, and how much money is to be raised, and how long we can continue to borrow.

We believe that instead of setting the age of 65 for the pension recipient it ought to be reduced to 60 years of age. I cannot say anything to strengthen that contention, Mr. President, except that admittedly we have millions upon millions of people between 60 and 65 years of age, jobless, moneyless, friendless. Many of them are dying of malnutrition and neglect. Not one month passes in the United States but that thousands of these senior citizens from 55 years of age and up are taken out of hovels, and county poorhouses, and fourth-rate hotels, and along the roads, the victims of malnutrition and lack of medical care.

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. If I am correct, out of a million men and women who have reached the age of 60 years, 600,000 plus will be dead before they reach the age of 65. It might be well to pay a little pension to these people before they pass out of existence. Many of them will be gone from the American scene before they reach 65.

Mr. DOWNEY. I can totally agree with what the Senator has just said. When the depression came upon us I was practicing law in the valley of the Sacramento, and I venture to say that 90 percent of my clients of the middle class and business class were stripped of everything they had. I have seen them in the intervening years broken down mentally and physically by insecurity, their morale lost, their hope lost, dying prematurely and unhappily between 60 and 65 years of age.

I tell the story of one man out of tens of thousands in California who tried to get work. He was past 60 years, and he tried to get a pension. However, he was under 65. Finally after being twice treated for malnutrition in the hospital he penned a note saying, "Too old to work, too young for the pension. I had better take this dose of poison." And he took it and died.

Two- or three-line notices of happenings of that sort appear every day, buried in the back columns of the newspapers. Such things occur in this wealthy, affluent land of which we love to boast, this land of imperial wealth, which, if we could restore our workers to full employment, would afford to each retired worker everything they could need.

Mr. President, some Senators will be interested, I hope, in specific figures upon the proposed Townsend plan. The best estimates now place the number of citizens past 60 years of age at about 13,000,000. Of those 13,000,000 people past 60 years of age, 4,150,000 are still considered employable. Of the 4,150,000, 150,000 are working on W. P. A. projects, and 1,000,000 are idle. Three million, or about 20 percent of the total number, are employed; and those who are employed are making somewhere around four or five hundred dollars a year, precariously clinging to their duties, precariously, with their failing strength, trying to hold on, and keeping out of work some son, or grandson, or young man, when they themselves should have been retired to that serenity and that dignity which should be every man's right after he has retired, but which is the privilege of so few of us.

It is my estimate—and that is all it is—that if we should place in effect the Townsend plan on the basis of a 2-percent transactions tax, of the 3,000,000 workers who are now working, two and one-half million would yield their jobs to younger men. Furthermore, they would yield up their W. P. A. jobs. We would still have working about 500,000 men and women past 60 years of age. That would leave about 12,000,000 men and women to account for. It is my opinion that about one and one-half million of them would never claim the pension, because they may be aliens, or they may be well to do and not want it, or for some other reason. I think the pension would be claimed by about 10,000,000 or 11,000,000 of our senior citizens.

Our proposal is a 2-percent-transactions tax to provide the funds. Let me say this particularly to the distinguished Senator from Michigan [Mr. VANDENBERG]. I am not now speaking dogmatically. When I discuss a transactions tax I want Senators to understand that my mind, of course, realizes it would take months of careful investigation to find the best tax. I am satisfied it must be a tax upon consumption. It must be about the equivalent of a 2-percent tax on transactions.

It might be easier and better to put on a 3-percent wholesalers' tax, and a 4-percent manufacturers' tax, and a 2- or 3-percent retailers' tax. That might produce the needed amount of money at a great deal less cost and complication. Consequently, when I am citing a transaction tax of 2 percent, it is merely in the argument for a general principle of that kind.

Mr. President, I realize that I am about to say something which at first will shock the ears of my auditors, but I think that upon listening and considering, Senators will be much more receptive in their consideration of the Townsend plan. We would urge that out of this transaction tax wages and salaries should be exempted. Instead of clamping down with a 9-percent pay-roll tax, we would exempt the wages and salaries of the workers of America, so that at least any burden they bore would be indirect and not direct.

We would necessarily, to protect our banks and insurance companies and investors, exempt the sale of securities, stocks and bonds, and financial transactions of that character. Exempting those transactions, we find that in the United States at the present time we have gross-income transactions of about $360,000,000,000. A tax of 2 percent upon that amount would yield $7,200,000,000, which is exactly 10 percent

of the income it is now agreed we produced in 1937. In other words, we are advocating a tax which would effect a profound redistribution of wealth, and would set over to the senior citizens of America, probably by way of increased prices of goods, 10 percent of the national income, or $7,200,000,000. With the present national income, that plan would yield to each person past 60 years of age retired from gainful employment somewhere around $50 or $60 a month. As the national income increased up to one hundred, one hundred and twenty-five, or one hundred and fifty billion dollars, which is well within our capacity within a few years, the annuities paid to the retired workers would correspondingly increase up to $75, $100, $150, and ultimately probably to $200 a month.

If I had finished my story there, and if I were proposing the imposition of a 10-percent tax upon every American, depending upon the amount he spent, not one man of decency or Christianity or generosity should object. Mr. President, if it were necessary, I would cheerfully yield 10 percent of my income to know that this problam was worked out, and that hungry men and women past 60 years of age who have built this Nation for us were being taken care of with some degree of decency in a Christian civilization. I cannot understand how any man living in a Christian republic would be unwilling, if he thought such a plan would be successful, to consent to a tax of 10 percent upon the amount he consumed.

The Townsend plan has been condemned by some of the leaders of the liberal movement because it is a tax upon consumption—upon the masses. Let me repeat, we exempt pay rolls, and the tax would be indirect, in place of the 9-percent tax which is now contemplated under the Social Security Act. However, we would do more than that. If Mr. Ford had $1,000,000 income a year, I believe he would have to pay about 6 percent of that amount net, above present taxes, or about $60,000 a year. A Senator of the United States, in my opinion, would have to pay about $600 more than he is paying under present taxes, which would be done away with. A worker making $100 a month would have to pay only $60 a year. I appeal to the liberals in the Senate. If this method would give to the workers of America making $100 or $150 a month far more than they could hope to obtain from an insurance company or under the present law in return for the tax upon them, bringing to them the benefit of taxes upon greater incomes, why should the liberals of America castigate and condemn the Townsend plan and then seek to place in effect this pay-roll tax?

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. I have in my possession an editorial published some time ago in a well-known magazine, in which the editor maintained that the soldiers' bonus should be paid by a revolving 2-percent-stamp tax. Of course, the editorial was published some time ago, and the soldiers' bonus has since been paid; but I thought it might be of interest to the Senator to know that a great magazine had published such an editorial some time ago. With the Senator's permission I should like to have the editorial placed in the RECORD as soon as I can refer to my office files.

Mr. DOWNEY. I am very happy to have that done.

Mr. LUNDEEN. Mr. President, I ask unanimous consent that the editorial referred to be printed in the RECORD tomorrow or at some future time during this session.

The PRESIDING OFFICER. There being no objection, the editorial will be printed in the RECORD.

Mr. DOWNEY. While I have said that the 2-percent transactions tax, or an equivalent tax, would, in my opinion, yield about $7,200,000,000, I do not want this body to understand that it would be that much of a burden upon our economy in addition to the present burdens. I believe that under this plan we could and should do away with the $1,000,000,000, $2,000,000,000, or $3,000,000,000 that we are annually spending, by way of an expanding debt, upon the W. P. A. We could do away with an immense amount of relief, poorhouses, and insane asylums. We could do away with the billion or billion and a half dollars that the present law is going to raise; and I feel confident that the net amount which would be raised by the proposed tax would not be in excess of two or three or four billion dollars more than we are now raising.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. VANDENBERG. Let me give the Senator the figure for 1949. In that single year we shall raise $2,550,000,000 in pay-roll taxes.

Mr. DOWNEY. Does the Senator from Michigan say that is the amount which would be raised from the pay-roll tax alone?

Mr. VANDENBERG. The whole two and a half billion dollars represents pay-roll taxes.

Mr. DOWNEY. That has nothing to do with old-age assistance.

Mr. VANDENBERG. No.

Mr. DOWNEY. It can thus be seen that while the tax which we are advocating would be uniform and would do the work, it would not burden the national economy to the extent the opponents of the Townsend plan have led the public to believe.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUCAS. I understood the Senator to say that he thought the transactions tax would yield approximately $7,000,000,000.

Mr. DOWNEY. $7,200,000,000.

Mr. LUCAS. Will the Senator state upon what that figure is based?

Mr. DOWNEY. That figure is based upon $360,000,000,000 of transactions.

Mr. LUCAS. Where does the Senator obtain the figure of $360,000,000,000 of transactions?

Mr. DOWNEY. That figure was testified to before the House committee, I believe, by representatives of the Department of Commerce. I will say to the distinguished Senator from Illinois that I will not argue or quarrel with him. I am advocating the imposition of a consumptive tax which would raise about that amount of money. If it should raise more, we should not need so much. If it should not raise that much, we should have to change the tax.

Mr. LUCAS. I should like to have the Senator explain just what he means by a transactions tax.

Mr. DOWNEY. Of course, if it included every transaction, it would include every transfer of money from one individual to another in a commercial transaction.

Mr. LUCAS. Do I understand that that provision is embodied in the bill?

Mr. DOWNEY. There is no such bill now pending.

Mr. LUCAS. I apologize to the Senator. Of course, there is no such bill pending; but am I to understand that that type of transactions tax is embodied in the Townsend plan?

Mr. DOWNEY. Yes; that type of tax, exempting wages, salaries, and financial transactions, is embodied in the Townsend plan.

Mr. LUCAS. So, if the Townsend plan were in effect every type of transaction that is made would be taxed at the rate of 2 percent?

Mr. DOWNEY. I do not want the Senator to misunderstand what I have already said. We are advocating the transactions tax, or a consumptive tax equivalent to it; and if the Senator could convince the Finance Committee that a tax upon manufacturing, wholesale, and retail transactions producing the same gross amount would be more convenient, we should have no hesitancy in adopting that system.

Mr. LUCAS. I am discussing now, or attempting to discuss in my limited way, what I have always understood the Townsend plan to include, which is a transactions tax.

Mr. DOWNEY. That is correct.

Mr. LUCAS. I am not talking about a manufacturers' tax. I am not talking about a consumptive tax. I am directing my line of questions to the transactions tax, which,

in my humble opinion, is the meat of the entire Townsend plan.

Mr. DOWNEY. The distinguished Senator from Illinois is mistaken. He sees the tree instead of the forest. We believe in a consumptive tax. We know, in the first place, that incomes are now taxed to about the full amount they can be taxed. The tax must fall on consumption; and it ought to be a consumptive tax equivalent to about 2 percent on transactions. However, if the Senator thinks that is too complicated or too expensive, I will not argue with him. Other consumptive taxes might be more feasible and economical.

Mr. LUCAS. Mr. President, will the Senator yield for a further question?

Mr. DOWNEY. Surely.

Mr. LUCAS. Am I to understand that the Senator from California is now abandoning the transactions tax, and is now seeking to collect the $7,200,000,000 through a consumptive tax, a manufacturers' tax, or some other tax?

Mr. DOWNEY. I will say to the distinguished Senator that a transactions tax is a consumptive tax, because it falls upon the consumer.

Mr. LUCAS. I appreciate that fact.

Mr. DOWNEY. It is added to prices. I have not abandoned anything. We are advocating a 2-percent-transactions tax; but if tax experts say that would be too expensive or too burdensome to work out, and if some other kind of consumptive tax would yield the same amount more cheaply and more efficiently, I, for one—and I am speaking for no one except myself—would be for it.

Mr. LUCAS. I think the Senator understands my position with respect to the transactions tax. I have always taken the position, from the very beginning of the discussion of the Townsend plan, that it would ultimately break down of its own weight, because of its impossible administrative features. That has been one of my primary reasons for being against the Townsend transactions tax from the very beginning, because I think the Senator will agree with me that under the transactions tax there would be a tax upon every transaction made.

In other words, every time one wrote a bank check in a business transaction there would be a tax upon it. The testimony in the House hearings, I think, shows that there are millions upon millions of checks written annually which would be taxed. I think the Senator will agree with me, for instance, that every servant, every hairdresser, every barber, every merchant, every oil-station man, every taxi driver, in fact, everyone rendering any personal service of any kind, would be subject to this tax.

I mention this primarily for the purpose of trying to demonstrate to the Senate how impossible it would be to administer the transaction tax. I should like to have the Senator comment upon that phase of the subject, because in my mind that is the most important feature of the Townsend plan. Without the transaction tax there can be no Townsend plan and every Townsend follower believes in this type of legislation to create revenue. If we are going to have a policeman at every farmer's door when he trades a horse for a hog and gets $10 to boot, which would be a transaction, if we are going to have a policeman at every grocery store and barber shop and beauty parlor in order to collect the tax the country should know about it in advance. The Senator should thoroughly explain the mechanics of this tax. Let it be understood that I have no quarrel with the objective in adequately providing for the aged people of the Nation but I submit with sincerity that the transactions tax is absolutely impossible. Again I request the Senator to tell the Senate how he expects to collect the tax.

Mr. ASHURST. Mr. President, will the Senator from California yield to me for the purpose of calling for a quorum? The Senator will not thereby lose the floor.

Mr. DOWNEY. I yield.

Mr. ASHURST. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll and the following Senators answered to their names:

Adams	Frazier	La Follette	Schwellenbach
Andrews	George	Lee	Sheppard
Ashurst	Gerry	Lodge	Shipstead
Austin	Gibson	Lucas	Slattery
Barbour	Gillette	Lundeen	Smith
Barkley	Glass	McNary	Taft
Bilbo	Green	Maloney	Thomas, Okla.
Bone	Guffey	Mead	Thomas, Utah
Borah	Gurney	Minton	Tobey
Bridges	Hale	Murray	Townsend
Bulow	Harrison	Neely	Tydings
Byrd	Hatch	Norris	Vandenberg
Capper	Hayden	Nye	Van Nuys
Chavez	Herring	O'Mahoney	Wagner
Clark, Idaho	Hill	Overton	Walsh
Clark, Mo.	Holman	Pittman	Wheeler
Danaher	Holt	Radcliffe	White
Davis	Hughes	Reed	Wiley
Donahey	Johnson, Calif.	Reynolds	
Downey	Johnson, Colo.	Russell	
Ellender	King	Schwartz	

The PRESIDING OFFICER. Eighty-one Senators have answered to their names. A quorum is present.

Mr. DOWNEY. Mr. President, I am very grateful to the Senator from Illinois [Mr. LUCAS] for the question he has propounded to me. First, let me say I think that he is concerned about the immaterial rather than the material. When I state that we would undertake to raise $7,200,000,000, that is the final and the crucial fact. When I state that in our opinion the amount must be raised by a consumptive tax, that is the next most important thing.

If for any reason a transaction tax, such as I may have in mind, or such as the distinguished Senator from Illinois may have in mind, should prove too burdensome, the tax could very easily and without any difficulty be imposed upon the wealth of the country to extract $7,200,000,000 or $4,000,000,000 or $5,000,000,000 or $8,000,000,000, or whatever might be needed.

I do not want to argue this particular point, because I do not think a particular kind of a sales transaction or gross-income or manufacturers' or retailers' tax is important. The important declaration from us is that it must fall, not upon incomes but upon consumption, and that it must be equivalent to a 2-percent tax.

I wish to say to the distinguished Senator, however, I think he vastly overrates the difficulty. If the Senator can consider himself engaged in labor, his own salary and my salary as a worker and the salary of every other worker would be exempt so far as concerns the payment of the salaries and their receipt or their disbursement. None of the workers of America would ever have to make any returns at all. I venture to say that with the exemptions I have indicated 95 percent of the returns upon this tax would be paid by businessmen, including, of course, farmers. If it should seem too great a burden upon the small farmer, I would have no objection to exempting the first $1,000 or $2,000 of farm income and merely impose the tax upon the receipts of the remaining more prosperous and larger farms.

So I cannot agree with the distinguished Senator from Illinois that a transactions tax, with the exemption of the pay rolls and financial transactions, would be burdensome.

Mr. LUCAS. Mr. President, will the Senator yield further?

Mr. DOWNEY. I yield.

Mr. LUCAS. Of course, I have no bill in front of me, and I am not sure what the Townsend plan is insofar as the transaction tax is concerned. When the Senator talks about a consumers' tax and when he talks about a manufacturers' tax and when he discusses certain exemptions that may go into a bill or may not go into a bill, of course, that is all problematical and it is based upon some contingency which may or may not happen. The only thing that I have mentally in front of me, and what I have always understood about the Townsend plan, and what the country understands, is that it involves a 2-percent transaction tax upon all business transactions.

I should like to call the Senator's attention to his book he wrote back in 1936, entitled "Why I Believe in the Townsend Plan." I respectfully refer to page 106 as to what the

Senator says about the transaction tax, which those sponsoring the Townsend plan have advocated for many years.

The Senator says:

Let me suggest one further aspect of the transaction tax. It would bear more heavily on the small and independent merchant than on the chain store and monopoly. The chain store may make its own flour, bake its bread, and act as jobber, wholesaler, and retailer. The bread sold by the smaller merchant would have to bear three or four accumulating taxes, while the chain stores would sell subject to but one or two. I doubt if the independents could survive under this extra burden. In any event, the effect of a transaction tax upon monopolies must be considered.

In other words, the Senator said that if a transactions tax should become the law of the land along with the Townsend plan, it would practically destroy every independent merchant in the country, because they could not survive and complete with the chain-store corporations of the country; and then it would be necessary, I presume, if we followed that theory to a logical conclusion, to do something to the chain stores in order to save the independents.

I presume the Senator has not changed his mind upon that important point.

Mr. NEELY. Mr. President, will the Senator yield for a moment?

Mr. DOWNEY. Surely.

Mr. NEELY. I hope that no one will consider it an unpardonable asperity for me to give notice that I purpose to object to any further yielding by the Senator from California excepting for questions. Otherwise the debate on this bill may continue indefinitely.

Ten days ago it was understood that the Senate would begin the consideration of Senate bill 280, the anti-block-booking bill, last Thursday. I have been vainly waiting a week for the fulfillment of this understanding.

I am tired of being behind the "eight ball." In the hope of escaping from my uncomfortable situation, and in the belief that the Senate should make some progress toward the consideration of the order of business which has been laid aside again and again, I shall object to further yielding by the Senator from California. But let me assure my fellow Members of the Senate that my objections will be made in a spirit of genuine friendship for everyone with whom the objections may interfere, including always the distinguished, eloquent Senator from California [Mr. DOWNEY].

The PRESIDING OFFICER (Mr. RUSSELL in the chair). The Senator has that right.

Mr. CLARK of Idaho. Mr. President, will the Senator yield for a question?

Mr. DOWNEY. I yield.

Mr. CLARK of Idaho. Would not a heavy retail sales tax cover all the substantial features of the so-called transactions tax?

Mr. DOWNEY. Before I answer that question, if the Senator from Idaho will pardon me, I desire to say to the Senator from West Virginia that I realize the position he has been put in, and I am thoroughly sympathetic with him. I should like to ask the Senator from West Virginia at what time he would like to have me conclude my speech tonight, and I will abide by his desire regardless of interruptions.

I may say that in a large portion of my speech I intended to deal with the problem of savings and investment. That part of the speech could just as appropriately be made when the Barkley bill for additional loans and further expanding the public debt is before us; and I could reserve that part of my argument for that later date.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. BARKLEY. If the Senator is going to make that part of his speech against my bill, I would rather he would make it now. [Laughter.]

Mr. NEELY. Mr. President, will the Senator yield?

Mr. DOWNEY. Yes; I yield.

Mr. NEELY. Let me assure the able Senator from California that I am not only interested in his speech, but that I hope to hear him deliver it in its entirety on some other occasion. If he would complete his address in time for the Senate to pass the pending bill before adjournment this evening, it would thereby become possible for Senate bill 280, the anti-block-booking bill, to be considered tomorrow.

Mr. DOWNEY. Mr. President, would it be appropriate for me to inquire if any other Senators desire to be heard upon this bill or upon my motion?

Mr. LUCAS and Mr. HOLMAN addressed the Chair.

The PRESIDING OFFICER. The Chair is advised that there are other Senators who wish to address the Senate on the bill.

Does the Senator from California yield; and, if so, to whom?

Mr. DOWNEY. I would rather not yield until I have answered the questions which Senators have already propounded to me.

Mr. LUCAS. Mr. President, I merely want to assure the Senator from West Virginia that I shall not again violate the rule of the Senate. I appreciate the fact that he has been very diligent in trying to get his bill before the Senate. I am probably just as anxious to vote on that bill as anyone in the Senate. I apologize to the Senator for violating the rule; but it has been done here so frequently, and no one has ever objected, that I did not think I was guilty of any breach of propriety in not only asking the question but in also making what seems to me some pertinent observations.

I thank the Senator for yielding to me.

Mr. DOWNEY. I shall endeavor to govern myself in accordance with some reasonable principle.

Mr. President, I of course still stand by and reccgnize the logic of what the Senator from Illinois read from my book. I recall the words of Job:

Would * * * that mine adversary had written a book.

But I am not embarrassed by what has been read; and I have pointed out to Dr. Townsend and to his organization that if we should merely levy a transactions or a gross-income tax, a tremendous burden would be placed upon the independents in contrast to the chain stores and the great organizations; and our last bill which was presented in the House of Representatives provides for what is termed a processing tax. Under that measure, if the Standard Oil Co. should take its own oil out of the ground, refine it, sell it as a wholesaler, and retail it, it would have to pay four taxes in lieu of one; so that it would be placed upon an equality with four independent businessmen, each operating in a separate field.

I must say that I feel very, very greatly encouraged by the remarks of the Senator from Illinois. There is no one whose character, ability, or intellect I admire more than his. If all that stands in the way of his becoming an advocate of the Townsend plan is the difficulty about collecting a transactions tax, and if he will use his great ability to suggest the proper kind of a consumptive tax, I shall be very grateful. I was very happy yesterday when I heard the very distinguished Senator from Mississippi [Mr. BILBO] speak. I thought for a few moments that he was going to make a Townsend oration, and I think the day will come when he will do so.

Mr. TOBEY. Mr. President, will the Senator yield?

Mr. DOWNEY. Yes; I yield.

Mr. TOBEY. May I remind the Senator from West Virginia, who put the prohibition on interruptions other than questions, that before he put the prohibition upon us I addressed myself to the Senator from California and asked him to yield not for a question, but for information. This is not a question, I will say to the Senator from West Virginia; but I am speaking to my fellow Republicans now, to stir up their pure minds by way of remembrance; and, referring to the Republican National Convention platform adopted at Cleveland in 1936, I read therefrom with reference to the party's plank on social security for the aged:

We propose a system of old-age security, based upon the following principles:

1. We approve a pay-as-you-go policy which requires of each generation the support of the aged and the determination of what is just and adequate.

2. Every American citizen over 65 should receive the supplementary payment necessary to provide a minimum income sufficient to protect him or her from want.

3. Each State and Territory, upon complying with simple and general minimum standards, should receive from the Federal Government a graduated contribution in proportion to its own, up to a fixed maximum.

And I call attention particularly to paragraph 4:

4. To make this program consistent with sound fiscal policy the Federal revenues for this purpose must be provided from the proceeds of a direct tax widely distributed. All will be benefited and all should contribute.

I interrupt the Senator from California and read that extract into the RECORD solely for the purpose of buttressing the statement with this argument from the platform of the Republican Party, and saying that party platforms are made not only to get in on, but, in my opinion and my conviction, to stand on after parties get in.

Mr. DOWNEY. Mr. President, I am very, very deeply grateful for that contribution to this record, because it immediately brings to the support of this general principle all of the distinguished Senators on this side of the aisle except our Democratic friends; and we have several good Townsendites among the Democrats. So I feel very much encouraged by that contribution.

Mr. VANDENBERG. Mr. President, may I ask the Senator a question?

Mr. DOWNEY. I yield.

Mr. VANDENBERG. I desire to know the relationship between the $7,000,000,000 proceeds of the Senator's transactions tax and his pension payments. What pension would $7,000,000,000 yield to the group which the Senator estimates will be eligible?

Mr. DOWNEY. If the numbers claiming the pension were 10,000,000, which is possible, the pension would be $720 a year or $60 a month. If there were 11,000,000, as there might be, the pension would be slightly less. With a national income of $110,000,000,000, which we have the capacity readily to produce, the senior citizen past 60 would then realize somewhere around $100 per month; and as the national income ascended, of course the annuity would ascend with it.

The Senator from Idaho [Mr. CLARK] a moment ago suggested that in lieu of a transactions tax, if it proved too burdensome, we could impose a heavier retail tax; and that, of course, is very true. Under a 2-percent transactions tax, if the farmer were selling a dozen eggs for 25 cents, he would have to pay one-half-cent tax, the wholesaler would have to pay another half-cent tax, and the retailer another half-cent tax, or a cent and a half altogether, making the total cost of the eggs 26½ cents. As the Senator from Idaho has pointed out, if we wanted to levy the 1½-cent tax on the retailer it would, in my opinion, amount to exactly the same thing as collecting it in three different transactions.

Mr. NORRIS. Mr. President, will the Senator yield for a question?

Mr. DOWNEY. Surely.

Mr. NORRIS. I wish the Senator would give us his idea as to how many employees it would take to carry this tax into execution, and what the expense would be.

Mr. DOWNEY. I regret that I cannot state that to the Senator from Nebraska. I might say to him that the object is to produce employment, and if we had to employ a hundred thousand or even a million people in the collection of the tax, we would just as soon have them get their wages out of that work as in any other way, because they have to be employed and have to do work anyway.

I have read statements to the effect that the transaction tax itself would be burdensome and expensive, and I say again to the distinguished Senator from Nebraska, for whom I have such high admiration, that if a particular kind of a transaction tax were too expensive and involved too many employees, then it could be simplified in the way the Senator from Idaho has already suggested.

There is another feature of the Townsend plan which I believe involves a new and a Christian conception, that is, that whatever is paid in this Nation should no longer be paid as a matter of humiliating charity but should go to every person past 60 years of age retired from gainful employment, regardless of any means test.

I realize that might give to 20 percent of our population past 65 money of which they were not vitally in need, but I think we should establish a new social concept. I would have attempted to prove here this afternoon, if my time had not been too much limited, that the day when the great masses of the people can save is past. In the data developed by the temporary national economic committee, so ably headed by the Senator from Wyoming [Mr. O'MAHONEY], the most distinguished men from every business and industry were called to testify. Mr. Sloan, of General Motors; Mr. Stettinius, of the United States Steel Corporation; Mr. Owen D. Young, of the General Electric; representatives of insurance companies and banks and economists testified, and embodied in the report of the committee are the statistical data perfected over a number of years by thousands of students of statistics and economics. When the bill of the Senator from Kentucky [Mr. BARKLEY] comes before this body, I shall present the findings of the committee at length.

Let me say to my colleagues very briefly that those data show that our economy is breaking down because of excesses of savings diverted from business income into stagnation. They show that businessmen, in the production of goods and services of the Nation, pay out the national income; that out of that national income about 20 percent is saved; that that saving passes into the banks, and to the extent it cannot come out in capital formation it must either be borrowed by the public or released in consumers' credit or in some other temporary way.

Mr. President, those figures indicate clearly that in 1929 we had seven or eight or nine billion dollars of excess savings beyond the needs of capital industry; but in 1937 the economy crashed at about the same point in wealth production as in 1929, and we had $8,000,000,000 of savings diverted from the business stream that were not returned to consumption by way of capital formation, and inventory account increased by $4,000,000,000 as a result of that in a period of 8 months.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. WILEY. I merely want to interject a suggestion. I recall that a recent report made by some of the great——

Mr. NEELY. A point of order. I object if the Senator is not asking a question, and I will have to object to the Senator yielding for any purpose except for the asking of a question.

The PRESIDING OFFICER. The Senator has a right to yield or not, as he chooses; but under the rule he can yield only for a question.

Mr. WILEY. Mr. President, does the Senator know that a recent report by some of the leading economists of this country shows that in 1929 about $17,000,000,000 went into new industry from the earnings of this country, and in 1937 only about $6,000,000,000?

Mr. DOWNEY. I know that that is not accurate. I hold in my hand tables which are admitted by all the economists and statisticians to be approximately correct, and the figures in those tables indicate a condition totally different from that suggested by the Senator from Wisconsin. As a matter of fact, these figures show, as the distinguished Senator from Wyoming will bear me out, that in 1937 equipment and machinery investments by business enterprises had returned to 95 percent, in money value, of what they were in 1929, and since prices of those durable goods were lower by about 5 or 10 percent, there was actually more machinery and equipment purchased in 1937 by the great enterprises than in 1929.

As a matter of fact, there was only one capital formation field which in 1937 was not almost back to the average level of 1920 and 1929, and that field was the residential construction field. Residential construction is now far below what it was in the twenties, and some New Deal leaders are counting upon the day when we will spend as much money in residential construction as we did in the 1920's, entirely oblivious to the fact that from 1910 to 1920 our population increased 16,000,000; that from 1920 to 1930 our population increased 16,000,000; and that in this decade it has increased only 8,000,000. Moreover, the great building boom of 1923, 1924,

and 1925, when residential construction reached its maximum, had several years of the war upon which to feed. So that in the decade of 1920 we were virtually constructing for an increasing population of twenty-two or twenty-three million people. In the coming decade we will not have to construct houses for half that many.

Professor Hansen, who testified, stated that residential construction uniformly kept pace with the increase of population, and since our population was rapidly declining, we could never again hope to get back to the residential construction figures of the 1920's. If the distinguished Senator from Wisconsin will read the figures which I have handed to him, he will see that in capital formation in 1937 we had almost returned to the condition of the year 1929, and had returned to the condition of the year 1925 in everything except residential construction.

Mr. President, I am about to conclude for this evening——

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. ADAMS. The Senator used an expression, and I am not merely——

Mr. NEELY. I object to the Senator from California yielding except for a question.

The PRESIDING OFFICER. The Senator from California will yield at his own risk unless the Senator to whom he yields propounds a question.

Mr. ADAMS. I will say that it is also at the risk of the Senator's bill.

Mr. DOWNEY. I did not hear the Senator's statement.

Mr. ADAMS. I wanted to ask the Senator a question.

Mr. DOWNEY. Let me first say to the Senator from West Virginia that I am about to conclude. I yield to the Senator from Colorado.

Mr. ADAMS. The Senator used the expression "excess savings," and stated they amounted to $8,000,000,000. I wonder whether he can explain just what he meant. I have heard the expression used before, and it was not clear to me. I have had the feeling that savings are a very desirable thing in the Nation.

Mr. DOWNEY. I am very happy, first, to state to the distinguished Senator that very possibly I used the expression a little inaccurately. When I used the expression "excess savings," I meant the amount of savings that could not be absorbed in capital formation.

I may state to the distinguished Senator that today we have about $6,000,000,000 of excess savings. Four billion dollars of those excess savings are being taken up by Government borrowing. That may cause the Senator to say that they are not excess savings, but I wish to point out to him that public or private borrowings are merely ephemeral operations, and that in any long-time, prospective economy, unless our statesmen realize that we dare not accumulate more savings out of the industrial income than we can utilize in building hotels or apartment houses or farm buildings or machinery or factories, indubitably we will crash. I may further say to the distinguished Senator that we should recollect that the savings of past generations made our capital goods possible, but likewise our capital goods made our savings possible. In other words, when savings pass into a bank they stagnate there, and with them an equal amount of wealth, unless the Government borrows it, or some individual or consumer credit borrows it. I should be very happy indeed to discuss this question later with the Senator from Colorado.

Mr. President, a word or two more, and I shall have concluded.

Mr. O'MAHONEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from California yield to the Senator from Wyoming?

Mr. DOWNEY. I yield.

Mr. O'MAHONEY. Before the Senator leaves this phase of his discussion, perhaps it would be more illuminating to those of us who are listening if he were to develop a little more in detail the conclusion he has reached with respect to the character of future economy, inasmuch as he has based his argument upon the premise it is now impossible to invest the savings in the capital-goods industry.

Mr. DOWNEY. I shall be very happy indeed to do so. I do not wish to intrude upon this body too long tonight, but I am very happy to answer.

At the present time, going into the banks and insurance companies, are about $6,000,000,000 that come out in the form of credits to farms and factories. The Federal Government, as I have said, is borrowing $4,000,000,000 of that, and restoring it to commerce through the relief workers, and if the Government were not doing it, a corresponding $4,000,000,000 of inventories would undoubtedly accumulate, just as was the case in 1937.

I have already said to the distinguished Senator that $8,000,000,000 of excess savings accumulated in 1936, and $6,000,000,000 is now accumulated. Our income is lower now than it was in 1937. Consequently we are saving about $2,000,000,000 less. We are taking away $4,000,000,000 by public borrowing.

I should like to impress upon the Senate that $2,000,000,000 of excess savings is being restored to the consumptive stream by the losses largely of our farmers. As a lawyer I have handled transactions by the hundreds, and what is happening in the Sacramento Valley and elsewhere in California is an index of what is happening throughout the Nation. In California farmers, after a tragic era of loss, are again faced with a similar situation; they are unable to sell their products at the cost of production. Oftentimes some farmer has come into my office to see me and has said, "Mr. Downey, I have lost $5,000 on this year's operations. Can you help me mortgage my farm, or sell some stocks and bonds?" I might know some businessman who had $5,000 in excess savings which he had not invested, and I could arrange for the borrower, who had suffered a loss on his crop, to take the $5,000 of excess savings out of the hands of the businessman, and thus was it restored to the consumptive stream.

In the year 1938, the losses of our farmers and the classes largely dependent upon them in my opinion exceeded by $2,000,000,000 the losses in 1937.

I realize that losses are a part of the profit-and-loss system we have, as are gains. But certainly when the farmers produce crops for which tens of millions hunger, and they cannot sell them, losses thus made must be ascribed to a faulty mechanism rather than to our type of economy.

Mr. O'MAHONEY. Mr. President, will the Senator again yield?

Mr. DOWNEY. I have not yet answered the Senator's question. I was just coming to it.

Mr. O'MAHONEY. I was wondering if the Senator was.

Mr. DOWNEY. In the United States at the present time we have about $6,000,000,000 income from profits flowing into the hands of individuals in the form of incomes, rents, profits, and dividends. About $6,000,000,000 is received from property incomes. Of that $6,000,000,000 we estimate that $4,000,000,000 is being saved. In other words, people who have already accumulated savings and property are not spending the incomes they received from their prior savings to the extent of about $4,000,000,000. Those billions of dollars are flowing into the hands of the savings banks, the insurance companies, and the other great lending agencies, as was so graphically brought out before the committee presided over by the Senator from Wyoming.

The cash holdings of savings banks and commercial banks of this Nation are at an all-time high; the cash holdings of insurance companies in our commercial banks are at an all-time high; and the cash savings of all types of investors are at an all-time high. Their withdrawal undoubtedly would tend to break down the present faulty economy and to reduce the distress of our farmers and others who are in a system of unregulated competition compared to others.

Mr. President, if Senators desire to conserve a free country, there are only two things they can do, and they must be done, or, beyond doubt, we face regimentation and a dictatorship, with all that that means. I am talking now sheer mathematics and nothing else. There are two things we

must do. We must compel persons receiving incomes, to the extent they can no longer be utilized in building up this Nation, to spend them.

If Mr. Ford is allowed to make $2,000,000 a year—and I do not want to deprive him of that right—and to keep $500,000 or $750,000, he must be compelled to spend it to the extent that it can no longer be used in building more automobile factories or more factories of some other kind. Consequently, I would propose a tax upon the unearned incomes of the Nation, upon incomes flowing from property, compelling the expenditure of such incomes for consumable goods, or their forfeiture to the public. In other words, I would say to the fortunate classes of America, "We want to protect your property; we want to protect your savings; but we say to you that when you withdraw from the business stream billions of dollars that can no longer be returned by capital formation, you are destroying your own right of saving and your own property." I say, Mr. President, that if that kind of a law were passed, within 6 months we would see released in the Nation $4,000,000,000 of stagnant purchasing power, restoring our workers to employment, and allowing our industrial machines to operate at full capacity.

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. The Senator then places human rights above property rights.

Mr. DOWNEY. I hope I do, but let me say that I am here merely talking sheer mathematics. As the honorable Senator from Wyoming will recall, Mr. Sloan, Mr. Young, Mr. Stettinius, every one who testified before the Monopoly Committee, including eminent economists, said that the great business enterprises of America are now developing out of their own earnings, by way of appreciation of funds and surpluses, all the capital that can be used in this Nation in the future.

Mr. Sloan said, "We do not want any more money from outside sources. If we want to promote the Diesel engine we are prepared to advance a hundred million dollars to promote it." A distinguished man from the aircraft industry said the same thing. That is undoubtedly true. Our great business enterprises have reached such a condition that out of their own earnings they produce all the capital that can from now on be utilized in the American Nation, and at a subsequent time I should like to discuss the figures so graphically developed in the report made by the committee headed by the distinguished Senator from Wyoming.

Mr. O'MAHONEY. Mr. President, the Senator will recall——

Mr. NEELY. Mr. President, I unwillingly object.

Mr. O'MAHONEY. If the Senator will pardon me I shall ask a question. Does the Senator from West Virginia desire to object?

Mr. NEELY. I am unwillingly compelled to object to anything except a question.

Mr. O'MAHONEY. Mr. President, I shall propound a question, if the Senator from California will permit me to do so, and when the Senator from California has concluded his speech perhaps I myself may have something to say.

Mr. DOWNEY. Mr. President, I will say to the Senator from Wyoming that I am placed in a very unhappy and embarrassing position, and I wish he would assist me. I shall be only too delighted to engage in colloquy when the bill of the Senator from Kentucky [Mr. BARKLEY] is before the Senate for consideration. That bill apparently is an outcome of the hearings before the Economic Committee. I think I should now conclude very rapidly, in view of the long wait which the Senator from West Virginia [Mr. NEELY] has on the block-booking bill. I wish the Senator from Wyoming [Mr. O'MAHONEY] would cooperate with me, and not speak after I have concluded.

Mr. O'MAHONEY. I shall withdraw my request to the Senator to yield out of deference to his desire.

Mr. DOWNEY. I am deeply grateful for what the Senator from Wyoming has just said, but I must admit my sympathy for the distinguished Senator from West Virginia. For months he has been endeavoring to obtain consideration of a bill in which he is greatly interested. That consideration is long overdue. I should have closed my speech an hour or so ago, and I regret having spoken for so long.

I shall conclude by saying that, in my opinion, the great masses of American people can never again save, and any attempt on their part to save will break down our economy. As a matter of practical fact, every Senator knows that four out of five men past 50 years of age are "broke" today, living in the chill shadow of poverty, which will close down upon them whenever they lose their jobs. I shall not enter into any discussion as to whether or not they should have saved or could have saved. It is a simple fact that millions of our fellow citizens past 60 years of age, the best men and women in the Nation, who have builded the farms and the factories by virtue of which we live, are in desperate want in an opulent nation which could lavishly provide for them.

A Senator must take one of two positions. Either we cannot distribute our wealth under a free economy and a capitalistic system, or we have not the will or the intelligence to do so. I am unwilling to take either of those positions, because I know the high honesty, ability, and devotion to society of the Members of this body.

So far as pensions are concerned, I think the American Nation has had a blind spot. That blind spot has existed because we came out of an agrarian civilization in which 90 percent of our people lived upon farms, a system under which the older members of the family could gracefully, honesty, and easily be absorbed into the farm economy with dignity and security as they grew older.

One of the Senators before the Finance Committee took the position that it was the duty of the children to support the parents. I would reply to him by saying that 50 percent of our younger married people themselves live in insecurity and despair, and cannot decently support their parents. We have passed into a highly mechanized urban civilization, with tremendous concentrations of wealth and population. God help four out of five of our retired workers in the next 10 or 15 years, as they lose their jobs, use up their scanty savings, and have to impose themselves upon children who cannot support their own families.

It has been said to me that I have too great a concern for the retired workers and the senior citizens. I have concern for the babies of this Nation, who, lacking milk and sustenance, are doomed to a life of disease which could be avoided. I have sympathy for the 5,000,000 youngsters between 16 and 24, hopelessly seeking jobs, first with hope in their hearts and then with despair. I have sympathy for the millions upon millions of unemployed, for the W. P. A. worker trying to live and support a family of four or five on $50 or $60 a month. I sympathize with those people. No one defends such conditions. There is no one who does not bewail those facts.

However, the Social Security Act is acclaimed as a great achievement, when in reality it is a plat of poverty projected 50 years ahead of time. What disturbs me is that the leaders of social security in Washington honestly believe they have done a great job in this plan, which would give $20 or $30 a month to our retired workers.

I wish some Senator would undertake with me to live for one month on $20, and then come back and report to our colleagues the misery, horror, and degradation of it. I have not the courage or hardihood to undertake it alone. I cannot live on 5 or 10 cents a meal in some miserable, lousy hovel, as most of our elderly people have to do.

For some reason we have a blind spot in this opulent land. I say we must change our social conception. Let the children support their parents, but let it be done by law. Let the younger generation support the retired worker and regard him as a retired partner who has builded this Nation for the rest of us.

Mr. President, if we in the Senate wish to do one great act, we have the power to lift millions upon millions of despairing elderly people out of the depths of degradation,

humiliation, and poverty which most of us would rather die than descend to.

Mr. President, the Social Security Act is born of a lack of vision. It springs from poverty. It never strikes above the eaves of the poorhouse. It is unfair to the workers in the contributory system. It will produce from them a political repercussion which in my opinion will be unequaled when once they realize what it is. At its best, it gives to our older people only enough to exist in misery and degradation.

I realize the tremendous import of these questions. I am not urging upon any Senator that he should vote for any measure in which I believe. I am now asking Senators, in decency and fairness, to vote to recommit to the Finance Committee this inequitable, unsound measure. Let us see if we cannot do better. Certain features of it should immediately be passed, such as freezing the pay-roll tax, reducing the reserve, and increased payments to the people in the poorer States. However, the greater issue is building a great plan to act as a uniform instrument of relief over the Nation. Let us not, in mercy, commit our hands and our voices to the approval of this bill today.

Mr. President, I ask the Senate to agree to my motion.

The PRESIDING OFFICER. The question is on the motion of the Senator from California [Mr. DOWNEY] to recommit the bill to the Committee on Finance.

Mr. DOWNEY. Mr. President, I ask for the yeas and nays on this question.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. HOLMAN (when his name was called). I have a general pair with the distinguished Senator from Tennessee [Mr. STEWART]. I do not know how he would vote, if present. If I were at liberty to vote, I should vote "yea." I withhold my vote.

Mr. TOWNSEND (when his name was called). I have a general pair with the senior Senator from Tennessee [Mr. MCKELLAR]. Not knowing how he would vote, if present, I withhold my vote.

The roll call was concluded.

Mr. HALE (after having voted in the affirmative). I have a general pair with the junior Senator from South Carolina [Mr. BYRNES]. Not being able to transfer my pair with him, I withdraw my vote.

Mr. SHIPSTEAD. I have a general pair with the senior Senator from Virginia [Mr. GLASS]. Not being informed how he would vote, if present, I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. HARRISON (after having voted in the negative). I have a general pair with the senior Senator from Oregon [Mr. MCNARY]. I understand that if he were present he would vote "yea." I transfer my pair with him to the senior Senator from North Carolina [Mr. BAILEY] and will permit my vote to stand.

Mr. MINTON. I announce that the Senator from New Jersey [Mr. SMATHERS] is detained from the Senate because of illness in his family.

The Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Texas [Mr. CONNALLY], the Senator from Nebraska [Mr. BURKE], the Senator from Missouri [Mr. TRUMAN], and the Senator from Arkansas [Mr. MILLER] are members of the committee appointed to attend the funeral of the late Representative MCREYNOLDS, and are, therefore, necessarily absent.

The Senator from Florida [Mr. ANDREWS], the Senator from Missouri [Mr. CLARK], and the Senator from Ohio [Mr. DONAHEY] are detained in various Government Departments.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from South Carolina [Mr. BYRNES], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Kentucky [Mr. LOGAN], the Senator from Nevada [Mr. MCCARRAN], the Senator from Florida [Mr. PEPPER], the Senator from Maryland [Mr. TYDINGS], the Senator from Virginia [Mr. GLASS], the Senator from West Virginia [Mr. HOLT], and the Senator from Idaho [Mr. CLARK] are absent on important public business.

The Senator from Florida [Mr. PEPPER] is paired with the Senator from Maryland [Mr. TYDINGS]. I am not advised how the Senator from Florida, if present and voting, would vote. It is my information that the Senator from Maryland would vote "nay."

The Senator from Montana [Mr. MURRAY] is absent on official business. I am advised that if present he would vote "yea."

Mr. AUSTIN. The Senator from Michigan [Mr. VANDENBERG] has a pair with the Senator from Alabama [Mr. BANKHEAD]. I am advised that if present the Senator from Michigan would vote "yea," and the Senator from Alabama would vote "nay."

The Senator from Pennsylvania [Mr. DAVIS] has a general pair with the Senator from Kentucky [Mr. LOGAN]. The Senator from Pennsylvania has been called away on important public business.

The result was announced—yeas 18, nays 47, as follows:

YEAS—18

Barbour	Johnson, Calif.	Reed	Wheeler
Bridges	Lodge	Schwartz	White
Downey	Lundeen	Taft	Wiley
Frazier	Nye	Thomas, Okla.	
Gurney	O'Mahoney	Tobey	

NAYS—47

Adams	George	Johnson, Colo.	Radcliffe
Ashurst	Gerry	King	Reynolds
Austin	Gibson	La Follette	Russell
Barkley	Gillette	Lee	Schwellenbach
Bilbo	Green	Lucas	Sheppard
Bone	Guffey	Maloney	Slattery
Bulow	Harrison	Mead	Smith
Byrd	Hatch	Minton	Thomas, Utah
Capper	Hayden	Neely	Van Nuys
Chavez	Herring	Norris	Wagner
Danaher	Hill	Overton	Walsh
Ellender	Hughes	Pittman	

NOT VOTING—31

Andrews	Clark, Idaho	Holt	Shipstead
Bailey	Clark, Mo.	Logan	Smathers
Bankhead	Connally	McCarran	Stewart
Borah	Davis	McKellar	Townsend
Brown	Donahey	McNary	Truman
Burke	Glass	Miller	Tydings
Byrnes	Hale	Murray	Vandenberg
Caraway	Holman	Pepper	

So Mr. DOWNEY's motion to recommit the bill was rejected.

AMENDMENT OF SOCIAL SECURITY ACT

The Senate resumed the consideration of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. JOHNSON of Colorado. Mr. President, I send to the desk an amendment, which I ask to have printed and lie on the table.

Mr. HARRISON. Mr. President, I had hoped we might finish the bill tonight. Will not the Senator offer the amendment tonight?

Mr. JOHNSON of Colorado. Very well. I will offer it now if the Senator wishes to finish the bill tonight.

Mr. HARRISON. I hope we may finish the bill tonight.

Mr. JOHNSON of Colorado. I shall ask immediate consideration of the amendment if the Senator is going ahead with the bill.

Mr. HARRISON. Very well.

Mr. JOHNSON of Colorado. I offer the amendment, and ask to have it stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 2, line 2, after the word "State", it is proposed to insert:

and, effective January 1, 1941, such financial participation shall amount to not less than $10 each month with respect to each needy individual receiving old-age assistance for the month.

Mr. JOHNSON of Colorado. Mr. President, the purpose of this amendment, which is quite obvious from reading it, is to require the States after January 1, 1941, to pay at least $10 per month to the recipients of old-age pensions.

Yesterday we had before us an amendment requiring the Federal Government to put up $10 to the State's first $5. In the pending measure we place a ceiling of $40 per month on pensions, and it seems to me it is perfectly reasonable and proper that we should put a bottom on the pensions.

I heard what the Senator from Kentucky [Mr. BARKLEY] said yesterday about his disappointment over the way the States have responded to the opportunity which the Congress gave them to provide pensions for their aged citizens. I heard what the other Senators have said. They have all testified that all of the States which pay low pensions could do much better than they are doing.

Mr. WALSH. Mr. President, does the Senator's amendment provide that the minimum contribution by any State to any individual over 65 years of age shall be $10, in order to entitle him to receive $15 from the Federal Government?

Mr. JOHNSON of Colorado. No; the average for the State must be at least $10.

Mr. WALSH. So that in one community the amount might be smaller and in another larger, but the average for the State must be $10 in order to entitle the State to $15 of Federal money?

Mr. JOHNSON of Colorado. In order to bring the State into the approved plan.

Mr. WALSH. The only way in which they can be punished is by taking away the $15.

Mr. JOHNSON of Colorado. Taking away everything from them unless they pay the $10.

Mr. WALSH. So that the Senator's amendment provides that the average contribution to individuals over 65 years of age shall be $10 per person?

Mr. JOHNSON of Colorado. That is correct. That is, beginning on January 1, 1941.

Mr. WALSH. Beginning January 1, 1941?

Mr. JOHNSON of Colorado. That is correct.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. BARKLEY. We have already adopted an amendment offered by the Senator from Texas [Mr. CONNALLY] providing that of the first $15 the Federal Government shall put up $10 and the State $5. That is the requirement.

Mr. JOHNSON of Colorado. Yes.

Mr. BARKLEY. I can understand how a State could be required to put up a minimum amount as its share of the contribution under the plan which has been adopted, but I am wondering how the Senator's amendment would fit in with the amendment already adopted, under which up to $15 it is a 2-to-1 proposition, whereas the Senator's amendment provides for an average of $10. How would that dovetail into the 2-for-1 up to $15?

Mr. JOHNSON of Colorado. It would work in this way. The minimum pension would be $25; the Federal portion of it would be $15, and the State portion would be $10. So the pension would be $25.

Mr. BARKLEY. I understood that the Senator, in answer to another question, stated it was an average of $10.

Mr. JOHNSON of Colorado. It is an average.

Mr. BARKLEY. It would have to be a minimum average of $10.

Mr. JOHNSON of Colorado. Yes.

Mr. BARKLEY. Of course, if the State put up $5 and the Federal Government $10, as provided in the Connally amendment, the pension in that case would be $15, and I do not see how it fits in with an average of $10.

Mr. JOHNSON of Colorado. What is the average at the present time?

Mr. BARKLEY. It varies, of course.

Mr. JOHNSON of Colorado. How low is it?

Mr. BARKLEY. It is as low as $6 in some States.

Mr. JOHNSON of Colorado. Yes; it is as low as $6 in States putting up $3 plus. Under the Connally amendment, that situation is not changed in the slightest degree, except that the Federal Government puts up two-thirds. In other words, the State of Arkansas is paying $6 now, and under the Connally amendment the State of Arkansas would pay $9. Under my arrangement the State of Arkansas would pay $25; and there is a vast difference.

Mr. BARKLEY. That would make more than an average of $10-a-month pension, would it not?

Mr. JOHNSON of Colorado. The State of Arkansas would pay an average of $25.

Mr. HATCH and Mr. WAGNER addressed the Chair.

The VICE PRESIDENT. Does the Senator from Colorado yield; and if so, to whom?

Mr. JOHNSON of Colorado. The Senator from New Mexico was on his feet first, and I yield to him first.

Mr. HATCH. I wish to be sure about one thing in the Senator's amendment. Suppose there should be a State, my State or any other State, which could not raise $10 a month; what would happen in such a State?

Mr. JOHNSON of Colorado. It would lose its Federal contribution entirely. I heard what Senators from the so-called poorer States, the States which are not paying pensions, said on the floor yesterday. They said, "Better that we have no pensions than this dime-a-day pension." That is what they said, and I am taking them at their word.

Mr. HATCH. The Senator did not hear me make that statement.

Mr. JOHNSON of Colorado. No; I did not hear the Senator from New Mexico make the statement; but it was heard here, and it has been heard here frequently in the discussion of the pending bill.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. WHITE. Am I to understand that the Senator's proposal is that the average contribution shall be $10, or not less than $10?

Mr. JOHNSON of Colorado. Not less than $10.

I now yield to the Senator from New York.

Mr. WAGNER. As I now understand the amendment, it means that in every case in which the Federal Government participates, or makes a contribution to a State, the minimum pension will be $25.

Mr. JOHNSON of Colorado. That is correct.

Mr. BILBO. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. BILBO. I desire to ask the Senator how he reconciles such a compulsory proposal with the inherent rights of a sovereign State. I can understand how the Government can make a tender on condition that a State will accept it and do certain things, but for Congress to say to a State that they must do this or forfeit their right—and a State might not be able to raise the money—I think is outrageous.

Mr. JOHNSON of Colorado. The States do not have to accept it at all; they do not have to accept the Federal money.

Mr. BILBO. But the Senator is going to rob the State of the chance to get even a small part of the contribution.

Mr. JOHNSON of Colorado. The purpose of the amendment is to get rid of disgracefully low pensions. I heard what the Senator from Kentucky said yesterday about his great disappointment. As I recall his remarks, he stated that when the pension program was first enacted by the Congress, it was the objective and the purpose and the hope

that the States would all enact pension legislation and that it was his hope that all pensioners would receive $30; but that he had been disappointed in the result; that the matter had been going on and on, and we were continuing to give money to the States, continuing to pay disgracefully low pensions, and that his patience was about exhausted. My patience is exhausted, and I believe that the patience of the Congress is being exhausted at the response the States have made to the liberal proposals which have been made to them on the part of the Federal Government.

Mr. BARKLEY. Mr. President, will the Senator yield for another question?

Mr. JOHNSON of Colorado. I yield.

Mr. BARKLEY. I do not yet understand the Senator's amendment clearly.

Mr. JOHNSON of Colorado. I wish the clerk would read the amendment again.

Mr. BARKLEY. I think I am in sympathy with what the Senator is trying to accomplish, but I want to be sure I understand it, because he used the term, "average of $10." Did the Senator mean that the average pension drawn by the pensioner would be $10, or that the average contribution by each State must be $10, or that the minimum of the contribution by the State should be $10?

Mr. JOHNSON of Colorado. I regret that the amendment is not before Senators in printed form. I understood the bill was to go over. But I ask that the clerk read the amendment again, so that the Senator from Kentucky will have it in mind.

The VICE PRESIDENT. Does the Senator desire to have the amendment reread?

Mr. JOHNSON of Colorado. Yes; I should like to have the amendment read.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 2, line 2, after the word "State", it is proposed to insert "and, effective January 1, 1941, such financial participation shall amount to not less than $10 each month with respect to each needy individual receiving old-age assistance for the month."

Mr. BARKLEY. Now let me ask the Senator how he arrives at his figure of $25 a month pension. How does he assume that the Federal Government puts up $15 in order to make the amount $25?

Mr. JOHNSON of Colorado. Twenty-five dollars is the minimum. This is the way it would work. We will suppose, for instance, that the State of Kentucky pays pensions to 10,000 persons.

Mr. BARKLEY. The number is about 40,000.

Mr. JOHNSON of Colorado. I did not know what the number was, but I used 10,000 as an arbitrary number, because I wanted to make the multiplications easily. We will say the State is paying pensions to 10,000 people. Under the present plan the State of Kentucky would have to pay 10,000 people at least $10 apiece.

Mr. BARKLEY. A month.

Mr. JOHNSON of Colorado. Each month, yes; in order to have an approved plan.

Mr. BARKLEY. I am afraid that interferes with the provisions of the Connally amendment, under which up to an average of $15 a month the Federal Government puts up $10 and the State $5. If the State is required to contribute a minimum of $10 in each case, and if the Federal Government contributes $10, that will make an average of $20, so that the two-to-one proposition as carried in the Connally amendment would not apply. Is that correct?

Mr. JOHNSON of Colorado. The Connally amendment would apply; yes.

Mr. BARKLEY. Does the amendment of the Senator from Colorado superimpose itself on the 2 to 1 figure of the Connally amendment?

Mr. JOHNSON of Colorado. The Connally amendment is a formula, and under the Connally amendment the Federal Government puts up $10 for the first $5 that the State puts up. Then for the next $5 the Government puts up $5.

Mr. BARKLEY. That makes a total of $25?

Mr. JOHNSON of Colorado. Yes.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Colorado [Mr. JOHNSON].

Mr. JOHNSON of Colorado. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. HARRISON. I merely wish to state before the vote is taken that if each State must put up $10 each month for each individual on the State rolls, as is proposed in the amendment—it is not the average as anyone who hears it read may assume, but the minimum is $10 for each individual which each State must put up in order to get this Federal assistance—none of the States would qualify for all their pensions. Thirty-one States would be excluded from getting the Federal assistance even on the basis of an average requirement. But this means more than an average of $10 State money per case. It means $10 State money as a minimum per beneficiary.

Mr. O'MAHONEY. I wish to remark that the table which was put into the RECORD by the Senator from South Carolina 2 or 3 days ago indicates that there are 28 States in the Union in which the total average receipts is less than $20.

Mr. HARRISON. The figures show that 31 States would be excluded even on an average basis. No State at present pays a $25 pension, but the minimum pension payment considers the other income of an individual.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Colorado [Mr. JOHNSON].

Mr. LEE. Mr. President, I wish the Senator from Michigan [Mr. VANDENBERG] were here, because I intend to refer to the debate we had yesterday on the amendment which I offered to the bill. I shall read from the RECORD of yesterday:

Mr. VANDENBERG. I mean to say to the Senator that for 7 years we have failed by $3,000,000,000 a year to find the money with which to pay our bills.

Mr. LEE. Because the Finance Committee has not brought in a tax bill to accomplish that, and every time we offer a tax bill the Senator is one of the first to say, "Let us not stifle business."

Mr. VANDENBERG. The Senator knows that is not accurate if he is familiar with the RECORD. I have voted for every increased tax amendment proposed by the distinguished Senator from Wisconsin [Mr. LA FOLLETTE]. I have voted for every increased tax that has been proposed in the Senate for the purpose of paying the Government's bills, and I cannot do any more than that.

Now, Mr. President, I wish to refer to the RECORD because on the vote on the revenue bill of 1935, which was taken on August 14, 1935, on H. R. 8974, Seventy-fourth Congress, the Senator from Michigan [Mr. VANDENBERG] made a long speech, several pages in length, against the bill and in support of his own motion which was to recommit that revenue bill. That tax bill, according to the Senator's own figures here, was estimated to raise $270,000,000 additional revenue above that being received. Senator VANDENBERG's own words are:

Second, if——

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. AUSTIN. I should like to have the RECORD show that the distinguished Senator from Michigan [Mr. VANDENBERG] is necessarily temporarily absent from the Senate.

Mr. LEE. I am glad to have that shown.

Quoting from the Senator's speech of August 14, 1935, appearing on page 13044 of the CONGRESSIONAL RECORD:

Second, if we must have an ill-timed and ill-starred tax bill, should it be a tinfoil measure—and when I speak of it as a tinfoil measure I mean no disrespect to $270,000,000 as such. That still is an enormous sum of money to take from the pockets of the American people, even in this New Deal day of astronomical calculations.

Then on page 13077 of the CONGRESSIONAL RECORD of August 14, 1935, there is a record vote giving the names of those voting "yea" or in support of the motion to recommit that tax bill of 1935. Remember that tax bill was estimated to increase the revenue $270,000,000, according to Senator VANDENBERG's own statement. Now everyone knows a motion and a vote to recommit is a motion and a vote to kill.

Senator VANDENBERG's name appears with those who voted to recommit. In column 4 his was the second name.

I refer again to the RECORD, Mr. President, on the vote on the tax measure of 1936, which was H. R. 12395 of the Seventy-fourth Congress. On page 9110 of the CONGRESSIONAL RECORD of June 5, 1936, there is a record vote on the tax bill of 1936, which bill, so I am unofficially informed, it was estimated, would greatly increase the revenues. We see Senator VANDENBERG's name among those voting "no." His name is the fifth name from the top of that column.

Therefore it seems that the Senator from Michigan is the one who did not know the record, or was not familiar with the record, or had forgotten the record when he suggested that the junior Senator from Oklahoma was not familiar with the record when I intimated that the Senator from Michigan [Mr. VANDENBERG] opposed tax measures that would increase the revenues, help balance the Budget which he is so interested in balancing, and which I too would like to balance. But different from the Senator from Michigan, I vote for such measures.

Mr. President, I just wanted to keep the record straight.

Mr. WALSH. Mr. President, before the vote is taken I should like to ask a question of the Senator from Colorado [Mr. JOHNSON]. Regardless of where the money comes from, whether from a State, or nationally, the net result of the Senator's amendment would be that the average payment to a person 65 years of age would be $25 in every part of the country?

Mr. JOHNSON of Colorado. That is correct; in every part of the country.

Mr. GEORGE. Under the Senator's amendment the minimum payment any person on the rolls would receive would be $25.

Mr. BARKLEY. I may ask the Senator from Mississippi [Mr. HARRISON] a question in connection with his remarks made a moment ago, and referring to my remarks of yesterday in which I expressed my disappointment that not only in my own State but in other States, the States had not matched the $15 of Federal money. It so happens that in my State there is a campaign on now for Governor and for members of the legislature, and in all probability the next legislature, which will meet in January, will match the $15 that is now being contributed by the Federal Government. But in the event they should not change the maximum of $7.50, which is provided under the present law, and raise it to $10 in every case, then in that event Kentucky would not participate at all in this old-age pension? Is that correct?

Mr. HARRISON. That is the way I understand it. Without question, the amendment as it is written says: "shall amount to not less than $10 each month with respect to each needy individual receiving old-age assistance." It is not the average in the State.

Mr. BARKLEY. I understand.

Mr. HARRISON. It is the minimum.

Mr. BARKLEY. Of course, that raises a question in any State. I think it is an important matter for us to consider, in voting on the amendment, whether or not we are willing to say by the amendment that if the State does not provide by law for a minimum of $10 in each case there shall be no pension at all, and that the Government of the United States shall even withdraw its contribution. That is, no doubt, a form of coercion on the States; and I am wondering whether or not it is wise now to attempt to coerce them with the threat that if they do not do as we wish, they will not receive anything.

Mr. JOHNSON of Colorado. Mr. President, it seems to me rather strange to draw the line at this kind of coercion, because the whole bill is based on the principle of coercion of the States, not only in the pension part of it but in the unemployment part of it. There is coercion all through it.

Mr. BARKLEY. It was not exactly coercion. It was cooperation. It was offering an inducement to the States to enter this field, which most of them had not entered.

Mr. JOHNSON of Colorado. My amendment is along the line of cooperation. The Senator asks what would happen in Kentucky if the State did not raise the money, and whether or not it would be shut off entirely. It would be shut off entirely except insofar as it paid pensions; and whenever it paid a pension it would have to pay $25. The Senator says Kentucky pays pensions to 40,000 people. Kentucky could pay pensions to 20,000 people, bringing up its average, and cut off 20,000 who have been given this pitifully small amount.

Mr. BARKLEY. Kentucky could not do that unless it raised the maximum State contribution from $7.50 to $10 in cases where a pension was paid at all. The number might be reduced from 40,000 to 20,000. That would not necessarily compel the State to pay a maximum of $10, with $15 from the Government, unless by law the maximum were raised from $7.50, where it is now, to $10, under the provisions of the Senator's amendment.

Mr. JOHNSON of Colorado. If the State paid a pension to anyone, it would have to pay $25.

Mr. BARKLEY. Yes; and if the State did not provide for such payment by State law, it would not participate in the pension fund.

Mr. JOHNSON of Colorado. It is up to a State to say to whom the pension shall be paid.

Mr. ANDREWS. Mr. President, no doubt the policy of the amendment is good in some States. However, many of us in the poorer States are faced with facts.

The Legislature of the State of Florida does not convene for 2 years. At present, I understand, there is not sufficient money appropriated to provide for an old-age pension of $10 per month to be paid by the State. That means absolutely that under this amendment those who have been receiving a pension in Florida might not receive anything at all for the next 2 years.

I shall, therefore, have to oppose the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Colorado [Mr. JOHNSON]. On that amendment the yeas and nays have been demanded and ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HALE (when his name was called). I have a general pair with the junior Senator from South Carolina [Mr. BYRNES] who, I understand, would vote "nay", if present. I transfer that pair to the senior Senator from Michigan [Mr. VANDENBERG], and will vote. I vote "yea." I am advised that the Senator from Michigan would vote "yea" if present.

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am not informed how he would vote. If permitted to vote, I would vote "yea." I withhold my vote.

Mr. TOWNSEND (when his name was called). I have a general pair with the senior Senator from Tennessee [Mr. MCKELLAR], who is detained from the Senate attending a funeral. Not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. HARRISON (after having voted in the negative). Making the same announcement as before with regard to my pair with the Senator from Oregon [Mr. MCNARY] and its transfer, and I will permit my vote to stand.

Mr. MINTON. I announce that the Senator from New Jersey [Mr. SMATHERS] is detained from the Senate because of illness in his family.

The Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Texas [Mr. CONNALLY], the Senator from Nebraska [Mr. BURKE], the Senator from Missouri [Mr. TRUMAN], and the Senator from Arkansas [Mr. MILLER] are members of the committee appointed to attend the funeral of the late Representative McReynolds and are therefore necessarily absent.

The Senator from Missouri [Mr. CLARK] and the Senator from Ohio [Mr. DONAHEY] are detained in various Government departments.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from South Carolina [Mr. BYRNES], the Senator from Arkansas [Mrs. CARAWAY],

the Senator from California [Mr. DOWNEY], the Senator from Kentucky [Mr. LOGAN], the Senator from Nevada [Mr. MCCARRAN], the Senator from Florida [Mr. PEPPER], the Senator from Maryland [Mr. TYDINGS], the Senator from Virginia [Mr. GLASS], and the Senator from Idaho [Mr. CLARK] are absent on important public business.

The Senator from Florida [Mr. PEPPER] is paired with the Senator from Maryland [Mr. TYDINGS].

Mr. AUSTIN. The Senator from Pennsylvania [Mr. DAVIS] is absent on important public business. He has a general pair with the Senator from Kentucky [Mr. LOGAN].

The Senator from Oregon [Mr. HOLMAN] would vote "yea" if present. He has a general pair with the Senator from Tennessee [Mr. STEWART].

The Senator from Oregon [Mr. MCNARY] is necessarily absent. His pair and transfer have been stated by the Senator from Mississippi [Mr. HARRISON].

The result was announced—yeas 37, nays 31, as follows:

YEAS—37

Adams	Gibson	Maloney	Taft
Austin	Green	Mead	Thomas, Okla.
Barbour	Gurney	Murray	Tobey
Bridges	Hale	Neely	Walsh
Byrd	Holt	Norris	Wheeler
Capper	Johnson, Calif.	Nye	White
Chavez	Johnson, Colo.	O'Mahoney	Wiley
Danaher	La Follette	Reed	
Frazier	Lodge	Reynolds	
Gerry	Lundeen	Schwartz	

NAYS—31

Andrews	Gillette	King	Schwellenbach
Ashurst	Guffey	Lee	Sheppard
Barkley	Harrison	Lucas	Slattery
Bilbo	Hatch	Minton	Smith
Bone	Hayden	Overton	Thomas, Utah
Bulow	Herring	Pittman	Van Nuys
Ellender	Hill	Radcliffe	Wagner
George	Hughes	Russell	

NOT VOTING—28

Bailey	Clark, Idaho	Holman	Shipstead
Bankhead	Clark, Mo.	Logan	Smathers
Borah	Connally	McCarran	Stewart
Brown	Davis	McKellar	Townsend
Burke	Donahey	McNary	Truman
Byrnes	Downey	Miller	Tydings
Caraway	Glass	Pepper	Vandenberg

So the amendment of Mr. JOHNSON of Colorado was agreed to.

The PRESIDENT pro tempore. The bill is still before the Senate and open to further amendment.

Mr. HAYDEN. Mr. President, I ask the clerk to read the printed amendment which I have at the desk.

The PRESIDENT pro tempore. The amendment offered by the Senator from Arizona will be stated.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to insert the following new title:

TITLE X

The Social Security Act is amended by adding at the end thereof a new title as follows:

"TITLE XII—AID TO INDIANS

"SEC. 1201. From the sums appropriated for titles I, IV, and X, respectively, the Secretary of the Treasury shall pay to each State which has, under any such title, an approved plan that includes Indians upon the same conditions as other persons covered by such plan, for each quarter, beginning with the quarter commencing July 1, 1939, an amount, which shall be used exclusively as aid to Indians, equal to the total of the sums expended during such quarter as aid to such Indians under such State plan, such amount to be in addition to the amount paid the State with respect to sums expended for other persons.

"SEC. 1202. For the purposes of this act the term 'Indian' shall include all persons of Indian blood who are members of a tribe, pueblo, band, community, or other group now or hereafter recognized by the Congress or the Secretary of the Interior, and who reside on a reservation or on other lands set aside or established for Indian use and occupancy: *Provided*, That the term 'Indian' shall also include all Indian and Eskimo natives of Alaska who are of one-half or more Indian or Eskimo blood, certified as such by the Secretary of the Interior or by any other officer duly designated by him. The records of the Department of the Interior and of the Indian Service shall be prima facie evidence of the facts shown thereon as to tribal membership, age, sex, and degree of Indian blood.

"SEC. 1203. The Commissioner of Indian Affairs of the Department of the Interior is hereby authorized to enter into arrangements with any State agency charged with the administration of a State plan approved by the Board under titles I, IV, or X to use any agency or agencies of the Office of Indian Affairs in the administration of any such plan with respect to Indians."

Mr. HAYDEN. Mr. President, from the beginning of this Government Indians have been considered to be wards of the United States, and the aged dependent Indians of all kinds have been cared for by the United States.

Under the terms of this bill, Indians are to receive the same benefits as all other citizens, but half of the cost is to be charged to the States. It is to avoid that situation that I have offered this amendment. The amendment is quite similar to and in effect identical with one which I submitted to the committee—that is, that Indians shall receive the same benefits as white persons, but that the entire cost shall be paid by the United States.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. WHEELER. I call the Senator's attention to the fact that throughout the West the States receive no taxes or other income from the various Indian reservations, but everything goes to the particular Indians concerned.

Mr. HAYDEN. My State is the extreme example of that case. Arizona has over 19,000,000 acres in Indian reservations. It is the extreme example with respect to the number of Indians in proportion to the white population.

I ask permission to insert in the RECORD a table showing that in the State of Arizona over 10 percent of the population are Indians.

The PRESIDENT pro tempore. Without objection, the table will be printed in the RECORD.

The table is as follows:

State	Total population of the State	Indian population of the State	Percentage Indian population to total population
United States	122,775,046	332,397	0.27
Arizona	435,573	43,726	10.04
New Mexico	423,317	28,941	6.84
Nevada	91,058	4,871	5.35
Oklahoma	2,396,040	92,725	3.87
South Dakota	692,849	21,833	3.15
Montana	537,606	14,798	2.75
North Dakota	680,485	8,387	1.23
Wyoming	225,565	1,845	.82
Idaho	445,032	3,638	.82
Washington	1,563,396	11,253	.72
Utah	507,847	2,869	.57
North Carolina	3,170,276	16,579	.52
Oregon	953,786	4,776	.50
Minnesota	2,563,953	11,077	.43
Wisconsin	2,939,006	11,548	.39
California	5,677,251	19,212	.34
Nebraska	1,377,963	3,256	.24
Michigan	4,842,325	7,090	.15
Kansas	1,880,999	2,454	.13
New York	12,588,066	6,972	.06
All others	78,782,293	14,556	.02

Mr. HAYDEN. We have 435,573 white people. We have 43,726 Indians. If the 43,726 Indians had been counted in the last census we should have two Representatives in the House of Representatives; but, under the Constitution, Indians not taxed are eliminated.

That is one way of meeting the situation. The other way is to allow Indians to be left out of the social-security scheme.

When I had this matter before the committee, it was suggested that the committee would look with favor upon the second alternative. I desire to present the two propositions, and see which one the committee now is willing to accept. I am unwilling to allow the matter to pass with no action at all; and I ask the clerk to read, for the information of the Senate, the typewritten amendment which I send to the desk.

The PRESIDENT pro tempore. The amendment will be read for the information of the Senate.

The legislative clerk read as follows:

On page 111, line 13, strike out the quotation mark.

On page 111, after line 13, insert a new section as follows:

"PROVISIONS RELATING TO INDIANS

"SEC. 1108. (a) Notwithstanding any other provisions of law, the Social Security Board shall not disapprove any State plan under

title I, IV, or X of this act because such plan does not apply to or include Indians.

"(b) For the purposes of this act the term 'Indian' shall include all persons of Indian blood who are members of a tribe, pueblo, band, community, or other group now or hereafter recognized by the Congress or the Secretary of the Interior and who reside on a reservation or on other lands set aside or established for Indian use and occupancy: *Provided,* That the term 'Indian' shall also include all Indian and Eskimo natives of Alaska who are of one-half or more Indian or Eskimo blood. The records of the Department of the Interior and of the Indian Service shall be prima facie evidence of the facts shown thereon as to tribal membership, age, sex, and degree of Indian blood."

Mr. HATCH. Mr. President, some of us are greatly interested in this amendment and in what the Senator from Arizona has to say about it. May we not have order in the Chamber?

The PRESIDENT pro tempore. Let there be order in the Chamber, please.

Mr. HAYDEN. Mr. President, in each case it was necessary to define what is an Indian. What we are talking about is an Indian who lives in a pueblo or on a reservation and is recognized by the Government or by the Indian Office. I am not referring to Indians who have departed from their tribal relations and have gone out into and become a part of our civilization. I am referring to Indians residing on nontaxed Indian lands.

I should like to inquire of the chairman of the committee what his view is with respect to the matter. Should we adopt the first proposition which I submitted to the committee and allow the Federal Government to bear the entire expense and give the Indians the same treatment as everybody else, or should we allow a State which cannot afford to pay this bill not to be penalized if it does not take care of the Indians?

Mr. HARRISON. Mr. President, I may say to the Senator that, of course, he is familiar with, because he has read, the letter of the Interior Department, which is very much opposed to the first proposal.

Mr. HAYDEN. I also have read, Mr. President, the report made to the Senator's committee by the Social Security Board recommending my proposal. It was transmitted to Congress by the President. It is as follows:

A number of States have a considerable Indian population, some of whom are still wards of the Federal Government. The Board believes that in cases where such individuals are in need of old-age assistance, aid to the blind, or aid to dependent children, the Federal Government should pay the entire cost. If this provision is made, the Board should be authorized to negotiate cooperative agreements with the proper State agencies so that aid to these Indians may be given in the same manner as to other persons in the State, the only difference being in the amount of the Federal contribution. The Board believes that it should also be given authority to grant funds to the Office of Indian Affairs for this purpose, if that appears more desirable in certain circumstances.

Mr. HARRISON. Mr. President, the committee gave consideration to this question. Personally, I have no objection to the last amendment. Let us vote on it and handle the matter in conference to the best of our ability.

Mr. HAYDEN. If that is the case, if the committee is willing to accept the second proposal, I offer it as a substitute for the first one, which I withdraw.

The PRESIDENT pro tempore. The Senator from Arizona withdraws the first amendment offered by him and offers in lieu thereof the second one, which has just been read for the information of the Senate.

The question is on agreeing to the second amendment offered by the Senator from Arizona.

The amendment was agreed to.

Mr. HARRISON. Mr. President, I send to the desk and offer an amendment which was suggested by the Treasury Department.

The PRESIDENT pro tempore. The amendment offered by the Senator from Mississippi on behalf of the committee will be stated.

The Chief Clerk read as follows:

Section 201 (f) is amended to read as follows:

"(f) The managing trustee is directed to pay from the trust fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during a 3-month period by the Social Security Board and the Treasury Department for the administration of title II and title VIII of this act and the Federal Insurance Contributions Act. 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 the Federal Insurance Contributions Act. Such repayments shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates in any particular 3-month period were too high or too low, appropriate adjustments shall be made by the managing trustee in future payments."

Mr. HARRISON. The Treasury has requested the adoption of this amendment because of certain technical reasons. If the payments made by the trust fund to the Treasury for the cost incurred in administering title II and title VIII of the Social Security Act and the Federal Insurance Contributions Act were covered into the Treasury as provided in the reported bill, the receipts and expenditures would be overstated in the accounts of the Treasury by the amount so deposited.

Collections, when originally received, are classified in the Treasury accounts under "Social Security taxes"; and subsequently, under the existing provision, a portion would be deposited as "Miscellaneous receipts," thus overstating actual receipts. Also, when funds are expended from appropriations for administration of title II and title VIII of the Social Security Act and the Federal Insurance Contributions Act, such items would be shown as expenditures under "Social Security Board" and "Departmental," and the reimbursements for such expenses from the trust fund would also be shown as expenditures, unless such items are deposited as repayments instead of miscellaneous receipts.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Mississippi on behalf of the committee.

The amendment was agreed to.

Mr. HARRISON. Mr. President, I offer an amendment which is suggested by the Social Security Board to place the Federal share of administrative costs on the same basis as administrative costs for grants-in-aid to States for such costs in other allotments made by the Board.

The PRESIDENT pro tempore. The amendment offered by the Senator from Mississippi on behalf of the committee will be stated.

The CHIEF CLERK. In lieu of clause (2) of sections 3 (a) and 1003 (a), it is proposed to insert the following:

and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Board for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

Mr. HARRISON. Mr. President, at present the Federal Government participates in State old-age assistance and blind-assistance administrative costs by adding 5 percent to the amount of the Federal share of the benefit payment.

In the case of dependent children there is a different rule. The Federal Government under the law pays the same proportion of administrative costs as of benefit payments. This has been found more equitable and satisfactory; and this proposal is that instead of 5 percent of the total grant, the State will get half the administrative expense as found necessary by the Board in the case of old-age assistance and blind assistance.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Mississippi on behalf of the committee.

The amendment was agreed to.

Mr. REYNOLDS. Mr. President, I send to the desk an amendment, which I offer and ask to have read.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. On page 116, line 4, it is proposed to insert a new section, as follows:

SEC. 904. Beginning with January 1, 1941, no provisions of the Social Security Act shall be operative or effective for foreign-born aliens who have not taken out their full American citizenship papers by that date or who do not become American citizens within 6 years after their entrance into this country: *Provided, however,* That all aliens not qualified for social-security benefits shall have

refunded to them the full amount of any contribution they may have made to the social-security fund before they became disqualified from participation in the benefits of this act through failure to comply with the citizenship requirements of the act: *Provided further*, That in the case of alien employers or American employers using alien laborers a tax equivalent to that collected from like American citizens shall be levied and collected as a "special privilege tax" for operating as aliens in this country in direct competition with American citizens.

Mr. REYNOLDS. Mr. President, I may state by way of explanation that the amendment which I have offered merely prohibits noncitizens—that is to say, aliens in this country—from participating in the benefits of the proposed act. I think the time has arrived when we should pay more attention to our own people and quit worrying about the citizens of other countries of the world. I do not see why American taxpayers should support citizens of other countries. I am merely asking that noncitizens of the United States not be supported by citizens of the United States. I ask for the yeas and nays.

Mr. WALSH. Mr. President, if this amendment is to be contested we should have time to study it and consider it. I do not know whether or not I am in sympathy with it. My first impulse is to be for it, but it is far reaching and important, and I think we ought to adjourn and give consideration and attention to the amendment tomorrow. I personally do not feel like going on record without an opportunity to study it, though I am sympathetic with the Senator's idea.

Let me ask the chairman of the committee whether he intends to accept the amendment and have it go to conference.

Mr. HARRISON. Mr. President, I do not say that I approve the amendment, as I have not had time to study all its implications. I am informed by the Social Security Board that it would create administrative difficulties. If I should accept it, it will merely be to place the whole problem in conference.

Mr. WALSH. Then let us adjourn and have a chance to study it before we vote on an amendment of this importance and consequence.

Mr. HARRISON. I have suggested another amendment to the Senator from North Carolina, and if he will offer that, we will let the matter go to conference. It is an amendment which deals with the question of payments being made outside of the United States. I do not necessarily give my approval to either this amendment or to the amendment offered by the Senator from North Carolina, but am submitting additional language only because I feel that if there are any limitations to be placed on the payments, the matter should be considered from more than one angle.

Mr. WALSH. I took the Senator's amendment to be broader than that.

Mr. HARRISON. My amendment is based on administrative problems.

Mr. WALSH. I understood the amendment to forbid any alien any of the benefits of the social security provisions unless he has taken out his first papers, and within 6 years takes out his final papers. That is the gist of the amendment, as I caught it from a hurried reading.

The point I make is that I do not know how many people it would affect; I do not know what distress it might cause; I do not know how far reaching it would be, and I think we ought to have time, and not be obliged, at 6 o'clock, to go on record on a measure of this importance. I say that I do not know what my own convictions about it would be.

Mr. HARRISON. Mr. President, I have an amendment which I desire to offer as an addition to the amendment offered by the Senator from North Carolina, and I suggest that we let the whole matter go to conference.

Mr. WALSH. If there is not to be a roll call, I do not make any suggestion as to adjourning, but if there is to be a roll call on the amendment, I think the Senate should adjourn until tomorrow.

Mr. HARRISON. I think my proposal is agreeable to the Senator from North Carolina. I hope the Senator from North Carolina will modify his amendment to the extent suggested.

Mr. REYNOLDS. Mr. President, in order that there may be no misunderstanding about this matter insofar as the record vote is concerned, because it is an important amendment, it is my understanding that the Senator from Mississippi has accepted my amendment, and it is my further understanding that his amendment likewise has been accepted, and that they will both be considered in conference.

Mr. HARRISON. That is correct.

Mr. REYNOLDS. I want to keep the record clear to that extent.

The PRESIDENT pro tempore. The clerk will state the amendment offered by the Senator from Mississippi by way of modification of the amendment of the Senator from North Carolina.

The CHIEF CLERK. At the end of the amendment offered by the Senator from North Carolina it is proposed to insert:

(b) No payment of any benefit provided in section 202 of this title shall be payable to an individual while such individual is not a resident of the United States or its possessions unless such individual resides within 50 miles of the United States.

Mr. REYNOLDS. One question there, if the Senator from Mississippi will yield for a moment. What is the meaning of the words "resides within 50 miles of the United States"?

Mr. HARRISON. Mr. President, we have a special situation with certain nearby countries, especially those which are contiguous to us, such as Mexico and Canada. We do not want to change our friendly relations with those countries, and I am sure the Senator would not. The proposed arrangement will put the whole matter into conference, and we can consider it carefully.

Mr. TAFT. Am I to understand that an alien who has actually paid the tax on his salary is to be barred from getting back any of the money he has already paid in?

Mr. REYNOLDS. As a matter of fact, my amendment provides that anything he might have paid in shall be returned to him.

Mr. TAFT. As I heard the amendment of the Senator from Mississippi read, there was no such condition in it.

Mr. HARRISON. The suggested amendment I offered is merely to place the matter of payment outside the United States, as well as the question of payments to aliens, in conference. The question would frequently be raised in connection with survivor benefits.

Mr. TAFT. Although the deceased may have paid in his money for years, his beneficiaries could have no advantage of it merely because they do not live here. Is that the position of the Senator?

Mr. HARRISON. If they live in this country they get the money; whether we should risk policing payments in foreign countries, where our penalty provisions for fraud would be ineffective, where we will have to expend large sums for effectively safeguarding the funds, is a matter for study.

Mr. TAFT. It seems to me a very unreasonable provision.

Mr. REYNOLDS. It is my understanding that the Senator from Mississippi has in mind certain international treaties we have with other countries of the world. In that connection I might at this time bring to the attention of the Senator from New York, if he will pardon me, the fact that many of the countries with which we have some sort of treaty will not permit any money to be sent out of their borders. I think that if both of the amendments are to be considered, those countries which are not permitting money to leave their borders to come to the United States—except reciprocal payments, which have been referred to today—should not be considered in this.

Mr. ADAMS. Mr. President, I wish to make an inquiry. Does the Senator say to us that we have treaty arrangements

with other nations which compel us to make payments to our citizens who are abroad?

Mr. HARRISON. We have not been able to go carefully into this matter of the amendment offered by the Senator from North Carolina with the officials of the State Department. There exist certain arrangements, I understand, under which, when people die in certain foreign countries, settlement of estates may result to the benefit of citizens of this country if there are heirs here. The matter is one which manifestly requires careful consideration.

Mr. ADAMS. We are talking about future payments.

Mr. HARRISON. We do not want to violate any existing arrangements with foreign countries. The Finance Committee has not been able to go into this matter thoroughly, nor has the committee given any careful study to it.

Mr. ADAMS. The President pro tempore of the Senate, now presiding, who knows all about treaties with foreign countries, could, from the chair, inform us as to these arrangements with foreign nations.

The PRESIDENT pro tempore. Does the Senator from North Carolina accept the amendment of the Senator from Mississippi as a part of his amendment?

Mr. REYNOLDS. I will accept it, but I can enlighten the Senator from Colorado about one thing, that is, that more money from the United States of America goes into other nations of the world than comes from other countries to this Nation. We are sending out hundreds of thousands of dollars yearly from the United States by way of veterans' pensions to citizens who are now residing in other nations of the world, some of whom, as a matter of fact, have become affiliated in sympathy with other countries, according to the understanding I have.

Mr. SCHWELLENBACH. My understanding of the second part of the amendment of the Senator from North Carolina is that under it the employers of the 3,700,000 aliens in this country, or the percentage of them who might be employed, would have to pay the tax, despite the fact that the workers would not get the benefit of the money which was paid, unless the aliens should be naturalized, and this is either a method of tax against the employers which never goes on to the employees, or it would force naturalization of 3,700,000 aliens.

Mr. REYNOLDS. In reference to that, it would be in the form of a special privilege tax. Why should foreigners in this country be provided benefits by our Government and given work here when we have 12,000,000 people out of employment? I am thinking about the unfortunate unemployed American citizens in this country. There are between eleven and twelve million of them at this hour, men and women, looking for jobs, who have been looking for jobs for years, and cannot find them. Insofar as the junior Senator from North Carolina is concerned, I shall do my best to protect American jobs for American citizens. Then after we have provided those 11,000,000 or 12,000,000 men and women with jobs, and after we have provided with whole-time jobs the 26,000,000 men and women who are now working on part time, and after we have found jobs for the 3,000,000 men and women on the W. P. A. rolls, and after we have reduced the employees on the Government rolls who are now 4,000,000 in number, and after we have found jobs for 300,000 American boys in our C. C. C. camps, and after we have found jobs for the 700,000 young boys and girls who graduated from the high schools and colleges last month—after we have done all we can for the American citizen I am talking about here today, I want to help people in Europe and every other continent. But I do not want to help them until after I have done my part toward helping American citizens.

My amendment simply provides that aliens in our country shall not be permitted to participate in the benefits received by citizens of this country.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. REYNOLDS. I yield.

Mr. SCHWELLENBACH. I asked the Senator a question which I think could be answered "yes" or "no." We all enjoyed the speech; but would the Senator kindly answer the question whether or not the amendment, if adopted, would have the effect I suggested?

Mr. REYNOLDS. That would be the effect. In the case of alien employers or American employers using alien laborers, a tax equivalent to that collected from like American citizens shall be levied and collected as a special-privilege tax. In other words, my answer is that I am for the American citizens first, and then for the "furriner" second.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from North Carolina [Mr. REYNOLDS] as modified.

The amendment as modified was agreed to.

Mr. WALSH. Mr. President, I ask to have printed in the RECORD at this point a letter from the Acting Secretary of the Treasury to the chairman of the Committee on Finance of the United States Senate.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The letter is as follows:

JULY 13, 1939.

HON. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter dated June 23, 1939, transmitting a copy of S. 2680 (76th Cong., 1st sess.), entitled "A bill to provide for the clarification of certain provisions of the Social Security Act and of the Internal Revenue Code with respect to trustees of Massachusetts trusts and other fiduciaries, and for other purposes." A statement of this Department's views on this proposed legislation is requested.

S. 2680, if enacted, would amend section 1101 (a) (6) of the Social Security Act and section 1426 (c) of subchapter A and section 1607 (h) of subchapter C of chapter 9 of the Internal Revenue Code to provide that a trustee holding either alone or with no more than four other persons the legal title to trust property is not an employee of the trust, whether or not the trust is an association taxable as a corporation. The amendment of the Social Security Act would apply only with respect to the years 1936, 1937, and 1938. The amendments of the Internal Revenue Code would apply on and after January 1, 1939.

With respect to the status of trusts and trustees for the purposes of titles VIII and IX of the Social Security Act and subchapters A and C of chapter 9 of the Internal Revenue Code, it is the position of the Department that a trust estate, rather than the trustees thereof, should generally be treated as the employer of employees performing services on behalf of such estate. In determining whether trustees should be considered as employees of the trust estate, it has been concluded (1) that trustees of an ordinary trust, that is, one created by will or by declaration of the trustees or of the grantor, the trustees of which take title to the property for the purpose of protecting or conserving it as customarily required under the ordinary rules applied in chancery and probate courts, are not employees of the trust estate, and (2) that trustees of a "business" trust, that is, one created or availed of primarily for the conduct of a business venture, are employees of the trust estate.

The distinction between ordinary trusts and business trusts, for tax purposes generally, has long been recognized. A business trust, as distinguished from an ordinary trust of the traditional type, is one used as a medium whereby an income-producing or profit-seeking activity may be carried on through a substitute for an organization such as a corporation, thus obtaining the advantages of that form of organization without its disadvantages. The trustees of a business trust perform for the trust estate services similar to those performed for a corporation by the officers thereof. The term "corporation" is defined by the applicable provisions of law to include "associations, joint-stock companies, and insurance companies." The term "associations" as used in the definition has been held to include business trusts. Therefore, in view of the provisions of section 1101 (a) (6) of the Social Security Act and sections 1426 (c) and 1607 (h) of the Internal Revenue Code, which provide that the term "employee" includes an officer of a corporation, a trustee of a business trust is considered an employee of the trust estate.

The enactment of S. 2680 would exempt from the taxes imposed under titles VIII and IX of the Social Security Act and the corresponding provisions of the Internal Revenue Code the remuneration of trustees of business trusts. It would also exclude such trustees from the individuals who must be counted in order to determine whether the trust was or is an "employer" for the purposes of title IX of the Social Security Act, and subchapter C of chapter 9 of the Internal Revenue Code.

Whether legislation should be enacted to relieve business trusts and their trustees of the burden of the taxes imposed under the Social Security Act and subchapters A and C of chapter 9 of the Internal Revenue Code with respect to the remuneration of the trustees without granting similar relief to corporations or other business organizations and their officers with respect to the remuneration of the officers is, of course, a matter of policy for the determination of the Congress. It is pointed out, however, that exemption provisions complicate the administration of a tax law,

and the Department, for administrative reasons, would prefer that exemptions from social-security taxes be kept as few in number and as simple as other considerations may permit. The Department is also opposed, for administrative reasons, to the provisions of the bill making applicable retroactively the exceptions therein contained. Furthermore, since the bill provides that the amendment to the Social Security Act shall apply only with respect to the years 1936, 1937, and 1938, the remuneration of trustees with respect to 1939 and subsequent years will be included for purposes of the benefits provided by title II of the Social Security Act; but, by virtue of the proposed amendment of subchapter A of chapter 9 of the Internal Revenue Code, would not be subject to the taxes imposed with respect to such years by such subchapter. For fiscal reasons the Department is opposed to the enactment of any legislation which would operate to exempt a particular class of individuals from the taxes imposed by subchapter A of chapter 9 of the Internal Revenue Code if such individuals remain eligible for benefits under title II of the Social Security Act.

For the foregoing reasons the Department is not in favor of the enactment of S. 2680.

In view of the urgency of this matter advice has not been secured from the Bureau of the Budget as to its relationship to the program of the President.

In the event that further correspondence relative to this matter is necessary, please refer to IR:A & C:RR.

Very truly yours,

HERBERT E. GASTON,
Acting Secretary of the Treasury.

The PRESIDENT pro tempore. The bill is still before the Senate and open to further amendment.

If there be no further amendments, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDENT pro tempore. The question is, Shall the bill pass?

Mr. LODGE. I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. LODGE. I suggest the absence of a quorum.

Mr. HARRISON. Mr. President, what was the request of the Senator from Massachusetts?

The PRESIDENT pro tempore. The Senator from Massachusetts asked for the yeas and nays, but there was not a sufficient number.

Mr. HARRISON. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. LODGE. I withdraw my suggestion of the absence of a quorum.

The PRESIDENT pro tempore. The question is, Shall the bill pass? The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HALE (when his name was called). I have a pair with the junior Senator from South Carolina [Mr. BYRNES]. Being unable to secure a transfer of my pair, I must withhold my vote. If at liberty to vote, I should vote "nay"; and, if at liberty to vote, the Senator from South Carolina would vote "yea."

Mr. HARRISON (when his name was called). I have a general pair with the Senator from Oregon [Mr. MCNARY]. I understand he would vote as I intend to vote. Therefore I am at liberty to vote, and vote "yea."

Mr. BARKLEY (when Mr. LOGAN'S name was called). My colleague [Mr. LOGAN] is unavoidably absent. If present, he would vote "yea."

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I transfer that pair to the senior Senator from California [Mr. JOHNSON] and will vote. I vote "yea." If present, the Senator from California would vote "yea."

The roll call was concluded.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from South Carolina [Mr. BYRNES], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Florida [Mr. PEPPER], and the Senator from Maryland [Mr. TYDINGS] are absent on important public business. I am advised that if present and voting, these Senators would vote "yea."

The Senators from Tennessee [Mr. MCKELLAR and Mr. STEWART], the Senator from Texas [Mr. CONNALLY], the Senator from Nebraska [Mr. BURKE], the Senator from Missouri [Mr. TRUMAN], and the Senator from Arkansas [Mr. MILLER] are members of the committee to attend the funeral of the late Representative MCREYNOLDS, and are, therefore, necessarily absent. I am advised that if present and voting, they would vote "yea."

The Senator from Michigan [Mr. BROWN], the Senator from Idaho [Mr. CLARK], the Senator from Missouri [Mr. CLARK], the Senator from Ohio [Mr. DONAHEY], the Senator from California [Mr. DOWNEY], the Senator from Virginia [Mr. GLASS], and the Senator from Nevada [Mr. MCCARRAN] are detained on important public business.

The Senator from New Jersey [Mr. SMATHERS] is absent because of illness in his family.

The Senator from Utah [Mr. KING] is absent on official business. He has a general pair with the Senator from New Jersey [Mr. SMATHERS].

Mr. AUSTIN. I announce that the Senator from Oregon [Mr. MCNARY], the Senator from Michigan [Mr. VANDENBERG], the Senator from California [Mr. JOHNSON], and the Senator from Pennsylvania [Mr. DAVIS] are all necessarily absent. If present, they would all vote "yea."

I announce the following pairs on this question:

The Senator from Oregon [Mr. HOLMAN] with the Senator from Tennessee [Mr. STEWART].

If present, the Senator from Oregon would vote "nay" and the Senator from Tennessee would vote "yea."

I also announce the general pair of the Senator from Deleware [Mr. TOWNSEND] with the Senator from Tennessee [Mr. MCKELLAR].

The result was announced—yeas 57, nays 8, as follows:

YEAS—57

Adams	Gibson	Lucas	Schwartz
Ashurst	Gillette	Lundeen	Schwellenbach
Austin	Green	Maloney	Sheppard
Barbour	Guffey	Mead	Shipstead
Barkley	Harrison	Minton	Slattery
Bilbo	Hatch	Murray	Thomas, Okla.
Bone	Hayden	Neely	Thomas, Utah
Bulow	Herring	Norris	Van Nuys
Byrd	Hill	O'Mahoney	Wagner
Capper	Holt	Overton	Walsh
Chavez	Hughes	Pittman	Wheeler
Danaher	Johnson, Colo.	Radcliffe	Wiley
Ellender	La Follette	Reed	
George	Lee	Reynolds	
Gerry	Lodge	Russell	

NAYS—8

Andrews	Frazier	Smith	Tobey
Bridges	Gurney	Taft	White

NOT VOTING—31

Bailey	Clark, Mo.	Johnson, Calif.	Pepper
Bankhead	Connally	King	Smathers
Borah	Davis	Logan	Stewart
Brown	Donahey	McCarran	Townsend
Burke	Downey	McKellar	Truman
Byrnes	Glass	McNary	Tydings
Caraway	Hale	Miller	Vandenberg
Clark, Idaho	Holman	Nye	

So the bill H. R. 6635 was passed.

Mr. HARRISON. Mr. President, I ask unanimous consent that the clerks may be directed to renumber the sections.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. HARRISON. I now move that the Senate insist upon its amendments, ask for a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. HARRISON, Mr. KING, Mr. GEORGE, Mr. LA FOLLETTE, and Mr. CAPPER conferees on the part of the Senate.

76TH CONGRESS
1ST SESSION

H. R. 6635

IN THE SENATE OF THE UNITED STATES

JULY 13 (legislative day, JULY 10), 1939

Ordered to be printed with the amendments of the Senate numbered

AN ACT

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Social Security Act Amendments of 1939".

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 (1) *and, effective January 1, 1941, such financial participation shall amount to not less than $10 each month with respect to each needy individual receiving old-age assistance for the month*; (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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (~~(2) other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (8) effective July 1, 1941, provide safeguards which re-

strict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of old-age assistance."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"PAYMENT TO STATES

(3)~~"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.~~

"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 January 1, 1940,

(1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any such individual for any month as exceeds $40—

"(A) Two-thirds of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $15 multiplied by the total number of such individuals who received old-age assistance for such month, plus

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

and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Board for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance or both, and for no other purpose: Provided, however, That in the case of any State which shall reduce the amount paid in such State in 1939 to such needy individuals for old-age assistance, the amount to be paid by the Secre-

tary of the Treasury to such State shall be (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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 (4)~~one-half~~ *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 Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND (5) ~~SURVIVOR~~ *SURVIVORS* INSURANCE BENEFITS

"FEDERAL OLD-AGE AND (6)~~SURVIVOR~~ *SURVIVORS* INSURANCE TRUST FUND

"SEC. 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 (7)~~Survivor~~ *Survivors* Insurance Trust Fund' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and (8)~~Survivor~~ *Survivors* Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such invest

ments 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund)

may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund. ~~(9) (f) The Managing Trustee is directed to pay each month from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during the month by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. Such payments shall be covered into the Treasury as miscellaneous receipts. If it subsequently appears that the estimates in any particular month were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future monthly payments.~~

"(f) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during a three month period by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the

Federal Insurance Contributions Act. 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 the Federal Insurance Contributions Act. Such repayments shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates in any particular three month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND (10)~~SURVIVOR~~ *SURVIVORS* INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such

individual at the time of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried,

(B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not

remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in which she becomes so entitled to such current insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such

widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this

subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such indi-

vidual died, be entitled to a benefit for such month under subsection (11)~~(b),~~ (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or (12)*to the* parents of the (13)~~deceased and to any other person or persons who are entitled under such law to share as distributees with the parents of the deceased, in such proportions as is provided by such law~~ *deceased, in equal shares.* A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons

described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the (14)~~benefit or~~ total of benefits under section 202 payable for a month with respect to an individual's wages, (15)*is more than $20 and* exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such (16)~~benefit or~~ total of benefits shall, prior to any deduc-

tions under subsections (d), (e), or (h), be reduced to such least amount (17)*or to $20, whichever is greater.*

"(b) Whenever the benefit or total of benefits under section 202 (18)~~(or as reduced under subsection (a))~~, payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit (19), *except the primary benefit,* shall be proportionately decreased or increased, as the case may be.

"(d) Deductions (20), *in such amounts and at such time or times as the Board shall determine,* shall be made from any payment (21)*or payments* under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, (22)*not an apprentice serving without remuneration,* failed to attend school regularly and the Board finds that attendance was feasible (23)*or, if serv-*

ing as an apprentice without remuneration, failed to so serve regularly and the Board finds that such service was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual (24)~~whose benefits are~~ *in receipt of benefits* subject to deduction under subsection (d) or (e) (25)*(or who is in receipt of such benefits on behalf of another individual)*, because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof,

who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 adjust-

ment 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board

has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such

wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such individual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing

with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board

made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided,* That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing

claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board 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 Board 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, 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 the Federal Insurance

Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year (26)*prior to 1940,* is paid to such individual by such employer with respect to employment during such calendar year;

(27)"*(2) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar*

year after 1939, is paid to such individual with respect to employment during such calendar year;

"(28) ~~(2)~~ *(3)* The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance (29) *or annuities*, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability (30), *or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer*;

"(31)~~(3)~~ *(4)* The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(32)~~(4)~~ *(5)* Dismissal payments which the employer is not legally required to make; or

"(33)~~(5)~~ *(6)* Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to (34)~~such date~~ *January 1, 1940* (except service performed by an individual after he attained the age of sixty-five (35)*if performed prior to January 1, 1939*), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and

in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumen-

tality 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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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 (36)*exempt from income tax under section 101 (1) of the Internal Revenue Code;*

"(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 per centum 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 (37)*their* designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are (38)*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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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 (39)~~law.~~ *law;* (40)"*(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a*

vessel other than a sail vessel of less than four hundred tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

(41)*"(15) 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.*

"(c) 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 (42)~~for an employer~~ in a pay period (43)*by an*

employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds (44)~~$50, and~~ *$50 and does not exceed $250, and*

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual. (45)*Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.*

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the (46)~~year~~ *quarter* in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by (47)~~twelve~~ *three* times the number of (48)~~years~~ *quarters* elapsing after 1936 and before such (49)~~year~~ *quarter* in which he died or became so entitled, excluding any (50)~~year~~ *quarter* prior to the (51)~~year~~ *quarter* in which he attained the age of twenty-two during which he was paid less than (52)~~$200~~ *$50* of wages (53)~~; but in no case shall such total wages be divided by a number less than thirty six~~ *and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939.*

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

(54)~~"(1) (A) he attained age sixty five prior to 1940, and~~

~~"(B) he has not less than two years of coverage, and~~

~~"(C) the total amount of wages paid to him was not less than $600; or~~

~~"(2) (A) within the period of 1940 1945, inclusive, he attained the age of sixty five or died before attaining such age, and~~

"(B) he had not less than one year of coverage for each two of the years specified in clause (C), plus an additional year of coverage, and

"(C) the total amount of wages paid to him was not less than an amount equal to $200 multiplied by the number of years elapsing after 1936 and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred; or

"(3) (A) the total amount of wages paid to him was not less than $2,000, and

"(B) he had not less than one year of coverage for each two of the years elapsing after 1936, or after the year in which he attained the age of twenty-one, whichever year is later, and up to and including the year in which he attained the age of sixty-five or died, whichever first occurred, plus an additional year of coverage, and in no case had less than five years of coverage; or

"(4) he had at least fifteen years of coverage.

"As used in this subsection, the term 'year' means calendar year, and the term 'year of coverage' means a calendar year in which the individual has been paid not less than $200 in wages. When the number of years specified in clause (2) (C) or clause (3) (B) is an odd number, for purposes of clause (2) (B) or (3) (B), respectively, such number shall be reduced by one.

"(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

"(2) He had at least forty quarters of coverage.

"As used in this subsection, and in subsection (h) of this section, the term 'quarter' and the term 'calendar quarter' mean a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term 'quarter of coverage' means a calendar quarter in which the individual has been paid not less than $50 in wages. When the number of quarters specified in paragraph (1) of this subsection is an odd number, for purposes of such paragraph such number shall be reduced by one. In any case where an individual has been paid in a calendar year $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 dies or becomes entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who (55)*either (1) is the mother of such individual's son or daughter, or (2)* was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who (56)*either (1) is the mother of such individual's son or daughter, or (2)* was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died.

"(l) The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in (57)~~connection with~~ cultivating the soil, or in (58)~~connection with~~ raising or harvesting any agricultural or horticultural commodity, including the raising, (59)*shearing,* feeding, (60)*caring for, training,* and management of livestock, bees, poultry, and fur-bearing animals (61)*and other wildlife.*

"(2) In the employ of the owner or tenant (62)*or other operator* of a farm, in connection with the operation, management, (63)*conservation, improvement,* or maintenance of such farm (64)*and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton (65), *or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used ex-*

clusively for supplying and storing water for farming purposes.

"(4) In handling, (66)*planting,* drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

"(m) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Board shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in

which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which

has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration ((67) ~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after July 1, 1941, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be reasonably

calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to

time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(5) provide such

methods of administration ((68)~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

((69)~~SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".~~

~~(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:~~

SEC. 402. Effective January 1, 1940—

(a) Subsection (a) of section 403 of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing January 1, 1940, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total of the sums expended during such quarter under such plan, not counting so much of such sums expended as aid to dependent children for any month as exceeds $18 multiplied by the total number of dependent children receiving aid to dependent children for such month."

(b) Paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(c) Paragraph (2) of subsection (b) of such section is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school (70)*or serving as an apprentice without remuneration,* who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO (71)~~TITLE V~~ *TITLES V AND VI* OF THE SOCIAL SECURITY ACT

(72)*SEC. 501. Section 501 of such Act is amended by striking out "$3,800,000" and inserting in lieu thereof "$5,820,000".*

(73)*SEC. 502. (a) Subsection (a) of section 502 of such Act is amended by striking out "$1,800,000" and inserting in lieu thereof "$2,800,000".*

(b) Subsection (b) of such section 502 is amended by striking out "$980,000" and inserting in lieu thereof "$1,980,000".

SEC. (74)~~501~~ *503.* Clause (3) of section 503 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (**(75)**~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are necessary for the proper and efficient operation of the plan."

(76)*SEC. 504. Section 511 of such Act is amended by striking out "$2,850,000" and inserting in lieu thereof "$3,870,000".*

(77)*SEC. 505. (a) Subsection (a) of section 512 of such Act is amended by striking out the words "the remainder" and inserting in lieu thereof "$1,830,000"*

(b) Such section is further amended by inserting after subsection (a) the following new subsection:

"(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States $1,000,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, 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."

(c) Subsection (b) of such section 512 is amended by striking out the letter "(b)" at the beginning thereof and inserting in lieu thereof the letter "(c)".

SEC. (78)~~502~~ *506.* Clause (3) of section 513 (a) of such Act is amended to read as follows: "(3) provide such methods of administration (as (79)~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are necessary for the proper and efficient operation of the plan."

(80)*SEC. 507. (a) Subsection (a) of section 514 of such Act is amended by striking out "section 512" and inserting in lieu thereof "section 512 (a)".*

(b) Such section 514 is further amended by inserting at the end thereof the following new subsection:

"(c) The Secretary of Labor 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 Division of Disbursement 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 Labor."

(c) Section 521 (a) of such Act is amended by striking out "$1,500,000" and inserting in lieu thereof "$1,510,000".

~~(81) SEC. 503. Section 531 (a) of such Act is amended by striking out "$1,938,000" and inserting in lieu thereof "$2,938,000".~~

(82) *SEC. 508. (a) Section 531 (a) of such Act is amended by—*

(1) Striking out "$1,938,000" and inserting in lieu thereof "$4,000,000".

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000".

(3) Inserting after the word "Hawaii" the following: "and Puerto Rico, respectively,".

(4) Inserting before the period at the end thereof a colon and the following: "Provided, That the amount of such

sums apportioned to any State for any fiscal year shall be not less than $30,000".

(b) Section 531 (b) of such Act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000".

(83) *SEC. 509. Section 601 of such Act is hereby amended to read as follows:*

"SEC. 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1940, the sum of $12,000,000 to be used as hereinafter provided."

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

SEC. 602. (84)*(a)* Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

(85)*(b) Such section 1401 is further amended by adding at the end thereof the following new subsection:*

"(d) SPECIAL REFUND.—If by reason of an employee rendering service for more than one employer during any calendar year after the calendar year 1939, the wages of

the employee with respect to employment during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400, deducted from such wages and paid to the collector, which exceeds the tax with respect to the first $3,000 of such wages paid. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (1) the employee makes a claim, establishing his right thereto, after the calendar year in which the employment was performed with respect to which refund of tax is claimed, and (2) such claim is made within two years after the calendar year in which the wages are paid with respect to which refund of tax is claimed. No interest shall be allowed or paid with respect to any such refund."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two,

three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance (86)*or annuities,* or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability (87)*, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such*

death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is

entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (88)~~(i)~~ *(h)* of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the taxes imposed by section 1410 by virtue of any other provision of law;

"(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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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 (89)*exempt from income tax under section 101 (1);*

"(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 per centum 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 (90)*their* designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are (91)*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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

"(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 (92)~~law.~~ *law;* (93)*"(14) Service performed by an individual 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, or as officer or member of the crew of any sail vessel, or a*

vessel other than a sail vessel of less than four hundred tons (determined in the manner provided for determining the register tonnage under the laws of the United States), while such vessel is engaged in any such activity (including preparation for, and unloading after, any such activity); or

(94)*"(15) 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.*

"(c) INCLUDED AND EXCLUDED SERVICE.—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 (95)~~for an employer~~ in a pay period (96)*by an employee for the person*

employing him, where any of such service is excepted by paragraph (9) of subsection (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation. ~~(97) It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (1) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (2) such services are not in the course of such individual's principal trade, business, or occupation.~~

~~(98) "(e) EMPLOYER. The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee.~~

"~~(99)~~ ~~(f)~~ *(e)* STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"~~(100)~~ ~~(g)~~ *(f)* PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(101) ~~(h)~~ *(g)* AMERICAN VESSEL.—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.

"(102) ~~(i)~~ *(h)* AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services performed—

"(1) On a farm, in the employ of any person, in (103) ~~connection with~~ cultivating the soil, or in (104) ~~connection with~~ raising or harvesting any agricultural or horticultural commodity, including the raising, (105) *shearing,* feeding, (106) *caring for, training,* and management of livestock, bees, poultry, and fur-bearing animals (107) *and other wildlife.*

"(2) In the employ of the owner or tenant (108) *or other operator* of a farm, in connection with the operation, management, (109) *conservation, improvement,* or maintenance of such farm (110) *and its tools and equipment or in salvaging timber or clearing land of brush and other debris left by a hurricane,* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton (111), *or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.*

"(4) In handling, (112)*planting*, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calendar year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody

or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the

case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law (113) *to the highest rate applied thereunder in the taxable year to any person having individuals in his employ, or* to a rate of 2.7 per centum (114), *whichever rate is lower.*

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

(115)~~"(1) The total annual contributions will yield not less than an amount substantially equivalent to 2.7 per centum of the total annual pay roll with respect to which contributions are required under such law, and~~

"(116)~~(2)~~ *(1)* No reduced rate of contributions to a pooled fund or to a partially pooled account is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the (117)~~three~~ *two* consecutive years immediately preceding the computation date (118), *throughout which compensation has been payable under such law*; or (119)~~or~~

"(120)~~(3)~~ *(2)* No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation

date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date; (121) ~~or~~

"(122) ~~(4)~~ *(3)* Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(123) ~~(5)~~ *(4)* Effective January 1, 1942, paragraph (124) ~~(4)~~ *(3)* of this subsection is amended to read as follows:

" '(125) ~~(4)~~ *(3)* No reduced rate of contributions to a reserve account is permitted to a person (or group

of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

(126) "(b) OTHER STATE STANDARDS.—Notwithstanding the provisions of subsection (a) (1) of this section a taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law if the Board finds that under such law—

"(1) the amount in the unemployment fund as of the computation date equals not less than one and one-half times the highest amount paid into such fund with respect to any one of the preceding ten calendar years or one and one-half times the highest amount of compensa-

tion paid out of such fund within any one of the preceding ten calendar years, whichever is the greater; and

"(2) compensation will be paid to any otherwise eligible individual in accordance with general standards and requirements not less favorable to such individual than the following or substantially equivalent standards:

"(A) the individual will be entitled to receive, within a compensation period prescribed by State law of not more than fifty-two consecutive weeks, a total amount of compensation equal to not less than sixteen times his weekly rate of compensation for a week of total unemployment or one-third the individual's total earnings (with respect to which contributions were required under such State law) during a base period prescribed by State law of not less than fifty-two consecutive weeks, whichever is less,

"(B) no such individual will be required to have been totally unemployed for longer than two calendar weeks or two periods of seven consecutive days each, as a condition to receiving, during the compensation period prescribed by State law, the total amount of compensation provided in subparagraph (A) of this subsection,

"(C) the weekly rates of compensation payable for total unemployment in such State will be related

~~to the full-time weekly earnings (with respect to which contributions were required under such State law) of such individual during a period prescribed by State law or will be determined on the basis of such fractional part of an individual's total earnings (with respect to which contributions were required under such State law) during that calendar quarter within such period in which such earnings were highest, as will produce a reasonable approximation of such full-time weekly earnings, and will not be less than (i) $5 per week if such full-time weekly earnings were $10 or less, (ii) 50 per centum of such full-time weekly earnings if they were more than $10 but not more than $30, and (iii) $15 per week if such full-time weekly earnings were more than $30, and~~

~~"(D) compensation will be paid under such State law to any such individual whose earnings in any week equal less than such individual's weekly rate of compensation for total unemployment, in an amount at least equal to the difference between such individual's actual earnings with respect to such week and his weekly rate of compensation for total unemployment; and~~

~~"(3) Any variations in reduced rates of contributions, as between different persons having individuals in their employ, are permitted only in accordance with the provisions of paragraph (2), (3), or (4) of subsection (a) of this section.~~

"(127)~~(c)~~ *(b)* CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) (128)~~or (b)~~ of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) (129)~~or (b)~~ of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury

only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) (130) ~~or (b)~~ of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (131) ~~(d)~~ *(c)* of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) (132) ~~or (b)~~ of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (133) ~~(d)~~ *(c)* of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) (134) ~~or (b)~~ of this section. After making such findings, the Board shall

not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) ~~(135) or (b)~~ of this section of the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"~~(136) (d)~~ *(c)* DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and

undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week

guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means

the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, (137) ~~1939~~ *1940*, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, (138) ~~1939~~ *1940*.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed."

(139) ~~(b) The provisions of paragraph (1) of section 1602 (a) of the Internal Revenue Code, as amended, shall be applicable to paragraph (2) of such section only after December 31, 1941, and shall in no event be applicable to paragraph (4) of such section in force prior to January 1, 1942.~~

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the

tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the (140)~~taxes imposed by sections 1410 and~~ *tax imposed by section* 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted

in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The

Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were (141) ~~in his employ~~

employed by him in employment for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance (142)*or annuities, or into a fund, to pro-*
for insurance (142)*or annuities*, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability (143), *or (D) death, provided the employee (i) has not the option to receive, in-*

stead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

"(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 1600;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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 (144) *exempt from income tax under section 101 (1)*;

"(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 per centum 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 (145)*their* designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are (146)*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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

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

~~(147)~~ ~~or~~

"(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 exemption is claimed, grants an equivalent exemption with respect to similar service performed in the for-

eign 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 (148)~~law.~~ *law;*

(149)*"(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; or*

(150)*"(15) 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.*

"(d) INCLUDED AND EXCLUDED SERVICE.—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 (151)~~for an employer~~ in a pay period (152)*by an employee for the person employing him*, where any of such service is excepted by paragraph (9) of subsection (c).

"(e) STATE AGENCY.—The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a

part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in (153)~~connection with~~ cultivating the soil, or in (154)~~connection with~~ raising or harvesting any agricultural or horticultural commodity, including the raising, (155)*shearing,* feeding, (156)*caring for, training,* and management of livestock, bees, poultry, and fur-bearing animals (157)*and other wildlife.*

"(2) In the employ of the owner or tenant (158)*or other operator* of a farm, in connection with the operation, management, (159)*conservation, improvement,* or maintenance of such farm (160)*and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane,* if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton (161), *or in connection with the operation or maintenance of ditches,*

canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) In handling, (162)*planting,* drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(5) provide such methods of administration ((163) ~~other than those relating to selection, tenure of office, and compensation of personnel~~ *including, after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis*) as are found by the Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter,

beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40 ~~(164), and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose~~ *and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Board for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.*

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board for such prior quarter: *Provided,* That any part of the amount recov-

ered 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, (165)~~1940—~~

~~(a)~~ ~~clause~~ *1940, paragraph* (1) of section 1101 (a) of such Act is amended to read as follows: "(1) the term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act ((166~~including~~ *except* section 531) includes Puerto Rico."

(167) (b) section 1101 (a) is further amended by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) The term 'employee' includes an officer of a corporation. It also includes any individual who, for remuneration (by way of commission or otherwise) under an agreement or agreements contemplating a series of similar transactions, secures applications or orders or otherwise personally performs services as a salesman for a person in furtherance of such person's trade or business (but who is not an employee of such person under the law of master and servant); unless (A) such services are performed as a part of such individual's business as a broker or factor and, in furtherance of such business as broker or factor, similar services are performed for other persons and one or more employees of such broker or factor perform a substantial part of such services, or (B) such services are not in the course of such individual's principal trade, business, or occupation.

"(7) The term 'employer' includes any person for whom an individual performs any service of whatever nature as his employee."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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 (168)~~both."~~ *both.*

(169)*"PROVISIONS RELATING TO INDIANS*

"SEC. 1108. (a) Notwithstanding any other provisions of law, the Social Security Board shall not disapprove any State plan under title I, IV, or X of this Act because such plan does not apply to or include Indians.

"(b) For the purposes of this Act the term 'Indian' shall include all persons of Indian blood who are members of a tribe, pueblo, band, community, or other group now or hereafter recognized by the Congress or the Secretary of the Interior and who reside on a reservation or on other lands set aside or established for Indian use and occupancy: Provided, That the term 'Indian' shall also include all Indian and

Eskimo natives of Alaska who are of one-half or more Indian or Eskimo blood. The records of the Department of the Interior and of the Indian Service shall be prima facie evidence of the facts shown thereon as to tribal membership, age, sex, and degree of Indian blood."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. ~~(170) No~~ *Except as provided in section 906, no* provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other

fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social

Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940,

which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so

returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

(171) *(i) No part of the tax imposed by the Federal Unemployment Tax Act or by title IX of the Social Security Act, whether or not the taxpayer is entitled to a credit against such tax, shall be deemed to be a penalty or forfeiture within the meaning of section 57j of the Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended.*

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

(172) *SEC. 904. Effective January 1, 1940, section 1428 of the Internal Revenue Code is amended by striking out "paragraphs (9) and (10)" and inserting in lieu thereof "paragraph (9)".*

(173) *SEC. 905. (a) No service performed at any time during the calendar year 1939 by any individual shall, by reason of the individual having attained the age of sixty-five, be excepted from employment as defined in section 1426 (b) of subchapter A of chapter 9 of the Internal Revenue Code,*

Paragraph (4) of such section (which excepts such service from employment) is repealed as of the effective date thereof, and paragraph (4) of section 811 (b) of the Social Security Act is repealed as of January 1, 1939. The tax on employees imposed by section 1400 of such subchapter and the tax on employers imposed by section 1410 of such subchapter, and the provisions of law applicable to such taxes, shall apply with respect to remuneration paid after December 31, 1938, for service which, by reason of the enactment of this section, constitutes employment as so defined.

(b) Notwithstanding any other provision of law, no employer shall be liable for the tax on any employee, imposed by section 1400 of such subchapter (unless the employer collects such tax from the employee), with respect to service performed before the date of enactment of this Act which constitutes employment by reason of the enactment of this section, except to the extent that the employer has under his control at any time on or after the ninetieth day after such date amounts of remuneration earned at any time by the employee.

(174) *SEC. 906. If the Social Security Board finds with respect to any State that the first regular session of such State's legislature which began after June 25, 1938, and adjourned prior to thirty days after the enactment of this Act (1) had not made provision to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such*

session or July 1, 1939, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "preliminary amount", or to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such session or January 1, 1940, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "liquidating amount", or both; and (2) had not made provision for financing the administration of its unemployment-compensation law during the period with respect to which grants therefor under section 302 of the Social Security Act are required under section 13 of the Railroad Unemployment Insurance Act to be withheld by the Social Security Board, notwithstanding the provisions of section 13 (d) of the Railroad Unemployment Insurance Act the Social Security Board shall not begin to withhold from certification to the Secretary of the Treasury for payment to such State the amounts determined by it pursuant to section 302 of the Social Security Act and to certify to the Secretary of the Treasury for payment into the railroad unemployment-insurance account the amount so withheld from such State, as provided in section 13 of the Railroad Unemployment

Insurance Act, until after the thirtieth day after the close of such State's first regular or special session of its legislature which begins after the date of enactment of this Act and after the Social Security Board finds that such State had not, by the thirtieth day after the close of such legislative session, authorized and directed the Secretary of the Treasury to transfer from such State's account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund such State's "preliminary amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security Board, and such State's "liquidating amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security Board. Notwithstanding the provisions of section 13 (e) of the Railroad Unemployment Insurance Act, any withdrawal by such State from its account in the Unemployment Trust Fund for purposes other than the payment of compensation of the whole or any part of amounts so withheld from certification with respect to such State pursuant to this Act shall be deemed to constitute a breach of the conditions set forth in sections 303 (a) (5) of the Social Security Act and 1603 (a) (4) of the Internal Revenue Code. The terms "preliminary amount" and "liquidating amount", as

used herein, shall have the meanings defined in section 13 of the Railroad Unemployment Insurance Act.

(175) *SEC. 907. In addition to any other deductions made under section 203 of the Social Security Act, as amended, deductions shall be made from any primary insurance benefit or benefits to which an individual is entitled or from any other insurance benefit payable with respect to such individual's wages, until such deductions total 1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code have not been deducted by his employer from his wages or paid by such employer.*

(176) *SEC. 908. (a) There is hereby authorized to be established by the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, in cooperation with the Social Security Board, an Advisory Council on Unemployment Insurance, representing employers, employees, and the general public, to study and report to said committee on the following matters concerning unemployment insurance:*

1. Scope and coverage.

2. Amount, character, duration, and qualification for benefits.

3. Advisability and nature of individual employer and State unemployment experience ratings for tax purposes.

4. Size, character, adequacy, and disposition of reserves.

5. Source, character, and method of financing.

6. Coordination of unemployment insurance with relief, work relief, and other programs for alleviating economic distress among the unemployed.

7. Pertinent experience in the operation and administration of existing unemployment-insurance laws.

8. Any other matters which either of the above-mentioned committees or the Social Security Board may deem relevant to the inquiry.

(b) The Social Security Board shall furnish all necessary technical assistance in connection with such study.

(177) *SEC. 909. (a) There is hereby authorized to be established by the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, in cooperation with the Social Security Board, an Advisory Council on Disability Insurance, representing employers, employees, and the general public, to study and report to said committees on the establishment of disability insurance under the Social Security Act as amended, with particular reference to the following:*

1. Relationship of disability insurance to other forms of social insurance.

2. Scope and coverage.

3. Amount, character, duration, and qualification for benefits.

4. Source, character, and method of financing.

5. Pertinent experience in the operation and administration of existing disability insurance systems, public and private.

6. Coordination of disability insurance with relief and other programs for alleviating economic distress among the disabled.

7. Rehabilitation services.

8. Any other matters which either of the above-mentioned committees or the Social Security Board may deem relevant to the inquiry.

(b) The Social Security Board shall furnish all necessary technical assistance in connection with such study.

(178) SEC. *910. All functions of the Social Security Board shall be administered by the Social Security Board under the direction and supervision of the Federal Security Administrator.*

(179) SEC. *911. Subsection (h) of section 5 of the Home Owners' Loan Act of 1933, as amended, is amended by inserting after the words "United States", where they first*

appear in such subsection, the following: (except the taxes imposed by sections 1410 and 1600 of the Internal Revenue Code with respect to wages paid after December 31, 1939, for employment after such date)".

(180) *SEC. 912. (a) The provisions of section 213 (f) of the Revenue Act of 1939 shall apply without regard to the exception therein provided, if (1) the taxpayer in the determination referred to in such exception is a corporation, (2) such determination is by a decision of the Board of Tax Appeals or of a court, (3) under the law applicable to the taxable year in which the exchange occurred, the basis of the property, acquired upon the exchange from the taxpayer by the party assuming a liability of the taxpayer or acquiring the property subject to a liability, is the cost to such party of the property acquired upon the exchange, and (4) the taxpayer in pursuance of the plan of reorganization effected a complete liquidation immediately subsequent to the exchange.*

(b) No overpayment determined to have been made for any taxable year by reason of the provisions of paragraph (a) of this section shall be refunded or credited unless a claim for refund is filed within the period of limitations otherwise provided by law for filing a claim for refund for such taxable year, or within one year from the date of enactment

of the Revenue Act of 1939, whichever of such periods expires the later.

(181) *SEC. 913. Subsection (d) of section 602 of the Revenue Act of 1936, as amended, (relating to floor stocks adjustment) is amended by striking out "January 1, 1937", and inserting in lieu thereof "January 1, 1940".*

(182) *SEC. 914. (a) Beginning with January 1, 1941, no provisions of the Social Security Act shall be operative or effective for foreign-born aliens who have not taken out their full American citizenship papers by that date or who do not become American citizens within six years after their entrance into this country: Provided, however, That all aliens not qualified for social-security benefits shall have refunded to them the full amount of any contribution they may have made to the social-security fund before they became disqualified from participation in the benefits of this Act through failure to comply with the citizenship requirements of the Act: Provided further, That in the case of alien employers or American employers using alien laborers a tax equivalent to that collected from like American citizens shall be levied and collected as a "special privilege tax" for operating as aliens in this country in direct competition with American citizens.*

(b) No payment of any benefit provided in section 202 of this title shall be payable to an individual while such indi-

vidual is not a resident of the United States or its possessions unless such individual resides within fifty miles of the United States.

Passed the House of Representatives June 10, 1939.

Attest: SOUTH TRIMBLE,

Clerk.

Passed the Senate with amendments July 13 (legislative day, July 10), 1939.

Attest: EDWIN A. HALSEY,

Secretary.

76TH CONGRESS
1ST SESSION

H. R. 6635

AN ACT

To amend the Social Security Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 13 (legislative day, JULY 10), 1939

Ordered to be printed with the amendments of the Senate numbered

MESSAGE FROM THE SENATE

H. R. 6635. An act to amend the Social Security Act, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HARRISON, Mr. KING, Mr. GEORGE, Mr. LA FOLLETTE, and Mr. CAPPER to be the conferees on the part of the Senate.

AMENDMENTS TO SOCIAL SECURITY ACT

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 6635) to amend the Social Security Act and for other purposes, with Senate amendments, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none and appoints the following conferees: Mr. DOUGHTON, Mr. CULLEN, Mr. MCCORMACK, Mr. COOPER, Mr. TREADWAY, Mr. CROWTHER, and Mr. KNUTSON.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DOUGHTON, Mr. CULLEN, Mr. MCCORMACK, Mr. COOPER, Mr. TREADWAY, Mr. CROWTHER, and Mr. KNUTSON were appointed managers on the part of the House at the conference.

AMENDMENT OF SOCIAL SECURITY ACT—ADDITIONAL CONFEREES

During the delivery of Mr. WHITE'S address:

Mr. HARRISON. Mr. President, will the Senator yield for an interruption?

Mr. WHITE. I yield, if it will not take much time.

Mr. HARRISON. It will take but 2 minutes.

Mr. WHITE. Very well, I yield.

Mr. HARRISON. Mr. President, in view of the fact that the House today appointed seven conferees on the part of the House on House bill 6635, it is felt that two additional Members of the Senate should be added to the list of the Senate conferees. I request that two additional conferees be named on the part of the Senate.

Mr. LODGE. Mr. President, may I inquire what the motion is?

Mr. HARRISON. The House has appointed seven conferees on the social-security measure. The Senate appointed five conferees last night after the bill was passed. I merely ask that two additional members of the Committee on Finance be named as conferees on the part of the Senate on the social-security measure, as their names appear in order on the list of members of the committee.

Mr. LODGE. Mr. President, may I ask the Senator whether the ranking minority member of the committee has been consulted in respect to this matter?

Mr. HARRISON. I may say that the suggestion came to me from the House. The conferees were appointed according to the quota of membership on the committee as between the Republicans and the Democrats. With the two additional Members to be appointed there will be five Democrats and two Republicans.

Mr. BARKLEY. Mr. President, I understood that my name was one of the two added.

The PRESIDING OFFICER. That is correct.

Mr. BARKLEY. I appreciate that action, and in order of rank I suppose I would be eligible for appointment; but in view of the numerous duties I have to perform, which make it difficult for me to attend all the conference meetings, I ask to be excused from appointment as one of the Senate conferees, and suggest that the next ranking Member be appointed in my place.

The PRESIDING OFFICER. Without objection, the Chair will name as conferee the Senator from Texas [Mr. CONNALLY] in place of the Senator from Kentucky [Mr. BARKLEY].

Mr. McNARY. Mr. President, may we have the names of the conferees read?

The PRESIDING OFFICER. The clerk will read the names of the two additional conferees on the part of the Senate.

The Chief Clerk read the names of Mr. WALSH and Mr. CONNALLY.

Mr. McNARY. Five conferees were appointed last evening. Who are they?

Mr. HARRISON. Senators were appointed conferees in order of seniority on the committee. The Senator from Utah [Mr. KING], myself, the Senator from Georgia [Mr. GEORGE], the Senator from Wisconsin [Mr. LA FOLLETTE], and the Senator from Kansas [Mr. CAPPER]. We have learned since that action was taken—that the House has named seven conferees—and it was suggested at the other end of the Capitol that two more Senators should be added as members of the conference committee on the part of the Senate. They have been named as their names appear in order on the list of members of the committee.

The PRESIDING OFFICER. The Chair appoints the Senator from Massachusetts [Mr. WALSH] and the Senator from Texas [Mr. CONNALLY] as additional conferees on the part of the Senate.

FURTHER MESSAGE FROM THE SENATE

The message also announced that the Senate had ordered Mr. WALSH and Mr. CONNALLY be appointed additional conferees on the part of the Senate to the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) entitled "An act to amend the Social Security Act, and for other purposes."

76TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 1461

SOCIAL SECURITY ACT AMENDMENTS OF 1939

AUGUST 4, 1939.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 6635]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 3, 4, 22, 23, 57, 58, 69, 70, 103, 104, 117, 118, 153, 154, 166, 168, 169, 176, 177, and 182.

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 59, 60, 62, 63, 64, 65, 66, 71, 72, 73, 74, 76, 77, 78, 80, 81, 84, 85, 86, 87, 88, 89, 90, 91, 92, 94, 95, 96, 97, 98, 99, 100, 101, 102, 105, 106, 108, 109, 110, 111, 112, 113, 114, 115, 116, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 155, 156, 158, 159, 160, 161, 162, 165, 167, 170, 171, 172, 173, 174, 175, 178, 179, and 181; and agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 40:

That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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

And the Senate agree to the same.

Amendment numbered 61:

That the House recede from its disagreement to the amendment of the Senate numbered 61, and agreed to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *and wildlife*; and the Senate agree to the same.

Amendment numbered 67:

That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 68:

That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 75:

That the House recede from its disagreement to the amendment of the Senate numbered 75, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 79:

That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 82:

That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 508. (a) Section 531 (a) of such Act is amended by—

(1) Striking out "$1,938,000" and inserting in lieu thereof "$3,500,000".

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000".

(3) Inserting before the period at the end thereof a colon and the following: "Provided, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $20,000".

(b) Section 531 (b) of such Act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000"

And the Senate agree to the same.

Amendment numbered 83:

That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment as follows:

On page 17, line 1, of the Senate engrossed amendments, strike out "$12,000,000" and insert *$11,000,000*; and the Senate agree to the same.

Amendment numbered 93:

That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life

(including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States); or

And the Senate agree to the same.

Amendment numbered 107:

That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *and wildlife*; and the Senate agree to the same.

Amendment numbered 157:

That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *and wildlife*; and the Senate agree to the same.

Amendment numbered 163:

That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods*; and the Senate agree to the same.

Amendment numbered 164:

That the House recede from its disagreement to the amendment of the Senate numbered 164, and agree to the same with amendments as follows:

On page 26, line 12, of the Senate engrossed amendments, strike out "old-age assistance" and insert *aid to the blind*; on page 96, line 3, of the House engrossed bill, strike out "clause (1) of"; in line 7, strike out "clause" and insert *subsection*; in line 21, strike out "clause (1) of"; and on page 97, lines 18 and 19, strike out ", increased by 5 per centum"; and the Senate agree to the same.

Amendment No. 180:

That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment, as follows:

In addition to the matter proposed to be inserted by the Senate amendment, on page 36, line 2, of the Senate engrossed amendments insert the following new sentence:

No interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section.

And the Senate agree to the same.

R. L. DOUGHTON,
THOS. H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
THOMAS A. JENKINS,
Managers on the part of the House.

WILLIAM H. KING,
WALTER F. GEORGE,
DAVID I. WALSH,
ROBERT M. LA FOLLETTE, JR.,
ARTHUR CAPPER,
Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This amendment provides that on and after January 1, 1941, a State plan for old-age assistance in order to be approved by the Social Security Board must provide for financial participation by the State in an amount not less than $10 each month with respect to each needy individual receiving old-age assistance for the month. There was no comparable provision in the House bill. The Senate recedes.

Amendment No. 2: The House bill stated that the State plan for old-age assistance in order to be approved by the Board must provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan. The Senate amendment struck out the parenthetical clause and inserted a new parenthetical clause which states that after January 1, 1940, such methods of administration shall include methods relating to the establishment and maintenance of personnel standards on a merit basis. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 3: The House bill provided, as in existing law, that the Federal Government would match on a 50–50 basis the amounts expended by the State as old-age assistance and increased the amount up to which the Federal Government will contribute one-half from $30 to $40. The Senate amendment retains the $40 maximum of the House bill, and provides that the Federal Government will contribute two-thirds of the expenditures for old-age assistance under the plan up to a State-wide average of $15 per month for the needy individuals receiving such assistance, plus one-half of the excess over such amount up to the $40 maximum. This amendment also changed the amount to be contributed by the Federal Government for administrative expenses from 5 percent of the Federal contribution to an amount equal to one-half of the total of the sums expended during any quarter as are found necessary by the Board for the proper and efficient administration of the State plan. It also states that in the case of any State which shall reduce the amount paid in such State in 1939 to its needy individuals for old-age assistance, such State shall not receive such increased amount but shall

receive from the Federal Government only one-half of the sums expended up to $40. The Senate recedes.

Amendment No. 4: This is a technical amendment made necessary by amendment No. 3 changing the matching provisions from a 50–50 basis. The Senate recedes.

Amendments Nos. 5, 6, 7, 8, and 10: These amendments make clerical changes; and the House recedes.

Amendment No. 9: The House bill provided that the administrative expenses of the Social Security Board and the Treasury Department for the administration of title II and title VIII of the Social Security Act, and the Federal Insurance Contributions Act, should be estimated monthly by the chairman of the Board and the managing trustee of the Federal old-age and survivors trust fund. The managing trustee was directed to pay each month from the trust fund into the Treasury as miscellaneous receipts the amount so estimated. The Senate amendment provides that such amount shall be estimated quarterly and that such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of such titles II and VIII and such Federal Insurance Contributions Act. The amendment also provides that such repayments shall not be available for expenditure but shall be carried to the surplus fund of the Treasury. If the payments made by the trust fund to the Treasury for such cost of administration were covered into the Treasury as provided in the House bill, the receipts and expenditures would be overstated in the account of the Treasury by the amounts so deposited. Collections, when originally received, are classified in the Treasury accounts as "social security taxes," and subsequently, under the House bill, a portion would be deposited as "miscellaneous receipts," thus overstating actual receipts. Also, when funds are expended from appropriations for such administration, such items would be shown as expenditures under "Social Security Board" and "departmental," and the reimbursements for such expenses from the trust fund would also be shown as expenditures, unless such items are deposited as repayments instead of miscellaneous receipts. The Senate amendment cures this administrative problem. The House recedes.

Amendment No. 11: The House bill provided for a small lump-sum death payment upon the death of a fully or currently insured individual, leaving no surviving widow, child, or parent, who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of section 202. The Senate amendment struck out the reference to subsection (b) since this subsection deals with a wife's insurance benefit, which would not be applicable after the death of the primary individual. The House recedes.

Amendments Nos. 12 and 13: The House bill provided for the distribution of such lump-sum death payments and included in such distribution persons who may be entitled under the law of the State to share as distributees with the parents of the deceased. These Senate amendments eliminate this provision of the House bill, and also provide that when more than one parent is entitled to a payment, each of them would share equally. The House recedes.

Amendments No. 14, 15, 16, 17, and 18: The House bill provided that any benefits payable on the basis of an individual's wages shall be reduced, so that the maximum for any benefit (if only one benefit for a month is payable with respect to the wages of an individual) or for the total of all benefits (if more than one benefit is payable for a month with respect to the wages of an individual) shall not exceed (1) $85, or (2) two times the primary insurance benefit of such individual, or (3) 80 percent of the average monthly wage of such individual, whichever is least. This takes the place of the provision now in the Social Security Act limiting the monthly rate of benefits to $85. The Senate amendments change this provision of the House bill so that the reduction in the amount of a benefit will be required only where the total of benefits payable with respect to an individual's wages is more than $20, and provide that the total of benefits shall in such cases be reduced to (*a*) the least of the amounts referred to under (1), (2), and (3) above, or (*b*) $20, whichever is greater. They also strike out reference to reduction of a single benefit as superfluous. The House recedes.

Amendment No. 19: The House bill provided that whenever a reduction or increase was required under subsection (*a*) or (*b*) of section 203 and more than one benefit was payable for the month with respect to the wages of an individual, each of the benefits should be proportionately increased or decreased, as the case might be. The Senate amendment excepts the primary insurance benefit from any reduction under section 203 (a) or (c). The House recedes.

Amendments Nos. 20 and 21: These amendments are clarifying amendments providing that the deductions to be made from any payment or payments under title II shall be made in such amounts and at such time or times as the Board shall determine. The House recedes.

Amendments Nos. 22 and 23: The House bill provided that deductions would be made from a child's insurance benefit if such child was under 18 and over 16 years of age and he failed to attend school regularly. These Senate amendments were intended to make it clear that children serving as apprentices without pay shall be considered as attending school and are placed in the same category as children attending school. Since the Social Security Board has ample authority to care for this situation by regulation, it is not necessary to incorporate these provisions into the law. The Senate recedes.

Amendments Nos. 24 and 25: The House bill provided a penalty for failure to report the occurrence of an event specified in the bill which would cause a deduction in benefits. These Senate amendments require that such report be made by any individual who is in receipt of benefits subject to deduction, or is in receipt of such benefits on behalf of another individual. The House recedes.

Amendments Nos. 26 and 27: Under the House bill as under existing law, employees who worked for more than one employer in a year and who have a total salary from such employers of more than $3,000 are taxable upon the first $3,000 of such salaries from each employer. These Senate amendments provide that no more than $3,000 total remuneration for any calendar year after 1939 is counted for benefit purposes. (See amendment No. 85 for special tax refund on such salaries in excess of $3,000.) The House recedes.

Amendments Nos. 28, 31, 32, and 33: These are clerical amendments changing paragraph numbers. The House recedes.

Amendments Nos. 29 and 30: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. These slight changes from existing law are effective as to wages from employment after 1939. The House recedes.

Amendment No. 34: This amendment makes a clarifying change. The House recedes.

Amendment No. 35: Under present law services performed by an individual after he attains age 65 are not counted for benefits under title II nor are they taxed under the Federal Insurance Contributions Act. The House bill provided that such services performed after 1939 would be counted as employment and taxed the wages for such services after such year. The Senate amendment provides that such services performed after 1938 by such an individual shall be counted as employment. (Amendment No. 173 taxes such wages and amendment No. 175 deducts from any benefit under title II an amount equal to 1 percent of any wages paid to any such individual for services performed in 1939 if taxes on such wages were not paid.) The House recedes.

Amendment No. 36: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

Amendments Nos. 37 and 38. These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

Amendment No. 39: This amendment makes a clerical change. The House recedes.

Amendment No. 40: This amendment would exclude fishermen from coverage. It would also exclude officers and members of crews (even though not fishermen) of any vessel less than 400 tons, or of any sail vessel regardless of tonnage if the vessel is engaged in the specified fishing activities. There was no comparable provision in the House bill. The House recedes with an amendment which exempts from coverage 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).

Amendment No. 41: This amendment excludes service performed by an individual under the age of 18 in making street sales of news-

papers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 42 and 43: These amendments make a clarifying change. The House recedes.

Amendment No. 44. This amendment places a top limit of $250 on the average monthly wage upon which computation of the primary insurance benefit may be based. It will be impossible to exceed this average from employment after 1939 due to Senate amendment No. 27; nevertheless, in an occasional case a person earning large amounts with several employers, prior to 1940 and retiring in the near future, might otherwise receive unjustifiably large benefits. There was no comparable provision in the House bill. The House recedes.

Amendment No. 45: This amendment provides that the minimum primary insurance benefit shall be $10. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 46, 47, 48, 49, 50, 51, and 52: The House bill set up an "average monthly wage" formula in terms of years. These Senate amendments set up such formula in terms of quarters. The House recedes.

Amendment No. 53: This amendment is complementary to amendment No. 35 and excludes from the divisor in determining the average monthly wage of an individual any quarter, after the quarter in which he attained age 65, occurring prior to 1939. The House recedes.

Amendment No. 54: This amendment is complementary to amendments Nos. 46 to 52. The House bill defined the term "fully insured individual" in terms of years and years of coverage. The House bill provided that in any case where an individual had at least 15 years of coverage he would always be a fully insured individual. The Senate amendment defined such term in quarters and quarters of coverage. It also provides that where an individual had at least 40 quarters of coverage (10 years) he would always be a fully insured individual. The House recedes.

Amendments Nos. 55 and 56: The House bill defined the term "wife" to mean a wife of an individual who was married to him prior to January 1, 1939, or, if later, prior to the date upon which he attained the age of 60; and defined the term "widow" (except when used in sec. 202 (g)) to mean the surviving dependent wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died. These Senate amendments eliminate the requirement as to the date of marriage in any case where the wife is the mother of a son or daughter of the insured individual. The House recedes.

Amendments Nos. 57 and 58: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with". The conference action restores such words; and the Senate recedes.

Amendments Nos. 59, 60, 62, 63, and 66: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

Amendment No. 61: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to furbearing animals. The House recedes with a clarifying amendment.

Amendment No. 64: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

Amendment No. 65: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

Amendment No. 67: This amendment is similar to amendment No. 2. The House bill stated that the Board should make no certification for payment to any State under title III of the Social Security Act unless it found that the law of such State approved by the Board included provision for such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due. The Senate amendment struck out the parenthetical clause and inserted a new parenthetical clause which provides that after July 1, 1941, such methods of administration shall include methods relating to the establishment and maintenance of personnel standards on a merit basis. The House recedes with an amendment which retains the Senate amendment but changes the date therein from July 1, 1941, to January 1, 1940, and provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 68: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2 and 67. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 69: The House bill increased from one-third to one-half the Federal share of the sums expended in a State for aid to dependent children. The House bill retained the provisions of existing law with respect to the amounts above which the Federal Government would not contribute, namely, $18 a month for the first dependent child and $12 a month with respect to each of the other

dependent children. The Senate amendment retained the increase of the share of the Federal contribution from one-third to one-half and changed the existing law by eliminating the present maxima and providing that the Federal share would be based on an average of $18 multiplied by the total number of dependent children receiving aid for the month. The Senate recedes.

Amendment No. 70: The House bill amended the definition of the term "dependent child" to include children between the ages of 16 and 18 if found by the State agency to be regularly attending school. Present law includes only children under the age of 16. The Senate amendment includes nonremunerated apprentices in the same class as children regularly attending school with respect to the liberalization of the age limitation. The Senate recedes.

Amendment No. 71: This amendment makes a clerical change. The House recedes.

Amendment No. 72: This amendment increases the authorization of appropriations for grants to States for maternal and child health services for each fiscal year from $3,800,000 to $5,820,000. There was no comparable provision in the House bill. The House recedes.

Amendment No. 73: This amendment increases the amount authorized to be allotted to the various States in the proportion that live births bear to the total number of live births in the United States, from $1,800,000 to $2,800,000. The amendment also increases the amount authorized to be allotted according to the financial need of each State for assistance in carrying out its State plan from $980,000 to $1,980,000. The House recedes.

Amendment No. 74: This amendment makes a clerical change; and the House recedes.

Amendment No. 75: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, and 68. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 76: This amendment increases the authorization of appropriations for grants to States for services to crippled children for each fiscal year from $2,850,000 to $3,870,000. There was no comparable provision in the House bill. The House recedes.

Amendment No. 77: This amendment amends section 512 of the Social Security Act by designating the existing law as subsection (a) and inserting therein the amount ($1,830,000) to be allotted thereunder in addition to the flat allotments of $20,000 for each State (including Puerto Rico). The additional amount is allotted to the States on the basis of the need of each State taking into consideration the number of crippled children in each State in need of services for crippled children and the cost of furnishing such services. These sums are to be allotted on a matching basis. The additional appropriation of $1,000,000 is to be allotted under a new subsection (b) according to the financial need of each State for assistance in carrying out its State plan. The States are not required to match allotments from this latter appropriation. The House recedes.

Amendment No. 78: This amendment makes a clerical change; and the House recedes.

Amendment No. 79: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, 68, and 75. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 80: This amendment makes a clarifying change in section 514 (a) of the Social Security Act. It also adds a new subsection (c) to such section 514 to provide the method of paying the additional amount to be allotted under amendment No. 77. The amendment also increases the authorization for child welfare services from $1,500,000 to $1,510,000 so that Puerto Rico may share equally with the States. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 81 and 82: The House bill increased the authorization for vocational rehabilitation from $1,938,000 to $2,938,000. The Senate amendment strikes out this provision in the House bill and inserted a provision increasing such authorization to $4,000,000. The amendment also provides that the minimum allotment for any State shall be $30,000 instead of $10,000 as provided in existing law, and provides an annual flat allotment to Hawaii and Puerto Rico of $15,000. The amendment also increases the authorization of appropriations for administrative expenses for vocational rehabilitation from $102,000 to $150,000. The House recedes with an amendment which increases the authorization for vocational rehabilitation to $3,500,000 instead of $4,000,000; places Puerto Rico in the same status as a State (see also amendment No. 166); and increases the minimum allotment for any State from $10,000 to $20,000 instead of $30,000.

Amendment No. 83: This amendment increases the authorization of appropriations for each fiscal year for grants to States and other political subdivisions for public-health work from $8,000,000 to $12,000,000. There was no comparable provision in the House bill. The House recedes with an amendment increasing such authorization to $11,000,000 instead of $12,000,000.

Amendment No. 84: This amendment makes a clerical change; and the House recedes.

Amendment No. 85: Under existing law, remuneration received by an employee with respect to employment during any calendar year is taxable up to and including $3,000 received by the employee from each employer he may have during the year. Hence, an employee who has more than one employer may be required to pay the old-age insurance employees' tax on aggregate wages in excess of $3,000. The Senate amendment permits the employee to obtain a refund, without interest, of the tax paid on the aggregate in excess of $3,000 earned after December 31, 1939, provided a timely claim is filed. This amendment is complementary to amendment No. 27. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 86 and 87: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. The House recedes.

Amendment No. 88: This amendment makes a clerical change; and the House recedes.

Amendment No. 89: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

Amendments Nos. 90 and 91: These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

Amendment No. 92: This amendment makes a clerical change; and the House recedes.

Amendment No. 93: This amendment would exclude fishermen from coverage. It would also exclude officers and members of crews (even though not fishermen) of any vessel less than 400 tons, or of any sail vessel regardless of tonnage if the vessel is engaged in the specified fishing activities. There was no comparable provision in the House bill. The House recedes with an amendment which exempts from coverage 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).

Amendment No. 94: This amendment excludes service performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 95 and 96: These amendments make a clarifying change; and the House recedes.

Amendments Nos. 97 and 98: The House bill extended coverage to certain salesmen who are not employees. The Senate amendment strikes out this extension of coverage and also strikes out the new definition of employer as such definition was rendered unnecessary if the extension of coverage to such salesmen is not retained in the bill. It is believed inexpedient to change the existing law which limits coverage to employees. The House recedes.

Amendments Nos. 99, 100, 101, and 102: These amendments make clerical changes; and the House recedes.

Amendments Nos. 103 and 104: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with". The conference action restores such words; and the Senate recedes.

Amendments Nos. 105, 106, 108, 109, and 112: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

Amendment No. 107: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to fur-bearing animals. The House recedes with a clarifying amendment.

Amendment No. 110: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

Amendment No. 111: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

Amendments Nos. 113 and 114: Under the House bill, the additional credit allowance was based upon the amount, if any, by which contributions required to be paid by a taxpayer with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 percent. These Senate amendments were made necessary by reason of amendment No. 126 which eliminates the new section 1602 (b) of the Code contained in the House bill. These amendments base the additional credit allowance on the difference between the amount of contributions the taxpayer was required to pay under the State law and the amount he would have paid if throughout the taxable year he had been subject to the highest rate applied under the State law in the taxable year to any employer, or to a rate of 2.7 percent, whichever rate is lower. The House recedes.

Amendment No. 115: The House bill amended section 1602 (a) of the Internal Revenue Code by adding a new standard with respect to allowance of additional credit, which required that, irrespective of the type of fund maintained under the State law, such law must contain provisions whereby variations in rates of contributions as between different employers will be so computed as to yield, with respect to each year, a total amount of contributions substantially equivalent to 2.7 percent of the total of pay rolls of employers subject to the contribution requirements of the State law. The Senate amendment deletes this new standard. The House recedes.

Amendments Nos. 116, 119, 120, 121, 122, 123, 124, and 125: These amendments make clerical changes; and the House recedes.

Amendments Nos. 117 and 118: Under the House bill, States which have pooled fund unemployment compensation laws would have been

allowed to vary rates of contributions and allow reduced rates of contributions on the basis of 3 years of experience by an employer with respect to unemployment or other factors bearing a direct relation to unemployment risk. The Senate amendments change the 3 years to 2 years and further provide that such reduction under pooled fund laws will be allowed only after compensation has been payable under the State law with respect to such employer for the 2 consecutive years immediately preceding the computation date. The Senate recedes.

Amendment No. 126: The House bill added a new subsection (b) to section 1602 of the Internal Revenue Code. Under this subsection a State would have been permitted to adopt either of two alternative courses of action if its law met the standards set forth in paragraphs (1) and (2) of the new subsection: (1) It might reduce all employers' rates uniformly; or (2) it might vary individual employers' rates of contributions under experience rating provisions which complied with the applicable standards in paragraph (2), (3), or (4) of subsection (a) of such section 1602, but without so calculating the respective rates as to secure an annual yield of an amount substantially equivalent to 2.7 percent of the State pay roll. The Senate amendment deletes this new subsection. The House recedes.

Amendments Nos. 127, 128, 129, 130, 131, 132, 133, 134, 135, and 136: These amendments make clerical changes; and the House recedes.

Amendments Nos. 137 and 138: Under the House bill the term balance was defined to make clear that the amount of the reserve required to be accumulated by employers with respect to whom a reserve account or a guaranteed employment account is maintained, is to be made up of payments by such employers and may not be made up of employee contributions or funds from other sources. The exception contained in this definition, which permits the inclusion within a "balance" of payments other than payments by employers if made to a reserve account or guaranteed employment account prior to January 2, 1939, is designed to relieve the States of complicated computations where payments, other than payments by employers, had been paid to such accounts during the early months of the State's experience. These Senate amendments advance the date 1 year beyond that prescribed in the House bill. The House recedes.

Admendment No. 139: Subsection (b) of section 610 of the House bill, which is deleted by this amendment, has been rendered unnecessary because of Senate amendment No. 115 which deleted from the House bill the average 2.7 percent contribution rate requirement. The House recedes.

Amendment No. 140: The House bill conferred on State legislatures the authority to require instrumentalities of the United States, except those wholly owned by the United States or exempt from the taxes imposed by section 1410 or 1600 of the Internal Revenue Code, to comply with State unemployment compensation laws. The Senate amendment strikes out the reference to the old-age tax imposed by section 1410 since only the unemployment tax imposed by section 1600 is involved. The House recedes.

Amendment No. 141: This is a clarifying amendment to make clear that in determining whether a person employs 8 or more employees, only those employees employed in employment (as defined

in sec. 1607 (c) of the Internal Revenue Code) are to be counted. The House recedes.

Amendments Nos. 142 and 143: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. The House recedes.

Amendment No. 144: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

Amendments Nos. 145 and 146: These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

Amendments Nos. 147 and 148: These amendments make clerical changes; and the House recedes.

Amendment No. 149: This amendment eliminates from the Federal Unemployment Tax Act insurance agents and solicitors if the remuneration for which they perform their services is on a commission basis solely. There was no comparable provision in the House bill. The House recedes.

Amendment No. 150: This amendment excludes service performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

Amendments Nos. 151 and 152: These amendments make a clarifying change; and the House recedes.

Amendments Nos. 153 and 154: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with". The conference action restores such words; and the Senate recedes.

Amendments Nos. 155, 156, 158, 159, and 162: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

Amendment No. 157: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to fur-bearing animals. The House recedes with a clarifying amendment.

Amendment No. 160: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in

salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

Amendment No. 161: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

Amendment No. 163: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, 68, 75, and 79. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

Amendment No. 164: The House bill provided as in existing law that the amount to be contributed by the Federal Government for administrative expenses for aid to the blind would be an amount equal to 5 percent of the Federal contribution to the State for aid to the blind. The Senate amendment changes this provision to one-half of the total of the sums expended during any quarter as are found necessary by the Board for the proper and efficient administration of the State plan. The House recedes with conforming amendments.

Amendment No. 165: This amendment makes a clerical change; and the House recedes.

Amendment No. 166: The House bill included Puerto Rico on the same basis as a State for the purposes of titles V and VI of the Social Security Act. The Senate amendment (which is complementary to amendment No. 82 giving Puerto Rico $15,000 annually for vocational rehabilitation) provides that Puerto Rico shall not be included as a State for purposes of vocational rehabilitation grants. The Senate recedes. The conference action on this amendment and amendment No. 82 has the effect of including Puerto Rico as a State for purposes of vocational rehabilitation grants thereby allowing it to receive the minimum allotment of $20,000 for each fiscal year and to share in the remainder of the appropriation on an equal basis with the States.

Amendment No. 167: This amendment is complementary to amendments Nos. 97 and 98. Under section 606 of the House bill certain salesmen were included as employees for purposes of the old-age insurance tax, and by section 801 were included as employees for the purpose of receiving benefits under title II. Senate amendments Nos. 97 and 98 struck out such extension of coverage for purposes of the tax and this amendment strikes out such extension for purposes of the benefits under title II. It is believed inexpedient to change the existing law which limits coverage to employees. The House recedes.

Amendment No. 168: This amendment, which is complementary to amendment No. 169, makes a clerical change; and the Senate recedes.

Amendment No. 169: This amendment prohibits the Social Security Board from disapproving any State plan under title I, IV, or X of the Social Security Act on the ground that such plan does not apply to or include certain Indians as defined. There was no comparable provision in the House bill. The Senate recedes.

Amendment No. 170: This is a technical amendment made necessary because the new section 906 (amendment No. 174) affects the Railroad Unemployment Insurance Act and is therefore in conflict with the language contained in section 901 unless this amendment is inserted. The House recedes.

Amendment No. 171: This is a technical amendment to set at rest certain conflicting district court decisions, and provides that the collection of the full 3-percent Federal tax (without allowance of the 90-percent credit) from a bankrupt estate, which failed to qualify for credit, is not prohibited by section 57j of the Bankruptcy Act, as amended, which section provides that debts owing to the United States as a penalty or forfeiture shall not be allowed. There was no comparable provision in the House bill. The House recedes.

Amendment No. 172: This amendment merely conforms the reference in section 1428 of the Internal Revenue Code to the revision of the numbers of the paragraphs in section 1426 (b) of such Code. The House recedes.

Amendment No. 173: This amendment is complementary to amendment No. 35 and imposes the old-age insurance tax on wages paid after December 31, 1938, with respect to employment after such date, to employees who have attained the age of 65. It provides that the liability of the employer for the employees' tax with respect to service performed prior to the enactment of this act is limited to the amount of remuneration of such employee in the control of the employer at any time on or after 90 days after the enactment of this act. There was no comparable provision in the House bill. The House recedes.

Amendment No. 174: This amendment extends the time within which certain States may effect the transfer of certain funds from the State's account in the unemployment trust fund to the railroad unemployment insurance account in the unemployment trust fund. This postponement will not deprive the railroad unemployment insurance account of any moneys to which it is entitled under the present provisions of the Railroad Unemployment Insurance Act. There was no comparable provision in the House bill. The House recedes.

Amendment No. 175: This amendment is complementary to amendments Nos. 35 and 173. It provides that where the employees' tax with respect to the year 1939 has not been deducted from the employee over 65 and where the employer has not paid the employee's tax for such employee's employment in 1939, deduction of an amount equal to the employee's tax, without interest, would be made from his monthly benefits or other benefits payable with respect to his wages. There was no comparable provision in the House bill. The House recedes.

Amendment No. 176: This amendment authorizes the establishment of an advisory council on unemployment insurance to study certain specified matters concerning unemployment insurance and make a report thereon. There was no comparable provision in the House bill. The Senate recedes.

Amendment No. 177: This amendment authorizes the establishment of an advisory council on disability insurance to make a study of disability insurance and report thereon. There was no comparable provision in the House bill. The Senate recedes.

Amendment No. 178: This is a clarifying amendment to make certain that the administration of the functions of the Social Security

Board, which was transferred to the Federal Security Agency under reorganization plan No. 1 transmitted to Congress on April 25, 1939, will be administered in the same manner as the other agencies transferred to the Federal Security Agency. The House recedes.

Amendment No. 179: This amendment extends coverage to individuals employed by certain Federal savings and loan associations affiliated with the Federal Home Loan Banks, who would otherwise be excluded from the old-age insurance benefits, the Federal Insurance Contributions Act, and the Federal Unemployment Tax Act, since under the Home Owners' Loan Act they are exempt from taxes imposed by the United States. There was no comparable provision in the House bill. The House recedes.

Amendment No. 180: This amendment relates to section 213 (f) of the Revenue Act of 1939, which deals with the assumption of liability in certain tax-free exchanges. There is no comparable provision in the House bill. Section 213 (f) of the Revenue Act of 1939 retroactively amended the Revenue Acts of 1924 through 1938 to provide that the assumption of a liability or the acquisition of property subject to a liability in certain tax-free exchanges should not result in gain to be taxed at the time of the exchange, except in cases where by a previous decision of a court or of the Board of Tax Appeals, or under a closing agreement, gain was recognized to the transferor of property in the tax-free exchange by reason of such an assumption or acquisition by the transferee. The Senate amendment removes from that exception a case in which gain was recognized to a corporate transferor by a court or board decision, the basis to the transferee of the property acquired by it in the exchange was fixed at cost under the applicable revenue act, and the corporate taxpayer liquidated immediately subsequent to the exchange. As the period of limitations may have expired with respect to the filing of a refund claim in such a case, the amendment provides 1 year from the date of enactment of the Revenue Act of 1939 within which to file a refund claim. The House recedes with an amendment which provides that no interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section.

Amendment No. 181: This amendment extends the time to December 31, 1939, for the filing of claims for refunds under subsection (d) of section 602 of the Revenue Act of 1936, as amended. There was no comparable provision in the House bill. The House recedes.

Amendment No. 182: This amendment provides that after 1940 the provisions of the Social Security Act shall not be applicable to foreign-born aliens. It also provides for refunds of any taxes they may have paid under such act, and that any employer using alien labor shall pay a special privilege tax equivalent to that collected from American citizens. Subsection (b) of the amendment prohibits the payment of any old-age insurance benefit to any individual while such individual is not a resident of the United States or its possessions unless such individual resides within 50 miles of the United States. There was no comparable provision in the House bill. The Senate recedes.

The managers on the part of the House desire to state that the changes made by this bill with respect to agricultural labor do not take effect until January 1, 1940, and therefore have no effect whatso-

ever on any litigation now in the courts with respect to what constitutes agricultural labor under present law.

The managers on the part of the House also desire to state that there are two very important proposals to which the conferees gave a great deal of attention. These are the so-called Connally amendment, providing for greater Federal matching in the case of old-age assistance, and the Massachusetts plan which would enable the States to make a State-wide reduction in unemployment compensation contribution rates under certain conditions. The conferees believe that a comprehensive study of the subject matter covered by these two proposals should be undertaken which will enable the Congress to deal more intelligently with the problems involved than is possible at the present time.

R. L. DOUGHTON,
THOS. H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
THOMAS A. JENKINS,
Managers on the part of the House.

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AMENDMENT TO SOCIAL SECURITY ACT

Mr. DOUGHTON. Mr. Speaker, I present a conference report and statement on the bill H. R. 6635, an act to amend the Social Security Act, and for other purposes.

The conference report and statement follow:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R.

6635) to amend the Social Security Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 3, 4, 22, 23, 57, 58, 69, 70, 103, 104, 117, 118, 153, 154, 166, 168, 169, 176, 177, and 182.

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 59, 60, 62, 63, 64, 65, 66, 71, 72, 73, 74, 76, 77, 78, 80, 81, 84, 85, 86, 87, 88, 89, 90, 91, 92, 94, 95, 96, 97, 98, 99, 100, 101, 102, 105, 106, 108, 109, 110, 111, 112, 113, 114, 115, 116, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 155, 156, 158, 159, 160, 161, 162, 165, 167, 170, 171, 172, 173, 174, 175, 178, 179, and 181; and agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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

And the Senate agree to the same.

Amendment numbered 61: That the House recede from its disagreement to the amendment of the Senate numbered 61, and agreed to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 67: That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 68: That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 75: That the House recede from its disagreement to the amendment of the Senate numbered 75, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 79: That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 82: That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 508. (a) Section 531 (a) of such Act is amended by—

"(1) Striking out '$1,938,000' and inserting in lieu thereof '$3,500,000'.

"(2) Striking out '$5,000' and inserting in lieu thereof '$15,000'.

"(3) Inserting before the period at the end thereof a colon and the following: '*Provided*, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $20,000'.

"(b) Section 531 (b) of such Act is amended by striking out '$102,000' and inserting in lieu thereof '$150,000'."

And the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment as follows: On page 17, line 1, of the Senate engrossed amendments, strike out "$12,000,000" and insert "$11,000,000"; and the Senate agree to the same.

Amendment numbered 93: That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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

And the Senate agree to the same.

Amendment numbered 107: That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 157: That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 163: That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 164: That the House recede from its disagreement to the amendment of the Senate numbered 164, and agree to the same with amendments as follows: On page 26, line 12, of the Senate engrossed amendments, strike out "old-age assistance" and insert "aid to the blind"; on page 96, line 3, of the House engrossed bill, strike out "clause (1) of"; in line 7, strike out "clause" and insert "subsection"; in line 21, strike out "clause (1) of"; and on page 97, lines 18 and 19, strike out ", increased by 5 per centum"; and the Senate agree to the same.

Amendment numbered 180: That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment, as follows: In addition to the matter proposed to be inserted by the Senate amendment, on page 36, line 2, of the Senate engrossed amendments insert the following new sentence:

"No interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section."

And the Senate agree to the same.

R. L. DOUGHTON,
THOS. H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
THOMAS A. JENKINS,
Managers on the part of the House.

WILLIAM H. KING,
WALTER F. GEORGE,
DAVID I. WALSH,
ROBERT M. LA FOLLETTE, JR.,
ARTHUR CAPPER,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act,

and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

On amendment No. 1: This amendment provides that on and after January 1, 1941, a State plan for old-age assistance in order to be approved by the Social Security Board must provide for financial participation by the State in an amount not less than $10 each month with respect to each needy individual receiving old-age assistance for the month. There was no comparable provision in the House bill. The Senate recedes.

On amendment No. 2: The House bill stated that the State plan for old-age assistance in order to be approved by the Board must provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the proper and efficient operation of the plan. The Senate amendment struck out the parenthetical clause and inserted a new parenthetical clause which states that after January 1, 1940, such methods of administration shall include methods relating to the establishment and maintenance of personnel standards on a merit basis. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 3: The House bill provided, as in existing law, that the Federal Government would match on a 50–50 basis the amounts expended by the State as old-age assistance and increased the amount up to which the Federal Government will contribute one-half from $30 to $40. The Senate amendment retains the $40 maximum of the House bill, and provides that the Federal Government will contribute two-thirds of the expenditures for old-age assistance under the plan up to a State-wide average of $15 per month for the needy individuals receiving such assistance, plus one-half of the excess over such amount up to the $40 maximum. This amendment also changed the amount to be contributed by the Federal Government for administrative expenses from 5 percent of the Federal contribution to an amount equal to one-half of the total of the sums expended during any quarter as are found necessary by the Board for the proper and efficient administration of the State plan. It also states that in the case of any State which shall reduce the amount paid in such State in 1939 to its needy individuals for old-age assistance, such State shall not receive such increased amount but shall receive from the Federal Government only one-half of the sums expended up to $40. The Senate recedes.

On amendment No. 4: This is a technical amendment made necessary by amendment No. 3 changing the matching provisions from a 50–50 basis. The Senate recedes.

On amendments Nos. 5, 6, 7, 8, and 10: These amendments make clerical changes; and the House recedes.

On amendment No. 9: The House bill provided that the administrative expenses of the Social Security Board and the Treasury Department for the administration of title II and title VIII of the Social Security Act, and the Federal Insurance Contributions Act, should be estimated monthly by the chairman of the Board and the managing trustee of the Federal old-age and survivors trust fund. The managing trustee was directed to pay each month from the trust fund into the Treasury as miscellaneous receipts the amount so estimated. The Senate amendment provides that such amount shall be estimated quarterly and that such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of such titles II and VIII and such Federal Insurance Contributions Act. The amendment also provides that such repayments shall not be available for expenditure but shall be carried to the surplus fund of the Treasury. If the payments made by the trust fund to the Treasury for such cost of administration were covered into the Treasury as provided in the House bill, the receipts and expenditures would be overstated in the account of the Treasury by the amounts so deposited. Collections, when originally received, are classified in the Treasury accounts as "social-security taxes," and subsequently, under the House bill, a portion would be deposited as "miscellaneous receipts," thus overstating actual receipts. Also, when funds are expended from appropriations for such administration, such items would be shown as expenditures under "Social Security Board" and "departmental," and the reimbursements for such expenses from the trust fund would also be shown as expenditures, unless such items are deposited as repayments instead of miscellaneous receipts. The Senate amendment cures this administrative problem. The House recedes.

On amendment No. 11: The House bill provided for a small lump-sum death payment upon the death of a fully or currently insured individual, leaving no surviving widow, child, or parent, who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (b), (c), (d), (e), or (f) of section 202. The Senate amendment struck out the reference to subsection (b) since this subsection deals with a wife's insurance benefit, which would not be applicable after the death of the primary individual. The House recedes.

On amendments Nos. 12 and 13: The House bill provided for the distribution of such lump-sum death payments and included in such distribution persons who may be entitled under the law of the State to share as distributees with the parents of the deceased. These Senate amendments eliminate this provision of the House bill, and also provide that when more than one parent is entitled to a payment, each of them would share equally. The House recedes.

On amendments Nos. 14, 15, 16, 17, and 18: The House bill provided that any benefits payable on the basis of an individual's wages shall be reduced, so that the maximum for any benefit (if only one benefit for a month is payable with respect to the wages of an individual) or for the total of all benefits (if more than one benefit is payable for a month with respect to the wages of an individual) shall not exceed (1) $85, or (2) two times the primary insurance benefit of such individual, or (3) 80 percent of the average monthly wage of such individual, whichever is least. This takes the place of the provision now in the Social Security Act limiting the monthly rate of benefits to $85. The Senate amendments change this provision of the House bill so that the reduction in the amount of a benefit will be required only where the total of benefits payable with respect to an individual's wages is more than $20, and provide that the total of benefits shall in such cases be reduced to (a) the least of the amounts referred to under (1), (2), and (3) above, or (b) $20, whichever is greater. They also strike out reference to reduction of a single benefit as superfluous. The House recedes.

On amendment No. 19: The House bill provided that whenever a reduction or increase was required under subsection (a) or (b) of section 203 and more than one benefit was payable for the month with respect to the wages of an individual, each of the benefits should be proportionately increased or decreased, as the case might be. The Senate amendment excepts the primary insurance benefit from any reduction under section 203 (a) or (c). The House recedes.

On amendments Nos. 20 and 21: These amendments are clarifying amendments providing that the deductions to be made from any payment or payments under title II shall be made in such amounts and at such time or times as the Board shall determine. The House recedes.

On amendments Nos. 22 and 23: The House bill provided that deductions would be made from a child's insurance benefit if such child was under 18 and over 16 years of age and he failed to attend school regularly. These Senate amendments were intended to make it clear that children serving as apprentices without pay shall be considered as attending school and are placed in the same category as children attending school. Since the Social Security Board has ample authority to care for this situation by regulation, it is not necessary to incorporate these provisions into the law. The Senate recedes.

On amendments Nos. 24 and 25: The House bill provided a penalty for failure to report the occurrence of an event specified in the bill which would cause a deduction in benefits. These Senate amendments require that such report be made by any individual who is in receipt of benefits subject to deduction, or is in receipt of such benefits on behalf of another individual. The House recedes.

On amendments Nos. 26 and 27: Under the House bill as under existing law, employees who worked for more than one employer in a year and who have a total salary from such employers of more than $3,000 are taxable upon the first $3,000 of such salaries from each employer. These Senate amendments provide that no more than $3,000 total remuneration for any calendar year after 1939 is counted for benefit purposes. (See amendment No. 85 for special tax refund on such salaries in excess of $3,000.) The House recedes.

On amendments Nos. 28, 31, 32, and 33: These are clerical amendments changing paragraph numbers. The House recedes.

On amendments Nos. 29 and 30: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. These slight changes from existing law are effective as to wages from employment after 1939. The House recedes.

On amendment No. 34: This amendment makes a clarifying change. The House recedes.

On amendment No. 35: Under present law services performed by an individual after he attains age 65 are not counted for benefits under title II nor are they taxed under the Federal Insurance Contributions Act. The House bill provided that such services performed after 1939 would be counted as employment and taxed the wages for such services after such year. The Senate amendment provides that such services performed after 1938 by such an individual shall be counted as employment. (Amendment No. 173 taxes such wages, and amendment No. 175 deducts from any benefit under title II an amount equal to 1 percent of any wages paid to any such individual for services performed in 1939 if taxes on such wages were not paid.) The House recedes.

On amendment No. 36: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

On amendments Nos. 37 and 38: These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

On amendment No. 39: This amendment makes a clerical change. The House recedes.

On amendment No. 40: This amendment would exclude fishermen from coverage. It would also exclude officers and members of crews (even though not fishermen) of any vessel less than 400 tons, or of any sail vessel regardless of tonnage if the vessel is engaged in the specified fishing activities. There was no comparable provision in the House bill. The House recedes with an amendment which exempts from coverage 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).

On amendment No. 41: This amendment excludes service performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 42 and 43: These amendments make a clarifying change. The House recedes.

On amendment No. 44: This amendment places a top limit of $250 on the average monthly wage upon which computation of the primary insurance benefit may be based. It will be impossible to exceed this average from employment after 1939 due to Senate amendment No. 27; nevertheless, in an occasional case a person earning large amounts with several employers, prior to 1940 and retiring in the near future, might otherwise receive unjustifiably large benefits. There was no comparable provision in the House bill. The House recedes.

On amendment No. 45: This amendment provides that the minimum primary insurance benefit shall be $10. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 46, 47, 48, 49, 50, 51, and 52: The House bill set up an "average monthly wage" formula in terms of years. These Senate amendments set up such formula in terms of quarters. The House recedes.

On amendment No. 53: This amendment is complementary to amendment No. 35 and excludes from the divisor in determining the average monthly wage of an individual any quarter, after the quarter in which he attained age 65, occurring prior to 1939. The House recedes.

On amendment No. 54: This amendment is complementary to amendments Nos. 46 to 52. The House bill defined the term "fully insured individual" in terms of years and years of coverage. The House bill provided that in any case where an individual had at least 15 years of coverage he would always be a fully insured individual. The Senate amendment defined such term in quarters and quarters of coverage. It also provides that where an individual had at least 40 quarters of coverage (10 years) he would always be a fully insured individual. The House recedes.

On amendments Nos. 55 and 56: The House bill defined the term "wife" to mean a wife of an individual who was married to him prior to January 1, 1939, or, if later, prior to the date upon which he attained the age of 60; and defined the term "widow" (except when used in sec. 202 (g)) to mean the surviving dependent wife of an individual who was married to him prior to the beginning of the twelfth month before the month in which he died. These Senate amendments eliminate the requirement as to the date of marriage in any case where the wife is the mother of a son or daughter of the insured individual. The House recedes.

On amendments Nos. 57 and 58: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with." The conference action restores such words; and the Senate recedes.

On amendments Nos. 59, 60, 62, 63, and 66: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

On amendment No. 61: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to fur-bearing animals. The House recedes with a clarifying amendment.

On amendment No. 64: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

On amendment No. 65: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

On amendment No. 67: This amendment is similar to amendment No. 2. The House bill stated that the Board should make no certification for payment to any State under title III of the Social Security Act unless it found that the law of such State approved by the Board included provision for such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due. The Senate amendment struck out the parenthetical clause and inserted a new parenthetical clause which provides that after July 1, 1941, such methods of administration shall include methods relating to the establishment and maintenance of personnel standards on a merit basis. The House recedes with an amendment which retains the Senate amendment but changes the date therein from July 1, 1941, to January 1, 1940, and provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 68: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2 and 67. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 69: The House bill increased from one-third to one-half the Federal share of the sums expended in a State for aid to dependent children. The House bill retained the provisions of existing law with respect to the amounts above which the Federal Government would not contribute, namely, $18 a month for the first dependent child and $12 a month with respect to each of the other dependent children. The Senate amendment retained the increase of the share of the Federal contribution from one-third to one-half and changed the existing law by eliminating the present maxima and providing that the Federal share would be based on an average of $18 multiplied by the total number of dependent children receiving aid for the month. The Senate recedes.

On amendment No. 70: The House bill amended the definition of the term "dependent child" to include children between the ages of 16 and 18 if found by the State agency to be regularly attending school. Present law includes only children under the age of 16. The Senate amendment includes nonremunerated apprentices in the same class as children regularly attending school with respect to the liberalization of the age limitation. The Senate recedes.

On amendment No. 71: This amendment makes a clerical change. The House recedes.

On amendment No. 72: This amendment increases the authorization of appropriations for grants to States for maternal and child health services for each fiscal year from $3,800,000 to $5,820,000. There was no comparable provision in the House bill. The House recedes.

On amendment No. 73: This amendment increases the amount authorized to be allotted to the various States in the proportion that live births bear to the total number of live berths in the United States, from $1,800,000 to $2,800,000. The amendment also increases the amount authorized to be allotted according to the financial need of each State for assistance in carrying out its State plan from $980,000 to $1,980,000. The House recedes.

On amendment No. 74: This amendment makes a clerical change; and the House recedes.

On amendment No. 75: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, and 68. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 76; This amendment increases the authorization of appropriations for grants to States for services to crippled children for each fiscal year from $2,850,000 to $3,870,000. There was no comparable provision in the House bill. The House recedes.

On amendment No. 77: This amendment amends section 512 of the Social Security Act by designating the existing law as subsection (a) and inserting therein the amount ($1,830,000) to be allotted thereunder in addition to the flat allotments of $20,000 for each State (including Puerto Rico). The additional amount is allotted to the States on the basis of the need of each State taking into consideration the number of crippled children in each State in need of services for crippled children and the cost of furnishing such services. These sums are to be allotted on a matching basis. The additional appropriation of $1,000,000 is to be allotted under a new subsection (b) according to the financial need of each State for assistance in carrying out its State plan. The States are not required to match allotments from this latter appropriation. The House recedes.

On amendment No. 78: This amendment makes a clerical change; and the House recedes.

On amendment No. 79: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, 68, and 75. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with

respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 80: This amendment makes a clarifying change in section 514 (a) of the Social Security Act. It also adds a new subsection (c) to such section 514 to provide the method of paying the additional amount to be allotted under amendment No. 77. The amendment also increases the authorization for child-welfare services from $1,500,000 to $1,510,000 so that Puerto Rico may share equally with the States. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 81 and 82: The House bill increased the authorization for vocational rehabilitation from $1,938,000 to $2,938,000. The Senate amendment strikes out this provision in the House bill and inserted a provision increasing such authorization to $4,000,000. The amendment also provides that the minimum allotment for any State shall be $30,000 instead of $10,000 as provided in existing law, and provides an annual flat allotment to Hawaii and Puerto Rico of $15,000. The amendment also increases the authorization of appropriations for administrative expenses for vocational rehabilitation from $102,000 to $150,000. The House recedes with an amendment which increases the authorization for vocational rehabilitation to $3,500,000 instead of $4,000,000; places Puerto Rico in the same status as a State (see also amendment No. 166); and increases the minimum allotment for any State from $10,000 to $20,000 instead of $30,000.

On amendment No. 83: This amendment increases the authorization of appropriations for each fiscal year for grants to States and other political subdivisions for public-health work from $8,000,000 to $12,000,000. There was no comparable provision in the House bill. The House recedes with an amendment increasing such authorization to $11,000,000 instead of $12,000,000.

On amendment No. 84: This amendment makes a clerical change, and the House recedes.

On amendment No. 85: Under existing law, remuneration received by an employee with respect to employment during any calendar year is taxable up to and including $3,000 received by the employee from each employer he may have during the year. Hence, an employee who has more than one employer may be required to pay the old-age insurance employees' tax on aggregate wages in excess of $3,000. The Senate amendment permits the employee to obtain a refund, without interest, of the tax paid on the aggregate in excess of $3,000 earned after December 31, 1939, provided a timely claim is filed. This amendment is complementary to amendment No. 27. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 86 and 87: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. The House recedes.

On amendment No. 88: This amendment makes a clerical change; and the House recedes.

On amendment No. 89: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

On amendments Nos. 90 and 91: These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

On amendment No. 92: This amendment makes a clerical change; and the House recedes.

On amendment No. 93: This amendment would exclude fishermen from coverage. It would also exclude officers and members of crews (even though not fishermen) of any vessel less than 400 tons, or of any sail vessel regardless of tonnage if the vessel is engaged in the specified fishing activities. There was no comparable provision in the House bill. The House recedes with an amendment which exempts from coverage 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).

On amendment No. 94: This amendment excludes service performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 95 and 96: These amendments make a clarifying change; and the House recedes.

On amendments Nos. 97 and 98: The House bill extended coverage to certain salesmen who are not employees. The Senate amendment strikes out this extension of coverage and also strikes out the new definition of employer as such definition was rendered unnecessary if the extension of coverage to such salesmen is not retained in the bill. It is believed inexpedient to change the existing law which limits coverage to employees. The House recedes.

On amendments Nos. 99, 100, 101, and 102: These amendments make clerical changes; and the House recedes.

On amendments Nos. 103 and 104: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with." The conference action restores such words; and the Senate recedes.

On amendments Nos. 105, 106, 108, 109, and 112: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

On amendment No. 107: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to fur-bearing animals. The House recedes with a clarifying amendment.

On amendment No. 110: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

On amendment No. 111: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

On amendments Nos. 113 and 114: Under the House bill the additional credit allowance was based upon the amount, if any, by which contributions required to be paid by a taxpayer with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to a rate of 2.7 percent. These Senate amendments were made necessary by reason of amendment No. 126 which eliminates the new section 1602 (b) of the code contained in the House bill. These amendments base the additional credit allowance on the difference between the amount of contributions the taxpayer was required to pay under the State law and the amount he would have paid if throughout the taxable year he had been subject to the highest rate applied under the State law in the taxable year to any employer, or to a rate of 2.7 percent, whichever is lower. The House recedes.

On amendment No. 115: The House bill amended section 1602 (a) of the Internal Revenue Code by adding a new standard with respect to allowance of additional credit, which required that, irrespective of the type of fund maintained under the State law, such law must contain provisions whereby variations in rates of contributions has between different employers will be so computed as to yield, with respect to each year, a total amount of contributions substantially equivalent to 2.7 percent of the total of pay rolls of employers subject to the contribution requirements of the State law. The Senate amendment deletes this new standard. The House recedes.

On amendments Nos. 116, 119, 120, 121, 122, 123, 124, and 125: These amendments make clerical changes; and the House recedes.

On amendments Nos. 117 and 118: Under the House bill, States which have pooled fund unemployment compensation laws would have been allowed to vary rates of contributions and allow reduced rates of contributions on the basis of 3 years of experience by an employer with respect to unemployment or other factors bearing a direct relation to unemployment risk. The Senate amendments change the 3 years to 2 years and further provide that such reduction under pooled fund laws will be allowed only after compensation has been payable under the State law with respect to such employer for the 2 consecutive years immediately preceding the computation date. The Senate recedes.

On amendment No. 126: The House bill added a new subsection (b) to section 1602 of the Internal Revenue Code. Under this subsection a State would have been permitted to adopt either of two alternative courses of action if its law met the standards set forth in paragraphs (1) and (2) of the new subsection: (1) It might reduce all employers' rates uniformly; or (2) it might vary individual employers' rates of contributions under experience rating provisions which complied with the applicable standards in paragraphs (2), (3), or (4) of subsection (a) of such section 1602, but without so calculating the respective rates as to secure an annual yield of an amount substantially equivalent to 2.7 percent of the State pay roll. The Senate amendment deletes this new subsection. The House recedes.

On amendments Nos. 127, 128, 129, 130, 131, 132, 133, 134, 135, and 136: These amendments make clerical changes; and the House recedes.

On amendments Nos. 137 and 138: Under the House bill the term "balance" was defined to make clear that the amount of the reserve required to be accumulated by employers with respect to

whom a reserve account or a guaranteed employment account is maintained, is to be made up of payments by such employers and may not be made up of employee contributions or funds from other sources. The exception contained in this definition, which permits the inclusion within a "balance" of payments other than payments by employers if made to a reserve account or guaranteed employment account prior to January 2, 1939, is designed to relieve the States of complicated computations where payments, other than payments by employers, had been paid to such accounts during the early months of the State's experience. These Senate amendments advance the date 1 year beyond that prescribed in the House bill. The House recedes.

On admendment No. 139: Subsection (b) of section 610 of the House bill, which is deleted by this amendment, has been rendered unnecessary because of Senate amendment No. 115 which deleted from the House bill the average 2.7 percent contribution rate requirement. The House recedes.

On amendment No. 140: The House bill conferred on State legislatures the authority to require instrumentalities of the United States, except those wholly owned by the United States or exempt from the taxes imposed by section 1410 or 1600 of the Internal Revenue Code, to comply with State unemployment compensation laws. The Senate amendment strikes out the reference to the old-age tax imposed by section 1410 since only the unemployment tax imposed by section 1600 is involved. The House recedes.

On amendment No. 141: This is a clarifying amendment to make clear that in determining whether a person employs eight or more employees, only those employees employed in employment (as defined in sec. 1607 (c) of the Internal Revenue Code) are to be counted. The House recedes.

On amendments Nos. 142 and 143: These amendments exclude from the definition of wages payments made by an employer under certain conditions on behalf of his employees on account of death (including life insurance) where it is clear that the employee, while living, does not have certain rights and options. The House recedes.

On amendment No. 144: The House bill exempted from the definition of employment service performed in the employ of an agricultural or horticultural organization. The Senate amendment clarifies this exemption to make certain that these organizations are identical with agricultural and horticultural organizations exempt from income tax under section 101 (1) of the Internal Revenue Code. The House recedes.

On amendments Nos. 145 and 146: These amendments make a clarifying change to bring this provision into conformity with a similar provision contained in the Revenue Act of 1939. The House recedes.

On amendments Nos. 147 and 148: These amendments make clerical changes; and the House recedes.

On amendment No. 149: This amendment eliminates from the Federal Unemployment Tax Act insurance agents and solicitors if the remuneration for which they perform their services is on a commission basis solely. There was no comparable provision in the House bill. The House recedes.

On amendment No. 150: This amendment excludes service performed by an individual under the age of 18 in making street sales of newspapers, and in making house-to-house deliveries of newspapers and shopping news, including handbills and other similar types of advertising material. It does not include the handling of newspapers and advertising material prior to the time they are turned over to the individual who makes the sale, the house-to-house, or other final distribution. There was no comparable provision in the House bill. The House recedes.

On amendments Nos. 151 and 152: These amendments make a clarifying change; and the House recedes.

On amendments Nos. 153 and 154: The House bill defined agricultural labor to include all services performed 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. These Senate amendments struck out the words "connection with." The conference action restores such words; and the Senate recedes.

On amendments Nos. 155, 156, 158, 159, and 162: These amendments make clarifying changes to the definition of agricultural labor. The House recedes.

On amendment No. 157: This amendment includes in the definition of agricultural labor service performed on a farm with respect to other wildlife in the same manner and to the same extent as service performed with respect to fur-bearing animals. The House recedes with a clarifying amendment.

On amendment No. 160: This amendment includes within the term "agricultural labor" service performed in the employ of the owner or tenant or other operator of a farm, in connection with the maintenance of the tools and equipment on such farm. It also includes service performed in the employ of any such owner, tenant, or other operator in salvaging timber or clearing land of brush or other debris left by a hurricane. Both amendments are subject to the limitation contained in the bill that the major part of such service must be performed on a farm. The House recedes.

On amendment No. 161: This amendment includes as agricultural labor, in addition to the services included in the House bill, service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The House recedes.

On amendment No. 163: This amendment provides for the establishment and maintenance of personnel standards on a merit basis similar to amendments Nos. 2, 67, 68, 75, and 79. The House recedes with an amendment which retains the Senate amendment but provides that the Social Security Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods.

On amendment No. 164: The House bill provided as in existing law that the amount to be contributed by the Federal Government for administrative expenses for aid to the blind would be an amount equal to 5 percent of the Federal contribution to the State for aid to the blind. The Senate amendment changes this provision to one-half of the total of the sums expended during any quarter as are found necessary by the Board for the proper and efficient administration of the State plan. The House recedes with conforming amendments.

On amendment No. 165: This amendment makes a clerical change; and the House recedes.

On amendment No. 166: The House bill included Puerto Rico on the same basis as a State for the purposes of titles V and VI of the Social Security Act. The Senate amendment (which is complementary to amendment No. 82 giving Puerto Rico $15,000 annually for vocational rehabilitation) provides that Puerto Rico shall not be included as a State for purposes of vocational rehabilitation grants. The Senate recedes. The conference action on this amendment and amendment No. 82 has the effect of including Puerto Rico as a State for purposes of vocational rehabilitation grants thereby allowing it to receive the minimum allotment of $20,000 for each fiscal year and to share in the remainder of the appropriation on an equal basis with the States.

On amendment No. 167: This amendment is complementary to amendments Nos. 97 and 98. Under section 606 of the House bill certain salesmen were included as employees for purposes of the old-age insurance tax, and by section 801 were included as employees for the purpose of receiving benefits under title II. Senate amendments No. 97 and 98 struck out such extension of coverage for purposes of the tax and this amendment strikes out such extension for purposes of the benefits under title II. It is believed inexpedient to change the existing law which limits coverage to employees. The House recedes.

On amendment No. 168: This amendment, which is complementary to amendment No. 169, makes a clerical change; and the Senate recedes.

On amendment No. 169: This amendment prohibits the Social Security Board from disapproving any State plan under title I, IV, or X of the Social Security Act on the ground that such plan does not apply to or include certain Indians as defined. There was no comparable provision in the House bill. The Senate recedes.

On amendment No. 170: This is a technical amendment made necessary because the new section 906 (amendment No. 174) affects the Railroad Unemployment Insurance Act and is therefore in conflict with the language contained in section 901 unless this amendment is inserted. The House recedes.

On amendment No. 171: This is a technical amendment to set at rest certain conflicting district court decisions, and provides that the collection of the full 3-percent Federal tax (without allowance of the 90-percent credit) from a bankrupt estate, which failed to qualify for credit, is not prohibited by section 57j of the Bankruptcy Act, as amended, which section provides that debts owing to the United States as a penalty or forfeiture shall not be allowed. There was no comparable provision in the House bill. The House recedes.

On amendment No. 172: This amendment merely conforms the reference in section 1428 of the Internal Revenue Code to the revision of the numbers of the paragraphs in section 1426 (b) of such code. The House recedes.

On amendment No. 173: This amendment is complementary to amendment No. 35 and imposes the old-age insurance tax on wages paid after December 31, 1938, with respect to employment after such date, to employees who have attained the age of 65. It provides that the liability of the employer for the employees' tax with respect to service performed prior to the enactment of this act is limited to the amount of remuneration of such employee in the control of the employer at any time on or after 90 days after the enactment of this act. There was no comparable provision in the House bill. The House recedes.

On amendment No. 174: This amendment extends the time within which certain States may effect the transfer of certain funds from the State's account in the unemployment trust fund to the railroad unemployment-insurance account in the unemployment trust fund. This postponement will not deprive the railroad unemployment-insurance account of any moneys to which it is entitled under the present provisions of the Railroad Unemployment Insurance Act. There was no comparable provision in the House bill. The House recedes.

On amendment No. 175: This amendment is complementary to amendments Nos. 35 and 173. It provides that where the employees' tax with respect to the year 1939 has not been deducted from the employee over 65 and where the employer has not paid the employee's tax for such employee's employment in 1939, deduction of an amount equal to the employee's tax, without interest, would be made from his monthly benefits or other benefits payable with respect to his wages. There was no comparable provision in the House bill. The House recedes.

On amendment No. 176: This amendment authorizes the establishment of an advisory council on unemployment insurance to study certain specified matters concerning unemployment insurance and make a report thereon. There was no comparable provision in the House bill. The Senate recedes.

On amendment No. 177: This amendment authorizes the establishment of an advisory council on disability insurance to make a study of disability insurance and report thereon. There was no comparable provision in the House bill. The Senate recedes.

On amendment No. 178: This is a clarifying amendment to make certain that the administration of the functions of the Social Security Board, which was transferred to the Federal Security Agency under reorganization plan No. I transmitted to Congress on April 25, 1939, will be administered in the same manner as the other agencies transferred to the Federal Security Agency. The House recedes.

On amendment No. 179: This amendment extends coverage to individuals employed by certain Federal savings and loan associations affiliated with the Federal home loan banks, who would otherwise be excluded from the old-age insurance benefits, the Federal Insurance Contributions Act, and the Federal Unemployment Tax Act, since under the Home Owners' Loan Act they are exempt from taxes imposed by the United States. There was no comparable provision in the House bill. The House recedes.

On amendment No. 180: This amendment relates to section 213 (f) of the Revenue Act of 1939, which deals with the assumption of liability in certain tax-free exchanges. There is no comparable provision in the House bill. Section 213 (f) of the Revenue Act of 1939 retroactively amended the Revenue Acts of 1924 through 1938 to provide that the assumption of a liability or the acquisition of property subject to a liability in certain tax-free exchanges should not result in gain to be taxed at the time of the exchange, except in cases where by a previous decision of a court or of the Board of Tax Appeals, or under a closing agreement, gain was recognized to the transferor of property in the tax-free exchange by reason of such an assumption or acquisition by the transferee. The Senate amendment removes from that exception a case in which gain was recognized to a corporate transferor by a court or Board decision, the basis to the transferee of the property acquired by it in the exchange was fixed at cost under the applicable revenue act, and the corporate taxpayer liquidated immediately subsequent to the exchange. As the period of limitations may have expired with respect to the filing of a refund claim in such a case, the amendment provides 1 year from the date of enactment of the Revenue Act of 1939 within which to file a refund claim. The House recedes with an amendment which provides that no interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section.

On amendment No. 181: This amendment extends the time to December 31, 1939, for the filing of claims for refunds under subsection (d) of section 602 of the Revenue Act of 1936, as amended. There was no comparable provision in the House bill. The House recedes.

On amendment No. 182: This amendment provides that after 1940 the provisions of the Social Security Act shall not be applicable to foreign-born aliens. It also provides for refunds of any taxes they may have paid under such act, and that any employer using alien labor shall pay a special privilege tax equivalent to that collected from American citizens. Subsection (b) of the amendment prohibits the payment of any old-age insurance benefit to any individual while such individual is not a resident of the United States or its possessions unless such individual resides within 50 miles of the United States. There was no comparable provision in the House bill. The Senate recedes.

The managers on the part of the House desire to state that the changes made by this bill with respect to agricultural labor do not take effect until January 1, 1940, and therefore have no effect whatsoever on any litigation now in the courts with respect to what constitutes agricultural labor under present law.

The managers on the part of the House also desire to state that there are two very important proposals to which the conferees gave a great deal of attention. These are the so-called Connally amendment, providing for greater Federal matching in the case of old-age assistance, and the Massachusetts plan which would enable the States to make a State-wide reduction in unemployment compensation contribution rates under certain conditions. The conferees believe that a comprehensive study of the subject matter covered by these two proposals should be undertaken which will enable the Congress to deal more intelligently with the problems involved than is possible at the present time.

R. L. DOUGHTON,
THOS. H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
THOMAS A. JENKINS,
Managers on the part of the House.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the conference report on the bill (H. R. 6635), an act to amend the Social Security Act, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

Mr. RAYBURN (interrupting the reading of the statement). Mr. Speaker, this statement, of course, will be printed in the RECORD. It is technical, it is 21 pages in length. I believe the House is not getting a great deal out of listening to its reading. I therefore ask unanimous consent that further reading of the statement may be dispensed with.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The SPEAKER. The gentleman from North Carolina is recognized for 1 hour.

Mr. DOUGHTON. Mr. Speaker, the conferees have reached a full and complete agreement on the amendments which were in disagreement between the House and the Senate to the social-security bill, H. R. 6635.

The Senate adopted 182 amendments to the social-security bill as it passed the House. Many of these amendments were of a clerical and typographical nature, the changing of section numbers to make the bill comport with final action, and were not very important.

The conferees have given careful and painstaking study to all the amendments adopted by the Senate in order that a workable and intelligent solution of the differences between the House and the Senate might be reached. The conferees were in session 21 days. I have never known conferees to work more assiduously, more unselfishly, or more determinedly to bring back to their respective Houses a report that would be worthy of the subject under consideration and would be the best possible solution of the points in disagreement between the two Houses.

The Committee on Ways and Means also gave this bill, as you all know, long and careful study before it was reported to the House, and the bill was fully explained to the House at the time of its consideration by this body.

As to the amendments that have been added by the Senate, most of them have been explained in the statement that has just been read by the Clerk. If there is any question as to any of them, especially the important and major amendments, some of us will be glad to make the best explanation we can.

Mr. TREADWAY. Mr. Speaker, will the gentleman from North Carolina yield me 5 minutes?

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Speaker, the longer a man is a Member of the House the more impressed he becomes with the fact that important legislation is the result of compromise.

The gentleman from North Carolina has referred to the long and tedious sessions the conferees have had on this very important bill; and it is a great pleasure to the minority members of the conference to be in hearty accord with the majority in signing the report, as we have today. [Applause.]

Most of the controversy was over a Senate amendment which the House had previously rejected by a 2-to-1 vote, namely, the proposal that the Federal Government put up $2 to $1 of the first $15 for old-age pensions. That controversy has finally been settled in accordance with the previous action of the House. On other amendments there was, of course, a great deal of give and take, as there necessarily had to be.

I am very sorry to find that it is necessary at this time to eliminate from the bill what is known as the Massachusetts plan, making possible a reduction in the unemployment tax. I wish some compromise could have been reached on this

particular detail; but it is not dead—it is simply resting until some future action on the part of the House takes place.

The most important result of the conference, as I see it, is to make possible the freezing of the pay-roll tax at 1 percent for the next 3 years. This will save something like $275,000,000 to employers and employees during 1940.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. I yield, certainly.

Mr. COOPER. That, of course, is for the year 1940 only.

Mr. TREADWAY. One year.

Mr. COOPER. It is frozen at that figure for 3 years.

Mr. TREADWAY. The freezing of the rate will be in effect for 3 years. The saving during this time will be $825,000,000.

The gentleman is correct. I was referring simply to the year 1940.

Mr. McCORMACK. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. And also the freezing of the unemployment pay-roll tax on the first $3,000 results in a saving of $65,000,000?

Mr. TREADWAY. Yes.

Mr. McCORMACK. Which is permanent. There is no limitation on that?

Mr. TREADWAY. I was coming to that. Then the provision relieving employers of the 90-percent penalty under the unemployment tax involves a saving for 1936, 1937, and 1938 of $15,000,000 in addition.

I think the House can be well pleased with the results that the conferees on the part of the House have been able to secure. While it has been a very long and tedious process, as I previously said, nevertheless, the chairman of the Committee on Ways and Means is most heartily to be congratulated for the success of the conference, and I hope the conference report will be adopted by unanimous vote.

[Here the gavel fell.]

The SPEAKER. Without objection, the conference report will be agreed to.

There was no objection.

A motion to reconsider was laid on the table.

CONFERENCE REPORT ON SOCIAL SECURITY

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I thank the Members on both sides of the House for this expression of confidence and approval of the work of the conference committee. I feel I would be derelict in my duty, a very pleasant one, I assure you, if I did not express my thanks and appreciation to not only each member of the House conferees but especially to my good friend from Massachusetts [Mr. TREADWAY], who has labored faithfully and unselfishly, even to the extent of foregoing a trip abroad, in order that he might remain at his post and discharge his duty. [Applause.] I especially extend my thanks to him for the fine service he has rendered in connection with the work of the conferees on this important measure.

AMENDMENTS TO SOCIAL SECURITY ACT—CONFERENCE REPORT

Mr. KING. Mr. President, on behalf of the Finance Committee of the Senate, I submit a conference report on House bill 6635, proposing amendments to the Social Security Act.

The VICE PRESIDENT. The report will be read.

The legislative clerk read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 3, 4, 22, 23, 57, 58, 69, 70, 103, 104, 117, 118, 153, 154, 166, 168, 169, 176, 177, and 182.

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 59, 60, 62, 63, 64, 65, 66, 71, 72, 73, 74, 76, 77, 78, 80, 81, 84, 85, 86, 87, 88, 89, 90, 91, 92, 94, 95, 96, 97, 98, 99, 100, 101, 102, 105, 106, 108, 109, 110, 111, 112, 113, 114, 115, 116, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 155, 156, 158, 159, 160, 161, 162, 165, 167, 170, 171, 172, 173, 174, 175, 178, 179, and 181, and agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

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

Amendment numbered 61: That the House recede from its disagreement to the amendment of the Senate numbered 61, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 67: That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods;" and the Senate agree to the same.

Amendment numbered 68: That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods;" and the Senate agree to the same.

Amendment numbered 75: That the House recede from its disagreement to the amendment of the Senate numbered 75, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods;" and the Senate agree to the same.

Amendment numbered 79: That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 82: That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 508. (a) Section 531 (a) of such Act is amended by—

"(1) Striking out '$1,938,000' and inserting in lieu thereof '$3,500,000'.

"(2) Striking out '$5,000' and inserting in lieu thereof '$15,000'.

"(3) Inserting before the period at the end thereof a colon and the following: 'Provided, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $20,000'.

"(b) Section 531 (b) of such Act is amended by striking out '$102,000' and inserting in lieu thereof '$150,000'."

And the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment as follows: On page 17, line 1, of the Senate engrossed amendments, strike out "$12,000,000" and insert "$11,000,000"; and the Senate agree to the same.

Amendment numbered 93: That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States); or"; and the Senate agree to the same.

Amendment numbered 107: That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 157: That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "and wildlife"; and the Senate agree to the same.

Amendment numbered 163: That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods"; and the Senate agree to the same.

Amendment numbered 164: That the House recede from its disagreement to the amendment of the Senate numbered 164, and agree to the same with amendments as follows: On page 26, line 12, of the Senate engrossed amendments, strike out "old-age assistance" and insert "aid to the blind"; on page 96, line 3, of the House engrossed bill, strike out "clause (1) of"; in line 7, strike out "clause" and insert "subsection"; in line 21, strike out "clause (1) of"; and on page 97, lines 18 and 19, strike out ", increased by 5 per centum"; and the Senate agree to the same.

Amendment No. 180: That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment, as follows: In addition to the matter proposed to be inserted by the Senate amendment, on page 36, line 2, of the Senate engrossed amendments insert the following new sentence: "No interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section."

And the Senate agree to the same.

WILLIAM H. KING,
WALTER F. GEORGE,
DAVID I. WALSH,
ROBERT M. LA FOLLETTE, JR.,
ARTHUR CAPPER,
Managers on the part of the Senate.

R. L. DOUGHTON,
THOS. H. CULLEN,
JOHN W. MCCORMACK,
JERE COOPER,
ALLEN T. TREADWAY,
FRANK CROWTHER,
THOMAS A. JENKINS,
Managers on the part of the House.

The VICE PRESIDENT. The question is on agreeing to the conference report.

Mr. KING. Mr. President, it is important that the conference report be disposed of as soon as possible. The hour of adjournment approaches, and it would be most unfortunate if the work of the House and the Senate during this

session of Congress—which resulted in the preparation of the so-called security measure now before us—should prove unavailing. The original Social Security Act was hailed by many American citizens as an important achievement, and its operations were regarded with more or less concern. It was hoped by its earnest supporters that it would meet the high expectations of the people and prove an important subject in the direction of promoting the general welfare of the people. Even those who were most optimistic concerning its benefits and advantages recognized that imperfections would be discovered in its framework and in its administration.

The Committee on Ways and Means of the House, early in the session, addressed itself to the task of modifying and amending the provisions which had proved unsatisfactory. The work of the committee was painstaking and met with general satisfaction. The bill came to the Senate and was referred to the Committee on Finance, which sympathetically addressed itself to the study of the bill. Generally speaking, I think it may be said that the Senate committee and the Senate itself gave general approval of the measure as it came to the Senate. The Committee on Finance, after due consideration, reported the bill back to the Senate with a number of amendments, and the Senate, after considering the work of the Committee on Finance, passed the bill after having made a number of amendments. I should say in passing, however, that most of the amendments were not of great importance, but many of them were rather of a clarifying or explanatory nature. Following the passage of the bill by the Senate, conferees were appointed by the House and the Senate for the purpose of considering the Senate amendments and with a view to reconciling any differences found to exist between the two bodies. The conferees met upon many occasions during a period of 20 days and earnestly addressed themselves to the task before them. Most of the amendments offered by the Senate were disposed of within a few days but a number (and I might say the most important ones) engaged the attention of the Senate for a number of days thereafter. An agreement was finally reached and a report prepared to be submitted to the House and the Senate.

The House has approved the report of the conferees and it is now before the Senate.

There has been so much discussion during this session of Congress, and particularly during the past few days, that I shall pretermit any extended remarks in submitting the report for action by this body. I regret exceedingly that the report was not submitted by the distinguished chairman of the committee [Mr. HARRISON]. He and the able and distinguished Senator from Texas [Mr. CONNALLY] were not in agreement with the other conferees of the Senate with respect to an important provision in the bill. It is a great pleasure to state to the Senate that both of these Senators, with great zeal and earnestness, discharged the responsibilities resting upon them as conferees. They battled courageously and earnestly for all of the amendments which were adopted by the Senate, and made important contributions to the perfecting of the measure which is now before us.

One of the most controversial provisions of the bill was the so-called Connally amendment which had been adopted in the Senate. For many days in the consideration of the bill this amendment was referred to and all of the conferees on the part of the Senate and the managers on the part of the House considered this amendment. I emphasize the fact that the distinguished Senator from Texas [Mr. CONNALLY] was the author of the proposed amendment, and during the consideration of the bill while in conference he, with very great ability and zeal, battled to secure its adoption. As stated, the other Senate conferees stood with him and joined in urging the managers on the part of the House to yield in their opposition to the amendment.

As I have indicated, after more than 20 days of discussion—earnest, serious, and sometimes most vigorous—an agreement by the conferees of the House and the Senate was reached.

As stated above, the Senator from Mississippi [Mr. HARRISON] and the Senator from Texas [Mr. CONNALLY] were unwilling to yield on the so-called Connally amendment and, as a result, the report submitted fails to have their signatures to the same. As I have stated, this I very much regret. It affords me very deep and profound regret not to have these two able and distinguished Senators parties to this conference report.

Mr. President, as I have indicated, the House accepted most of the Senate amendments, including those of great importance. I think substantially all of the amendments adopted by the Senate, which were of magnitude, were accepted by the House.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. WAGNER. I beg to differ with the Senator in regard to that. I am not complaining, because I know that the conferees on the part of the Senate did everything possible to uphold the amendments which I offered and which were adopted by the Senate. I regard them as exceedingly important. One provided for a study, similar to that made by the Council on Old Age Insurance. That study was of great use, and, I am sure, guided the committee in its deliberations and conclusions upon the amendments which were considered and adopted by the Senate. I wanted a similar study to be made of the many complex issues of unemployment insurance. I thought that was a very important amendment which was not kept in the bill.

If I may refer to the other, it provided for a study of disability insurance. Under the law a very unfortunate situation exists. Those who might have contributed for 10 or 15 years to an old-age insurance fund, because of illness and inability to continue their occupation are left without any aid at all until they reach the age of 65, if they do live that long, or may even be disqualified altogether.

Mr. KING. Mr. President, if the Senator desires to address the Senate in opposition to the conference report, I shall be glad, after I have concluded my observations, to yield the floor to him.

Mr. WAGNER. I merely wanted to call the attention of the Senator to the fact that I thought he was minimizing the amendments which were adopted by the Senate with reference to the studies, because he said that the House agreed, except as to the Connally amendment, to all of the important amendments adopted in the Senate. I want to express, however, my appreciation of the Senate conferees' action in urging these amendments on the House conferees, as strongly and as long as they did.

Mr. KING. Mr. President, every person regards his view as of primary importance. I appreciate the devotion of the Senator from New York to the social-security plan and to policies relating to labor and matters relating to the welfare of the country.

Mr. WALSH. Mr. President——

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). Does the Senator from Utah yield to the Senator from Massachusetts?

Mr. KING. I yield.

Mr. WALSH. I join with the Senator in what he has said, in commendation of the devoted and able services of the distinguished and able chairman of the Committee on Finance, the Senator from Mississippi [Mr. HARRISON]. Before he proceeds to another aspect of this conference report, I desire to record my commendation of the tireless efforts, the fine leadership, and devotion to duty the chairman of the committee exemplified during the long and arduous hours and days we have been preparing this legislation. And what I have said about him applies equally to the Senator from Texas. Both these able Senators are entitled to the fullest praise and credit for the many beneficial provisions embodied in this bill and which will be a distinct advance in the social-welfare program of the country.

Mr. KING. Mr. President, with reference to the observations made by the Senator from New York [Mr. WAGNER], may I say that the conferees upon the part of the Senate

urged the adoption of the amendment, but if I may be permitted to speak of Members of the body at the other end of the Capitol, the House conferees were adamant. In the statement which was submitted by the conferees on the part of the House the following appears:

The managers on the part of the House also desire to state that there are two very important proposals to which the conferees gave a great deal of attention. These are the so-called Connally amendment, providing for greater Federal matching in the case of old-age assistance, and the Massachusetts plan which would enable the States to make a State-wide reduction in unemployment compensation contribution rates under certain conditions. The conferees believe that a comprehensive study of the subject matter covered by these two proposals should be undertaken which will enable the Congress to deal more intelligently with the problems involved than is possible at the present time.

Mr. President, it was the view, I believe, upon the part of the managers of the House, that it was unnecessary at this time to undertake the study to which the Senator from New York [Mr. WAGNER] refers, but that at a more propitious time a further study would be made of the entire social security system—a study perhaps broader than that contemplated by the Senator from New York.

Mr. President, as I have observed, after prolonged discussion by the conferees of the two Houses, substantially all of the amendments offered by the Senate were accepted. I believe I am not inaccurate in stating that all of the differences were reconciled, leaving a sole controversial matter; that is, that relating to the Connally amendment. As I have stated, it was only with great reluctance that the four Senate conferees yielded on this point. We believed, from the attitude of the managers upon the part of the House, that unless the Senate receded upon that point, the conference would end in failure; that is, there would be no legislation at this time dealing with social security.

Without being critical of the managers upon the part of the House I feel constrained to say that they were unyielding upon the so-called Connally amendment, and if the Senate conferees had insisted upon its adoption, the conference would have ended in failure.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. BORAH. Will the Senator advise us what the great objection was to the Connally amendment on the part of the House?

Mr. KING. Mr. President, after hours and days of discussion, and consideration of the various views presented, it would be impossible in a limited time even to present a fragment of the multitudinous arguments which were assigned by the managers upon the part of the House, but, generally speaking, their view was—and I think I am interpreting their objection accurately—that it would disturb a system which had been adopted, and that if we began to modify the plan which was the basis of the social-security program, other changes would be made, which might ultimately so mutilate it as to work its destruction.

They had in mind, and it was suggested in the consideration of the conference, the condition of the social-security laws in Germany and in England.

As Senators know, the social-security systems of the countries referred to finally met with disaster; that is, they failed to meet the requirements made of them. Their funds were depleted and resort was had to their respective treasuries. Reorganizations were instituted and even then there were serious impairments of the plans provided.

In reply to the inquiry from the Senator from Idaho, I think I am accurate in stating that the managers upon the part of the House believed that to accept the Connally amendment would be an impairment of the social-security system which had, generally speaking, commended itself to the American people. They believed, as I interpreted their attitude, that we should give trial to the present law and that to make such a material change in the theory upon which the social-security system rested would be unwise.

Both the House bill and the Senate bill provided for raising the maximum amount to be matched from $30 per month to $40, so this provision will be included in the bill without the necessity of action on the part of the conference committee.

The House has receded on the amendment to the unemployment-insurance provisions, the purpose of which was to allow the States to reduce their unemployment-insurance contributions if a certain reserve fund has been attained and minimum-benefit standards have been provided. It was felt that further study and experience was necessary before such action could be taken.

Mr. President, in my opinion a further study of the social-security system will call for additional amendments to the present law, as well as to the measure now before us, if it shall be enacted into law. Important measures dealing with social relations and public welfare grow out of experience. It is conceded by those who have given much study to social problems and to plans akin to those found in social-security legislation that mistakes are made and that through evolutionary development weaknesses are discovered and eliminated. Undoubtedly Congress will give further study to the provisions of the social-security law and, as stated, will, as the years go by, find changes necessary in order to meet developing and changing conditions.

Mr. President, referring to the bill before us we find that provision is made for taxing workers over age 65 and their employers, beginning January 1, 1939, instead of January 1, 1940. It is these individuals who have already reached age 65 who will be the first to retire, but the present law disregards for both benefit and tax purposes all wages after 65, thereby making it most difficult for all these individuals to qualify. This amendment has the approval of the Treasury Department and the Social Security Board.

After considerable discussion, agreement was reached to provide that the States participating under the Federal social-security program must provide a plan for the establishment and maintenance of personnel standards on a merit basis. And I am sure that will commend itself to my friend the Senator from New York, and also to the distinguished Senator who is now occupying the chair [Mr. LA FOLLETTE].

The amendment worked out by the conference committee provides, however, that the Board shall exercise no authority with respect to the selection, tenure of office, or compensation of any particular employee appointed in accordance with such State plan. These provisions will cover old-age assistance, aid to dependent children and the blind, unemployment compensation, and maternal and child-welfare services.

The conferees have retained the increases made by the Senate in the authorizations for appropriation for maternal and child-welfare services. However, instead of the additional $4,000,000 per year voted by the Senate for public-health work, this sum has been cut to $3,000,000 per year.

The House bill increased the authorization for vocational rehabilitation from $1,938,000 to $2,938,000. The Senate, as Senators will recall, struck out this provision and increased the authorization to $4,000,000. The conferees have agreed upon the sum of $3,500,000.

With respect to Indians under the public-assistance programs the Senate has receded from its amendment so that the situation is left the same as under the present law. In view of the many questions arising out of this amendment, the House conferees felt that it was imperative that any action on this subject be deferred until the Ways and Means Committee could give more detailed consideration to the many ramifications of the proposal.

Mr. President, the Senate has receded on its amendments to create advisory councils to study and report on unemployment insurance and disability benefits. It was thought best, as I indicated a few moments ago, not to include reference to temporary councils in permanent legislation of this kind.

Before concluding my remarks I should like to state that the attention of the conference committee was directed to the question of the effect of the definition of agricultural labor contained in this bill upon questions which have heretofore arisen concerning the meaning of the term "agricultural labor" used in the present law. Agricultural labor is

exempt under the present law, but the term is not defined. The definition in this bill will not take effect until January 1, 1940. A number of questions have arisen as to whether particular activities are or are not within the meaning of the term "agricultural labor" under the present law. Some of these questions are now in litigation. It was the sense of the conference committee that these questions now in dispute should be determined in the ordinary way, by the courts or otherwise, and that the Congress should not at this time attempt to indicate what meaning should be given to the term "agricultural labor" with respect to its application before the time arrives for the new definition to take effect.

Mr. President, I shall not take the further time of the Senate in discussing the report. While it may not meet with entire satisfaction, I cannot help but believe that if the measure before us is enacted into law, it will be received with general satisfaction. It will prove of benefit to employers as well as to employees as it deals in a more generous and humane manner with various groups of persons who are brought within its terms.

As I have indicated, the report meets with the approval of the House conferees and, as I am advised, it met with the unanimous approval of the House. The statement submitted by the managers upon the part of the House, which had been printed in the RECORD, sets forth in a very clear manner the various amendments and the disposition made of the same.

Mr. President, I move the adoption of the report.

Mr. HARRISON obtained the floor.

Mr. CONNALLY. Mr. President, I suggest the absence of a quorum.

Mr. HARRISON. Will the Senator withhold his suggestion?

Mr. CONNALLY. Mr. President, I wish, so far as possible, that all Senators may hear the statement about to be made by the Senator from Mississippi.

Mr. HARRISON. I thank the Senator from Texas. I want the Senators to hear the statement of the Senator from Texas also. However, I hope the Senator will not ask for a quorum call at the present time.

Mr. President, I find myself in a very embarrassing position. Naturally one who has taken a great deal of interest in the formulation of a piece of legislation, such as the Social Security Act amendments, and has followed it through the meanderings of committee hearings, through debate on the Senate floor, and through a long conference between the House and Senate conferees, and who cannot subscribe to the report which was finally agreed to, should make an explanation of his position. For that reason, and for that reason only, am I stating to the Senate the reasons for my failure to sign the conference report.

Mr. President, I feel that the report embodies some far-reaching and very beneficial provisions. In many respects the legislation is of a highly constructive character. I will not take the time of the Senate by discussing in detail all of those particular provisions. I do desire, however, to mention briefly some of the provisions which, as I have stated, I feel are of a very important character. Considerable tax relief is granted by the freezing of the old-age insurance pay-roll taxes, which becomes effective January 1, 1940, and should prove very helpful to our general economic situation. Taxpayers are granted additional relief through the provision that only the first $3,000 an employer pays an employee for a year is taxed under the unemployment-compensation provisions. This provision already exists with reference to old-age insurance. Tax penalties against the taxpayer are greatly modified and past delinquencies are adjusted. The legislation eliminates the so-called nuisance taxes which have been collected from fraternal and other nonprofit organizations. The old-age insurance provisions adopted by the House and further liberalized by Senate amendments, and agreed to in conference, will greatly help those who have already reached the age of 65 and will give them a chance to earn retirement quickly.

The amendments liberalize the present law by increasing old-age insurance benefits, and also provide benefits for the wife, the surviving widow, the children, and, in some instances, the parents of deceased wage earners. The report contains increased authorizations for many very worth-while services, including maternal and child health, public health work, services to crippled children, and vocational rehabilitation. All of these are splendid contributions to social advancement. The change from one-third to one-half of the Federal share of costs in granting aid to dependent children will be extremely beneficial. Some assistance to the poorer States is provided in the new basis of sharing the cost of Federal administration of the State public-assistance programs. The legislation clarifies the present situation which exists with reference to the definition of agricultural labor.

Mr. President, I should have been delighted to have signed the report. However, I was greatly interested in the principle embodied in the Connally amendment, and because of the failure on the part of the House conferees to permit the amendment to be reported to the House for a roll-call vote, and their failure to accept the Connally amendment, either in the form agreed to by the Senate or in some modified form, as suggested by the Chairman of the Social Security Board, which reduced the amount carried in the original Connally amendment from $120,000,000 to around $13,000,000 annually, I could not subscribe to that method of procedure, and, therefore, I felt I could not sign the report.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. WAGNER in the chair). Does the Senator from Mississippi yield to the Senator from Wisconsin?

Mr. HARRISON. I yield.

Mr. LA FOLLETTE. Mr. President, I should like to say, as one member of the committee, that it was a matter of deep regret to me that the Senator from Mississippi [Mr. HARRISON] and the Senator from Texas [Mr. CONNALLY] did not feel that they could conscientiously sign the report. I should like to say for the RECORD, in case in the future anyone should be searching it and not find the names of the Senator from Mississippi and the Senator from Texas upon the report, that I accord to them a full measure of credit for any of the improved features which were put in the bill by the Senate Finance Committee, or which were put in the bill on the floor of the Senate, or were obtained after a long and protracted conference as concessions from the managers on the part of the House.

Mr. HARRISON. I thank the Senator from Wisconsin. Of course the big question which wrought the sharp differences between the conferees of the House and those of the Senate was over the so-called Connally amendment.

Mr. President, it would have been easy for the House conferees to take the Connally amendment back to the House and obtain a roll call vote on it. I went so far as to say that if there had been an opportunity afforded the House to vote, and if on a yea-and-nay the House had turned down the Connally amendment, I would then have been willing to sign the report. I am sure the Senator from Texas took the same position, as did other Senators on the conference committee. All the Senate conferees appealed to the House conferees to do that; but they were adamant and refused.

Mr. President, I think I know something about the rules of the House. I once served in that body. The House has not changed its procedure under which conferees may bring in a partial report and obtain a vote of the House on any particular matter in disagreement; but the House conferees refused to do that. I do not presume to dictate the course of action which must be followed by House conferees, but I could not sign the report under those circumstances. I presume the House conferees considered that a matter of principle was involved, but I cannot see any great principle involved in the 50–50 matching provisions of the present law. The social-security bill itself contains other bases of grants-in-aid to States. The issue of making a more reasonable

provision for the Federal share of assistance to the aged will be before the country until better provision is made. It would not destroy but would preserve this great social-security system if, in the poorer States, the Federal Government made a little larger contribution.

I, for one, do not subscribe to the Townsend plan. My friend from California [Mr. DOWNEY] recently made a very eloquent speech in support of it. I have opposed, and will continue to oppose, this plan because I do not think it workable or practical. However, I believe that when the people of my State, or any other poor State, cannot provide more than six or seven dollars a month from a combined Federal and State contribution, the Federal Government should come in and contribute in the ratio of at least 2 to 1 up to $15, or some like amount.

I know that the House conferees felt that there had been a vote in the House on this question. In the consideration of the bill in the House an amendment had been offered which carried a Federal contribution of 4 to 1 for old-age assistance. That amendment was voted down, but it was voted down by a teller vote, not a roll-call vote. Then an amendment was offered providing a 3-to-1 contribution, and later an amendment was offered providing a 2-to-1 contribution on the part of the Federal Government, but each amendment was voted down in the House. However, in the Senate we went on record. Every man showed his colors. Why should the House membership be protected by not having a record vote on the Connally amendment?

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. CONNALLY. I ask the Senator if it is not his view that if the Senate conferees had insisted on the House conferees taking the amendment back to the House for a vote, we should have obtained a vote in the House?

Mr. HARRISON. Mr. President, there is often a division among Senate conferees. I do not desire to criticize any of my colleagues. My own personal view is that if there had not been a sufficient number to sign the report the House conferees would have taken the amendment back to the House. I am assuming my own responsibility for not signing the report. I was strongly in favor of the idea expressed in the Connally amendment. However, there is so much good in the report, and so much that will be of benefit to the working people of the country as well as to the taxpayers, that I shall vote for the report if it comes to a roll call.

Mr. President, I want the Senate and the country to know that I shall also continue to exert my efforts toward a real liberalization in Federal contributions for old-age assistance. It would have been a narrow and partisan view to have voted against the larger pension which will be shared equally by Federal funds, though it benefited only those in richer States. I feel that Members of the House as well as my colleagues of the Senate will be equally generous with those citizens of our country in the poorer States.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. PEPPER. I ask the Senator if he does not think that the Senator from California [Mr. DOWNEY], the Senator from Florida [Mr. PEPPER], and other proponents of the Townsend plan owe a debt of gratitude to the committee for the impetus it has given to the Townsend plan by the action which the Senator did not approve?

Mr. HARRISON. I think the action taken in the report, refusing to give larger Federal assistance to the States, will give great encouragement to those who shout and talk and plead for increased old-age pensions along the lines of the Townsend plan. It was with the idea of helping the poorer States which cannot help themselves, that I supported the so-called Connally amendment in the committee and fought for it on the floor, even against my own committee.

Mr. KING. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. KING. Is it not true that day in and day out all the conferees on the part of the Senate insisted upon the Connally amendment? I know that up to the last moment I pleaded with the House conferees to take the matter back to the House and obtain a vote. I do not think I am betraying any confidences when I say that the conferees on the part of the House stated that they would not under any circumstances take the matter back to the House, and that if the Senate conferees insisted upon their view there would be no bill.

Mr. HARRISON. The Senator insisted, up to the last day, that the House conferees take the amendment back to the House for a vote.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. SCHWELLENBACH. The Senator will remember the question which I raised in connection with the bill concerning employees in the fishing industry.

Mr. HARRISON. Yes.

Mr. SCHWELLENBACH. Would the Senator object to stating briefly for the RECORD the result of the conference in that connection?

Mr. HARRISON. The measure as finally agreed upon is entirely along the lines of the Senator's suggestion. The limitation as to tonnage of vessels employed in that industry is even lower than the tonnage we discussed. I have forgotten the exact figure of the Senate as to the tonnage.

Mr. KING. The figure was 20 tons.

Mr. HARRISON. I believe it was reduced to 10 tons. The amendment was broadened from the viewpoint of the Senator from Washington.

Mr. SCHWELLENBACH. Mr. President, I wish to express to the Senator from Mississippi and other members of the conference committee my appreciation of the very sympathetic and clear way in which a study was made of this subject. It was unfortunate that when the bill was brought into the Senate it was subject to criticism. Having confidence in the Senator from Mississippi, I permitted the Senate amendment to be adopted, even though I was opposed to it, he having assured me that the subject would receive study, and that if the Senate amendment were in error the error would be corrected. I wish to say that the Senator from Mississippi and the employees of the committee cooperated fully in the study of the subject.

Mr. KING. Mr. President, the tonnage was reduced from 400 to 20 tons; and the Senator will find a full explanation on page 2 of the report.

Mr. HARRISON. Mr. President, that is all I have to say.

Mr. GEORGE. Mr. President, I desire to say just a word.

First, I wish to direct my attention to a statement made in the report by the Finance Committee to the Senate when the social security bill was reported to the Senate, and a similar statement—in fact, identical—which was contained in the report submitted by the House Ways and Means Committee to the House of Representatives.

The matter to which I refer has to do with the definition of farm labor, particularly as it applies to maple sirup, gum, turpentine, and rosin. The conference committee made a supplemental statement in the conference report to the House upon that question; and the Senator from Utah [Mr. KING], who has submitted the report to the Senate, likewise has incorporated the statement in his report.

The purpose of bringing this matter to the attention of the Senate is to comment on the definition of farm labor. Farm labor, of course, is excluded from the Social Security Act. The definition is somewhat broadened or clarified by the provisions of the House bill, which provisions were not amended in the Senate. In the report it was stated that after January 1, 1940, certain workers would not be included in the Social Security Act because thereafter, by virtue of the amendment, they would become farm laborers.

It so happens, Mr. President, that litigation had arisen with respect to the producers of gum turpentine and rosin,

and had been going on for several months; and the statement, therefore, might have been interpreted as an opinion by the committee that under the original act the producers of gum turpentine and rosin were not, in fact, farmers, and were subject to the pay-roll tax. So that the statement now submitted by the managers on the part of the House and on the part of the Senate is to the effect that it is not the purpose of the Congress in clarifying and broadening the definition of farm labor, to affect adversely pending litigation or the question involved in pending litigation.

In that connection, I wish to make a further statement. The producers of gum turpentine and rosin have been recognized as farmers, and the laborers employed by them as farm laborers by act of the Congress. In the Farm Agricultural Marketing Act approved August 15, 1929, as amended by the act approved March 4, 1931, they are expressly classed as farmers. In the Soil Conservation and Domestic Allotment Act the producers of gum turpentine and rosin are recognized as farmers, and, under the soil-conservation program, they are receiving benefits. Furthermore, they are expressly recognized as farmers in the terms of the Wage-Hour Act. Likewise, they have been the recipients of loans by the Commodity Credit Corporation, and only the producers of farm products are eligible under the act of Congress for loans under the Commodity Credit Corporation Act.

So, Mr. President, it seems proper that some note be made of the insertion in the report filed by both the Ways and Means Committee and the Senate Finance Committee on the social security bill when the bill was laid before the respective Houses for action. It is not the intent of the Senate Finance Committee, at least, and it may be stated with reference to the Ways and Means Committee, to prejudge the contention made, continuously insisted upon and now insisted upon, in the courts by the producers of gum turpentine and rosin that they are, in fact, farmers and are not within the terms of the act. The statement made in Finance Committee report was inadvertently made.

Mr. President, I desire to make a further statement. The Senator from Utah [Mr. KING] has called the attention of the Senate to the fact that the conference committee on the bill proposing amendments to the Social Security Act has been in session for 3 weeks. Among the most difficult of the amendments considered by the conference was the Connally amendment. There were many other amendments on which there was, of course, prolonged discussion by the members of the conference. The distinguished chairman of the committee of the conference on the part of the Senate, the Senator from Mississippi [Mr. HARRISON], in the Finance Committee, on the floor of the Senate, and in the conference steadfastly, ably, and conscientiously insisted upon the retention of the Connally amendment. I myself supported that amendment in the Finance Committee and on the floor of the Senate, and in the conference.

I may say, I think, without any impropriety, that I never voted to recede from insistence upon the Connally amendment. I believed that the principle was sound, and I believed it was advisable to insert the provisions of the Connally amendment in the old-age benefit provisions of the Social Security Act. I still believe so, because the wide inequality of treatment of our old people by the Federal Government, based upon any premise that may be imagined, cannot be maintained permanently as a part of our law. It is true that the inequality of treatment of the worthy aged people in the several States is predicated upon the failure of the States to make adequate provision or to match the full contribution which the Federal Government itself is authorized to make; but I said on this floor, and I now repeat, that it does not matter whether that is true; there is that inequality; it is inequality between American citizens, and it is no answer to say that, because the State has not done so and so, therefore the Federal Government was not called upon to do so and so, when the Federal Government established this system and invited the States to come in, believing, of course, that the States would all make a contribution under the law as it was passed of $15 per month for their worthy aged citizens and thereby make available the $15 which the Federal Government was authorized to provide. Under the conference-report agreement now before the Senate, the amount has been increased to $20 per month; but, as a matter of fact, some of the States have not contributed $15 per month or anything like it; as a matter of fact, some of the States are not able to pay $15 per month. But it does not make any difference, in my judgment, so far as the issue is concerned, whether the States are unwilling or unable to match the full Federal contribution or at least so much of that contribution as will provide the bare physical necessities to the aged people of this country who are eligible under both State and Federal law.

So, I believed in the Connally amendment; and I still believe in it. It would have given at least a minimum benefit to the aged people of each State, a minimum that would have, at least, taken care of what may be described, even strictly, as the barest necessities of life. But we failed in the conference to induce the House conferees to accede to that amendment and to recede from the position taken by the House.

The distinguished Senator from Mississippi has already made a statement regarding the effort to induce the House conferees to take this amendment back to the House of Representatives for a vote. I will not repeat that, but I do wish to say that, so far as the Senator from Mississippi [Mr. HARRISON] and the junior Senator from Texas [Mr. CONNALLY], the author of the amendment, are concerned, and so far as I am concerned, we insisted upon the amendment to the last, and certainly no two Senators could have presented with more ability, more earnestness, and more seriousness the position taken by the Senate in its vote upon the Connally amendment than did the distinguished Senator from Mississippi and the distinguished Senator from Texas.

Mr. CONNALLY. Mr. President, I happen to have been one of the Senate conferees on the bill proposing amendments to the Social Security Act. I did not sign the conference report, and I want the Senate and the country to know why I did not sign it.

The attitude of the House conferees from the beginning was that of stubborn resistance to permitting the House to have an opportunity to vote by a record roll-call vote on the so-called Connally amendment. That was soon apparent to every Senate conferee who attended the conference, as they all did. Knowing that attitude of the House, I felt that a mere request of the Senate conferees that the House conferees take the amendment back to the House for a separate vote would be entirely futile and of no effect.

If four of the Senate conferees had stood their ground as they stood it throughout the deliberations up until the last conference, I feel confident that the House of Representatives would have had a chance to vote upon this amendment; and if it had had such a chance, and had rejected the amendment, my feelings about the matter would be very different from those which I entertain at the present moment. With all due deference to my colleagues on the conference committee, I feel that the Senate conferees, in undertaking to carry out the mandate of the Senate, should have insisted and demanded that the House conferees take this subject back to the House of Representatives for a separate vote. That, however, was not done.

Mr. President, two very important amendments were pending before the conference. One was the so-called Connally amendment. The other was an amendment moving back from 1940 to 1939 the coverage into the old-age insurance system of about 250,000 persons who will become 65 years of age during the present year, and are not covered by the present law; but under the Senate amendment they will secure old-age assistance for their allotted period, to the cost to the fund of $695,000,000. That $695,000,000 does not come out of the Treasury of the United States, but comes out of the trust fund accumulated by the payments by employers and employees under the old-age insurance system. The effect of the amendment is to take $695,000,000 out of that fund and give it to persons, who under the present law are not entitled to old-age insurance, and take

it away from those who are paying it in now, and expect to get the benefits in future years. Had they not been brought in—they have paid for insurance for only a year or two—under the present law they could have applied for what they had paid in upon becoming 65, and could have received its return; but instead the other amendment brings them in, 250,000 of them, and hands them $695,000,000 out of the trust fund. That amendment was the price of the rejection of the Connally amendment. The House accepted that Senate amendment, and then, as the price of it, they killed the Connally amendment by the change of attitude on the part of one of the Senate conferees.

Mr. President, I now desire to talk a little while about the Connally amendment. I thank the distinguished Senator from Mississippi [Mr. HARRISON] and the distinguished Senator from Georgia [Mr. GEORGE] for their very generous and kind remarks with respect to the amendment.

Under the present Federal law it is provided that for old-age assistance the Federal Government simply pays to the beneficiary the same amount that the State in which he resides may pay him. Under that system a rich State receives more, and a poor State receives less. It receives less when it needs more—and it gets more when it needs less. The President of the United States has indicted the present system. The President of the United States, in transmitting to the Congress of the United States the report of the Social Security Board, drew an indictment against the present system when he said—I read from the President's message of January 16, 1939—

> I particularly call attention to the desirability of affording greater old-age security. The report suggests a twofold approach which I believe to be sound. One way is to begin the payment of monthly old-age insurance benefits sooner, and to liberalize the benefits to be paid in the early years. The other way—

I want Senators to listen to this. I want the House of Representatives, which did not have an opportunity to vote upon this question, to listen to this. I do not care about the House conferees listening to it, because it would have no effect upon them. They assumed to act without referring this matter to their own body, whose commission they bore. Whether they feared the result there, or whether it was simply a spirit of self-opinionated, aggressive action on the part of the House conferees, I am not prepared to say. But what does the President say?

> The other way is to make proportionately larger Federal grants-in-aid to those States with limited fiscal capacities, so that they may provide more adequate assistance to those in need. This result can and should be accomplished in such a way as to involve little, if any, additional cost to the Federal Government.

Mr. President, those are the words of the President of the United States. Those words are an indictment of the present 50-50 matching system. He says it is not fair—not in so many words, but the result of his suggestion is that the present 50-50 system of old-age assistance matching is not just and is not sound.

What is the attitude of the Social Security Board? The Social Security Board recommended that there be a variable grant with reference to old-age assistance. This is what the Social Security Board said in its report, which was transmitted by the President:

> VARIABLE GRANTS
>
> Federal grants-in-aid under the three public assistance provisions of the Social Security Act will total approximately a quarter of a billion dollars during the current fiscal year. These grants are made to all States on the same percentage basis, regardless of the varying capacity among the States to bear their portion of this cost. The result has been wide difference between the States.

I am glad the Senator from South Carolina [Mr. BYRNES] has entered the Chamber, because in a moment I propose to make reference to his activity.

> The result has been wide difference between the States, both in number of persons aided and average payments to individuals. Thus in the case of old-age assistance the number of persons being aided varies from 54 percent of the population under 65 years of age in the State with the highest proportion to 7 percent in that with the lowest proportion. Similarly State averages for payments to needy old people range from about $32 per month to $8.

These are not my words. These are the words of the Social Security Board, which is supposed to know more about this system than anybody else. These are the words of the President of the United States in approving the attitude of the Board:

> While these variations may be explained in part on other grounds, there is no question that they are due in very large measure to the varying economic capacities of the States.
>
> The Board believes that it is essential to change the present system of uniform-percentage grants to a system whereby the percentage of the total cost in each State met through a Federal grant would vary in accordance with the relative economic capacity of the State. There should, however, be a minimum and maximum limitation to the percentage of the total cost in a State which will be met through Federal grants.

The junior Senator from South Carolina [Mr. BYRNES], after his very fine work on the unemployment committee, filed in the Senate a report proposing the adoption by the Congress of the theory of variable grants in old-age assistance. He is entitled to great credit for the work he has done along that line. When this bill was in the Finance Committee, consideration was given both to the plan proposed by the Senator from South Carolina and to the amendment which I afterward offered. There was no difference between us as to securing results; but because of there being so many objections to the theory of variable grants, on the theory that it would give some States proportionately more than others and would thereby take money from the richer States and hand it over to the so-called poorer States, it was felt that my amendment, which treats all States alike and gives to each the same percentage, probably would command more support. Therefore, when the bill reached the Senate I offered the amendment which provides that the Federal Government shall contribute $2 to the State's $1 up to the amount of $15, and that thereafter there shall be an equal division as between the State and the Federal Government.

Mr. President, what is the present system, and what is the result in the various States? I hold in my hand a table showing the amounts received, average payment per recipient of old-age assistance, for June 1939, which is the latest available report.

What is the result, under the present matching system, of old-age assistance in the various States? There are 16 States, I believe, which are now paying jointly, between both the Federal Government and the State Government, less than $15 a month. Half of these sums are paid by the Federal Government and half by the State governments.

For instance, the State of Connecticut pays $26.03. In other words, in Connecticut, out of the Federal Treasury, out of money which all the people pay, out of taxation contributed by the poor States as well as the rich States, out of money contributed by every little fellow who buys a gallon of gasoline for his old, worn-out Ford, out of that kind of money the Federal Government pays $13 to the old-age recipient in the State of Connecticut, and pays $3.01 to the same sort of an individual residing in the State of Arkansas. Is that a balanced program? Is that equality?

Is that carrying out the theory of real old-age assistance and generosity through this system we have inaugurated?

In the State of Maine the Federal Government pays $10.26½ per capita. In Massachusetts it pays $14.16½. In New Hampshire it pays practically $12 a month. In Rhode Island it pays $9.46. In New York the Federal Government pays half of $23.57. In Delaware, however, it pays $5.48. If an old fellow happens to live over on the Delaware border, in Delaware, the Federal Government says, "You need only $5.48 of Federal money." If he lives a quarter of a mile farther west, over on the Pennsylvania side, the Federal Government says, "Old fellow, I will give you $10," as against what is received by the man a quarter of a mile away, who resides in Delaware. It is the same Federal Government, the same sort of an individual, a citizen of the same Republic, occupying the same standard of need, occupying the same condition of want, but the Federal Government gives to the one a large amount and to the other a small amount.

Within the District of Columbia the Federal Government pays $12.78. In Maryland the Federal Government pays one-half of $17.42, whereas in North Carolina the Federal Government pays the same sort of an individual one-half of $9.59, or $4.79, as against $8.70 in the State of Maryland.

I am sorry the junior Senator from Virginia [Mr. BYRD] is not in the Chamber at the moment. In Virginia the man who is in want, the old citizen 65 years of age, gets out of the Federal Treasury $4.81, while a citizen similarly situated, if he happens to be a resident of California, would get $16 out of the Federal Treasury.

Mr. DOWNEY. Mr. President——

The PRESIDING OFFICER (Mr. DAVIS in the chair). Does the Senator from Texas yield to the Senator from California?

Mr. CONNALLY. I yield.

Mr. DOWNEY. Let me make this comment, that under the amendments about to be accepted the amount in California will automatically be lifted to $20.

Mr. CONNALLY. Exactly.

Mr. DOWNEY. So that the senior citizen in California will be getting really about six or seven times as much as those in Virginia, and I may say to the Senator from Texas that we in California do not want to take advantage of the other States in the Union.

Mr. CONNALLY. I thank the Senator from California for his very helpful suggestion and for his interruption.

Under a provision of this bill the maximum contribution has been raised to $40 a month instead of $30 a month, and States like California, which are able to avail themselves of it, no doubt will avail themselves of it, and, as a result, the old-age pensioner in California will get $20 out of the Federal Treasury as against $3 in Arkansas, and $4.70 in the State of Virginia. That is what will happen. That is happening under the present system, under this system which is so sublimated and so perfect that we must not lay our hands upon it at all.

Mr. President, if the measure of responsibility is to be according to the ability of the States and their economic condition, why did the Federal Government ever invade the field of old-age assistance? Why did it not leave it to the States? Why did it not say to the States, "Raise your own money, and disburse it among your old-age citizens"? But the Federal Government steps in and says, "This is a Federal responsibility, at least to some degree." It says, "The Federal Government has an interest in this matter. We will set up a Federal system," a system which practically coerces and influences every State to come into the system, and then it makes these pitiful provisions with respect to the amount each State will receive.

Mr. President, in West Virginia the Federal Government pays its old-age pensioners $6.76. In Kentucky the old-age pensioner receives $4.325 of Federal money. Michigan, which is richer, has drawn a lot of its riches from the contributions of Kentuckians, who ride in automobiles, and who buy articles from Michigan; yet the old-age pensioner in Kentucky receives $4.325 as against $8.22 in the State of Michigan. Every old pensioner in the State of Michigan gets practically $2 of Federal money for every dollar of State money. Yet Senators say it is unfair to provide that we shall reverse that proposition and pay him $2 of Federal money for each dollar of State money up to a maximum of $15.

In Ohio the Federal Government pays $11.28; in Illinois, $9.61; in Indiana, $8.58. In Wisconsin the old-age pensioner receives $10.60, whereas in Alabama the old-age pensioner receives $4.64.

Is there any justice in that? Is there any equality in it? I am talking about Federal funds now; I am not talking about State funds. A State can pay all it may desire to pay. There is no inhibition, there is no prohibition, there is no impediment to a State's paying what it pleases, but it is our responsibility as to the amount of Federal money that is paid to the old-age pensioners, whether they live in California or whether they live in Arkansas, or Alabama, or North Carolina, or Virginia, or in the city of New York.

Is a man's want any less, if he lives in circumstances of penury, whether he resides in Alabama or resides in New York? Is there any climatic condition with respect to this system which makes it any easier for an old man to get bread and meat in Florida than in Colorado or in California? No, Mr. President; but that is the system.

I shall not weary the Senate by detailing all the States in which old-age pensioners get less than $15. Under the terms of my amendment every State in the Union would be treated exactly as every other State. My amendment would stimulate and lift up the ones in the very low bracket to somewhere near a decent level. It would make possible, in my opinion, the payment of at least $15 a month to every old-age pensioner in the United States. From then on the States and the Federal Government would contribute equally in additional payments.

Mr. President, I ask to have this table printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Average payment per recipient of special types of public assistance in States with plans approved by the Social Security Board, by regions and States, June 1939

[Data corrected to July 15, 1939]

Region [1] and State	Average payment per recipient for June 1939		
	Old-age assistance	Aid to dependent children [2]	Aid to the blind
Total	$19.42	$31.19	$22.15
Region I:			
Connecticut	26.03	----	26.02
Maine	20.53	37.53	23.03
Massachusetts	28.33	56.96	22.30
New Hampshire	23.64	40.44	22.51
Rhode Island	18.95	46.27	----
Vermont	15.09	29.06	20.98
Region II: New York	23.57	47.53	24.20
Region III:			
Delaware	10.96	30.89	----
New Jersey	19.59	29.72	22.80
Pennsylvania	21.34	35.11	----
Region IV:			
District of Columbia	25.57	43.21	26.66
Maryland	17.42	30.82	21.04
North Carolina	9.59	15.38	14.59
Virginia	9.63	22.51	13.05
West Virginia	13.53	21.05	16.87
Region V:			
Kentucky	8.65	----	----
Michigan	16.44	34.10	23.32
Ohio	22.57	38.84	19.75
Region VI:			
Illinois	19.23	----	----
Indiana	17.17	27.48	19.69
Wisconsin	21.20	36.61	22.78
Region VII:			
Alabama	9.29	12.44	8.88
Florida	13.86	25.72	14.60
Georgia	8.12	20.49	10.01
Mississippi	7.34	----	7.19
South Carolina	8.18	16.23	10.99
Tennessee	13.21	18.35	14.69
Region VIII:			
Iowa	19.90	----	23.31
Minnesota	20.67	35.13	25.15
Nebraska	15.45	24.18	15.92
North Dakota	17.70	32.34	19.72
South Dakota	18.30	----	17.06
Region IX:			
Arkansas	6.02	8.14	6.53
Kansas	17.67	26.66	18.89
Missouri	18.77	19.27	----
Oklahoma	17.72	12.02	14.72
Region X:			
Louisiana	10.52	21.39	13.44
New Mexico	11.85	21.31	14.62
Texas	14.16	----	----
Region XI:			
Arizona	26.34	31.90	24.95
Colorado	28.20	29.68	27.74
Idaho	21.45	26.90	21.45
Montana	17.02	23.43	21.05
Utah	20.76	33.57	25.78
Wyoming	23.03	30.90	28.13
Region XII:			
California	32.45	41.90	48.03
Nevada	26.57	----	----
Oregon	21.38	40.09	25.27
Washington	22.15	29.27	30.42
Territories:			
Alaska	27.65	----	----
Hawaii	12.62	35.59	14.90

[1] Social Security Board administrative regions.
[2] Average per family.

Mr. CONNALLY. Mr. President, I have another table, one relating to the per capita income in the various States, and that is the test of ability to pay; that is the test as to taxation resources.

In New York State the average income is $700 a year.

In North Dakota the per capita income is $260 per year. Can it be said that the people of North Dakota are as well able to contribute by way of taxation as are the citizens of New York, who on an average receive twice as much income as those who live in North Dakota?

In Connecticut the per capita income is $607 a year compared with South Dakota per capita income of $275 per year.

The average per capita income in California is $605 per year, compared with the average annual per capita income in Louisiana of $300 a year. The income of the individual in California is twice that of the individual in Louisiana.

Mr. President, I ask that the table to which I have just referred be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Average old-age-assistance payment per recipient (title I), December 1938

United States	$19.55
California	32.43
Colorado	29.99
Massachusetts	28.56
Connecticut	26.66
Nevada	26.46
Arizona	26.10
New York	24.18
New Hampshire	23.08
Ohio	23.01
Washington	22.10
Wyoming	21.62
Idaho	21.55
Oregon	21.30
Pennsylvania	21.19
Wisconsin	20.78
Maine	20.71
Montana	20.48
Utah	20.45
Minnesota	20.42
South Dakota	20.04
Oklahoma	19.94
Iowa	19.82
Kansas	19.62
New Jersey	19.32
Rhode Island	18.78
Illinois	18.52
Missouri	18.48
Maryland	17.51
North Dakota	17.38
Nebraska	17.12
Michigan	17.11
Indiana	16.53
Vermont	14.47
Texas	13.84
Florida	13.84
West Virginia	13.79
Tennessee	13.23
New Mexico	11.15
Delaware	10.84
Louisiana	10.26
Virginia	9.54
Alabama	9.51
North Carolina	9.36
Georgia	8.76
Kentucky	8.73
South Carolina	7.40
Mississippi	6.92
Arkansas	6.15

Per capita income by States 1935

United States	$432
New York	700
Connecticut	607
California	605
Delaware	590
Rhode Island	561
Nevada	545
Massachusetts	539
Wyoming	526
New Jersey	517
Illinois	500
Montana	482
Pennsylvania	478
Michigan	473
Maryland	473
Wisconsin	467

Per capita income by States 1935—Continued

Ohio	$460
New Hampshire	438
Washington	434
Minnesota	416
Maine	414
Colorado	406
Indiana	402
Arizona	401
Oregon	394
Iowa	370
Missouri	366
Vermont	366
Kansas	365
Nebraska	361
Florida	353
Utah	348
Idaho	344
New Mexico	322
West Virginia	318
Texas	316
Virginia	305
Louisiana	300
South Dakota	275
North Dakota	260
Oklahoma	259
North Carolina	253
Georgia	253
Kentucky	240
Tennessee	232
South Carolina	224
Alabama	189
Arkansas	182
Mississippi	170
District of Columbia	966

Mr. CONNALLY. Mr. President, the table reveals the reason why the States in the lower economic brackets have not been able to provide adequate old-age-pension payments.

I wish to refer to Arkansas. In Arkansas the per capita income is $182 per year. Think of it; $182. Yet the conferees on the part of the House insist that the man living in Arkansas, with an income of $182 per year, is just as able to pay by way of taxes as the citizens of New York whose income is $700 a year.

In Mississippi the per capita income is $170 a year. Yet it is said that that State is just as able to pay old-age assistance as Connecticut, where the average income is $607 per year.

In the District of Columbia the per capita income is $966 per year. That is higher than the per capita income of any State in the United States. Yet it is not required to pay any more than the State of Arkansas or the State of Alabama.

What about Alabama? The per capita income in Alabama is $189 a year, compared with $605 in California, $590 in Delaware, $561 in Rhode Island, and $545 in Nevada.

The per capita income in South Carolina is $224 per year. In Tennessee it is $232, in Kentucky it is $240, in Georgia it is $253, and in North Carolina it is $253, Oklahoma $259, and in Louisiana $300.

Mr. President, there is a reason for that. Many States such as Georgia, Mississippi, and Alabama have large colored populations. Under the laws of those States the colored population, of course, and very justly, receives the same consideration in matters of this kind that people of the white race receive, and yet they contribute practically nothing in the way of tax payments to the resources of the State. That means that out of the meager resources of the other portion of the population, due to the economic condition in which they find themselves by reason of the policies of this Government for the past 75 years, they find themselves unable through taxation resources to provide adequate or sufficient sums to make decent payments for old-age assistance.

Mr. President, I need not rehearse the economic reasons for the condition of a large section of the Republic in regard to its income and its resources. We know what those policies have been in the past. The South and Southwest are agricultural sections. We have contributed to the growth of the industrial sections of the Republic through high-protective tariffs which have drained from our agricultural areas

our resources of money, and transferred them to other sections of the Republic.

Today in the matter of freight rates the South and the Southwest pay a heavier toll, they pay a higher tribute in the way of freight rates than any other part of the American Union. That results from the law of the United States. It is because of the policies of the Federal Government. It is not because of any fault of ours.

Mr. President, what is the result? The result is that our sections have been impoverished by these policies, and because we are impoverished we have to suffer another humiliation by reason of the fact that the Federal Government contributes five times as much to an American citizen in California as it does to another American citizen, for the same causes and under the same conditions, simply because he resides in the State of Arkansas. He receives four times as much if he resides in the State of New York as he does if he resides in the State of Arkansas. If he resides in the State of Alabama he receives $4.87, and if he resides in Connecticut he reecives $13.33.

It is not just, it is not fair, it is not equitable, it is not sound, and I shall tell the Senate why. Unless the Federal Government recognizes the necessity of making an adequate contribution to old-age assistance to those in the lower brackets we shall have here thundering at the doors of the Senate and thundering at the doors of the House of Representatives waves of protests which will be in the forms of demands along the line of new schemes of pensions, either in the form of the Townsend plan or a wholly Federal system.

Senators need not delude themselves about that. They need not pretend that they cannot hear or they cannot see, because those who can see and can hear are bound to know that those results are inevitable. But if we can adopt my amendment and assure every old-age pensioner at least $15 a month, with a contribution over that sum as the States may be able to contribute, we will give the strongest answer, we will give the firmest resistance, we will give the best argument on earth against these other wild schemes that are going to be forced upon us.

Let Senators not fool themselves that they are not going to yield either. Public opinion is the master in this Republic. When it is aroused, when it is stimulated, when it is vibrant, when it is aggressive, public opinion is stronger than any political ruler, any functionary that holds a place under the American flag. It is stronger than the edicts of Congress; it is stronger than any executive pronouncement. Public opinion, when it is formed and molded and fashioned, and is aggressive, is the most compelling force in America today.

Let Senators not delude themselves that politicians—and statesmen—are going to be resistant. They always have responded, or they have gone home, and if there is one thing a Senator or a Representative does not want to do it is to go home for good. [Laughter.] He might not mind going home for a vacation, but if it is a question of going home for good, he is opposed to it.

Mr. President, I wish to talk a little more about the details of the conference. I wish to be plain. Mr. President, I do not see the Senator from Wisconsin [Mr. LA FOLLETTE]. I should like to have him present in the Chamber, because there may be something said which might interest him.

Mr. GEORGE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Clark, Idaho	Hatch	Miller
Andrews	Clark, Mo.	Hayden	Minton
Ashurst	Connally	Herring	Murray
Austin	Danaher	Johnson, Calif.	Nye
Bailey	Davis	Johnson, Colo.	O'Mahoney
Bankhead	Downey	King	Pepper
Barkley	Ellender	La Follette	Pittman
Borah	George	Lee	Radcliffe
Bulow	Gerry	Lodge	Russell
Burke	Gibson	Lucas	Schwartz
Byrd	Guffey	Lundeen	Schwellenbach
Byrnes	Gurney	McCarran	Sheppard
Capper	Hale	McKellar	Shipstead
Chavez	Harrison	Mead	Smith
Stewart	Townsend	Van Nuys	White
Taft	Truman	Wagner	
Thomas, Okla.	Tydings	Walsh	
Thomas, Utah	Vandenberg	Wheeler	

The PRESIDING OFFICER. Sixty-nine Senators have answered to their names. A quorum is present.

Mr. CONNALLY. Mr. President, a moment ago I was discussing the economic injustices which have been inflicted in the past and are now being inflicted upon the people in certain sections of the United States in the matter of freight rates, in the matter of tariffs, and in the matter of building up industrial sections at the expense of agricultural sections—all done by the Government. There is even a more recent instance of injustice and inequality practiced by the Government itself. I refer to the wages paid to Works Progress Administration employees in the various sections of the United States.

It will be remembered that under the old system the W. P. A. wage in the South was about $19, as I recall. I do not have the figures before me. The wage in the South was about $19 as against more than twice that much in other sections.

Mr. HARRISON. More than three times as much.

Mr. CONNALLY. I wish some Senator who has the figures available would supply me with the figures. From two to three times as much was paid to W. P. A. workers in New York and New England and industrial areas as was paid to W. P. A. workers in the State of Texas and other Southern and Southwestern States. Is that economic justice? Yet, it is demanded that out of our want and penury we must contribute toward old-age pensions as large an amount as the opulent and prosperous States in the Union. Under the present system States which are wealthy are given more, and the poor States are given less.

> For whosoever hath, to him shall be given, and he shall have more abundance; but whosoever hath not, from him shall be taken away even that he hath.

That is the doctrine of the present system, Mr. President. To the rich, powerful, and opulent State which is able to pay $30 a month the Federal Government says, "We will give you $15 per head." To the poor State which is in penury and rags it says, "We will give you $3.08."

Mr. President, I now wish to discuss the reasons why the Connally amendment was done to death. From the beginning of the conference the House conferees refused to take back to the House of Representatives the so-called Connally amendment. There had never been a record roll-call vote in the House of Representatives. The attitude of the House conferees was such that the only way by which the Senate could have secured a yea-and-nay vote in the House was for the Senate conferees to have stood just as stubbornly as the House conferees stood. But the Senate conferees did not do that. When it takes a club to get results it does not do any good with a very soft, purring voice to say, "Please take it back to the House for a vote." When a bludgeon is the only instrument that can get the desired results, it is useless to employ a feather duster.

I wish someone would notify the Senator from Wisconsin that I should like to have him attend the session at this time, for he is largely responsible for the funeral, and I think he ought to attend it. [Laughter.]

Had the Senate conferees told the House conferees, in so many words, that they would not recede until the House conferees should take the so-called Connally amendment back to the House of Representatives and obtained an expression upon it from their supposed masters, their theoretical masters, the House would have voted upon it.

I wonder why they did not take it back. Were they afraid to get an expression of the views of the Members of the House of Representatives itself? They owed it to themselves, they owed it to the country, and they owed it to the Senate of the United States to secure a yea-and-nay vote in the House; and the Senate conferees owed a duty to the Senate of the United States, their masters, to demand and insist that the House of Representatives should have a separate vote on this amendment.

If the House had had such a vote and had rejected by a decisive vote the Connally amendment, the Senator from Texas would not now be submitting these remarks. But I feel a sense of resentment that the conferees on the part of the House of Representatives took the course they followed, and I feel a very deep sense of disappointment that the Senate conferees did not regard it as their duty to the Senate to demand that the House conferees submit the amendment to a vote of the House.

I have the highest regard for all the Senate conferees, but I feel that they owed the duty to their associates on the conference committee and to the Senate itself, after the Senate had solemnly expressed itself on a record roll-call vote on that particular amendment to insist that the House of Representatives do the same thing.

This is supposed to be a democratic Government; ours is supposed to be a representative system; it is supposed to be a Government of constitutional processes. One of those processes is that the House of Representatives, initiating legislation of this kind, shall express itself whether the conferees or whether their masters desire it to do so or not.

I am sorry the Senator from Wisconsin is not in the Chamber. I should like to have him here, Mr. President, for I desire to submit some remarks that I think the Senator from Wisconsin will be interested in. I have undertaken to have him come here; but if he does not come in, I am going to make the remarks anyway. If anyone is interested in having him here, I suggest that he send for him.

Mr. President, I was undertaking to point out a few moments ago what I thought should have been done with respect to securing a separate vote in the House of Representatives on the so-called Connally amendment. I stated that I thought it was the duty of the Senate conferees, representing the Senate and not their own personal views, to have insisted, not by saying, "Won't you please take it back to the House?" but by demanding that the House conferees take the amendment back to the House for a separate vote by that body. The Senate conferees for a while insisted, but at the final conference one of the members changed his mind, and the result was that the conference agreed.

Mr. President, there were three members of the conference who voted against the Connally amendment when it was proposed in this body. That is all right, of course; we knew where they stood. The Senator from Utah [Mr. KING], the Senator from Massachusetts [Mr. WALSH], and the Senator from Kansas [Mr. CAPPER] were those three Senators. The Senator from Wisconsin [Mr. LA FOLLETTE], the Senator from Mississippi [Mr. HARRISON], the Senator from Georgia [Mr. GEORGE] and myself voted for it.

So the conference was composed of seven members, three whose personal views were against the Connally amendment, and four whose personal views were supposed to be for the Connally amendment. The Senate voted for the amendment and the conferees were the delegates, the agents of the Senate.

There was another amendment, however, which I have already explained, which takes $695,000,000 out of the social security trust fund and gives it to people who are not now under the law eligible and who will not have paid into the fund more than a mere pittance. The Senator from Wisconsin [Mr. LA FOLLETTE]—and I am glad he is now present, for I do not desire to say anything about his attitude unless he is here—the Senator from Wisconsin was very anxious to secure that amendment and as a result, here, near this door, on the day before the last conference the throat of the Connally amendment was cut from ear to ear. As a further result, the House "caved in" on the amendment in which the Senator from Wisconsin was interested, involving the sum of $695,000,000 to come out of this trust fund—not out of the Treasury—and to go to the aged who become 65 years of age this year, and as a consequence the Senator from Wisconsin would not further insist that the House vote on the amendment. The result was, of course, that the Connally amendment collapsed, and the Senate conferees collapsed. Those are the facts.

If there is any Senate conferee here who disagrees with that view, I should like to have him rise and say so.

Mr. LA FOLLETTE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Wisconsin?

Mr. CONNALLY. I yield.

Mr. LA FOLLETTE. I prefer to make my statement in my own time, because I desire to review the entire conference, and I do not want to interrupt the Senator's speech.

Mr. CONNALLY. I suggested that anyone who wanted to deny what I said should rise on the floor and do so.

Mr. LA FOLLETTE. I simply did not want that statement of the Senator to pass without saying what I did say.

Mr. CONNALLY. Well, was it not true?

Mr. LA FOLLETTE. No; not as the Senator states it.

Mr. CONNALLY. No other Senator has denied it, and there are four of them on the floor who were on the conference committee.

Mr. KING. Mr. President, I do not know what the Senator means——

Mr. CONNALLY. The Senator heard what I said about the change of view of the Senator from Wisconsin when he got his own amendment or the one he favored, for it was not his amendment, but was worked out by the Social Security Board and the Senator from Mississippi. The price of the defeat of the Connally amendment was the $695,000,000 which is to be taken out of the trust fund, paid by employers, and by those who hope to get an old-age insurance some day out of their money, and which is to be given to people who become 65 years of age this year and who have paid in only 1 or 2 years' payments. That is the fact of the matter. So the result was that it was all left to the Senator from Wisconsin, who might as well have been the conference all by himself.

I feel very keenly that the Senate conferees did not discharge the duty to make the House of Representatives vote on this amendment. Following the precedent established by the Senator from Wisconsin about putting in the RECORD other Senators' votes on other occasions, I should like to have set down in the RECORD, following the speech he is going to make explaining his attitude, his vote in the Senate in behalf of the Connally amendment. Then I should like to have printed in the RECORD, following that, his appointment as a conferee, and his instructions to stand by that vote.

The Senator on yesterday saw fit to undertake to attack some of us who have voted, as he conceived, one way on one occasion and another way on another occasion, and to have our votes printed in the RECORD. I am very happy that he did that. Under the old Roman system, you know, they had what they called censors. A censor could remove a Senator who displeased him. We have no constitutional provision for a censor, but it is delightful to know that we have a volunteer censor who is prepared to remove any Senator who does not meet the views of the censor. I congratulate the Senator from Wisconsin. He is not only the whole conference committee, but he is now the censor of the Senate. It is splendid to have that sort of a situation. I think it is fine. We have an All-seeing Eye, but that All-seeing Eye is a celestial being, and He is far away. He sits on a distant throne. I think it is fine to have a terrestrial all-seeing eye with superlative powers of moral and intellectual television by which he can look into the hearts and consciences and minds of Senators, and placard them as they ought to be placarded before their constituents. I think it is splendid.

Mr. President, that is the situation with which the Senate is confronted. I, of course, do not expect the Senate to reject the conference report. That makes it all the more important. We know what the prestige of a conference report is when it comes here in the closing days of a session. Of course, Senators say, "Oh, it is either that or no bill." That fact but accentuates and makes stand out prominently the importance of conferees carrying out the wishes of the

body that appoints them, and at least seeing that the other body respects the Senate as much as we respect the House of Representatives. We had a record vote. Every Senator here had to get right up and toe the mark. He had to say where he stood. But the House of Representatives was not permitted to vote on the matter. Nobody knows how individual Members stand.

It is suggested by the Senator from Mississippi [Mr. HARRISON] that in the original consideration of the bill the House Members claimed that they had a teller vote or a rising vote on this amendment. Nobody knows how anybody voted. There were only a handful of Representatives on the floor when the matter was voted on. But had it happened then, it would have been quite a different situation that they voted upon than after the Senate had adopted the provision, and it was in the bill, and it came to them as a Senate amendment. All Senators know that it would then have more prestige, and more appeal, and more likelihood of being adopted, than if it had come up on an original proposition when the bill was originally sponsored, with practically all the members of the Ways and Means Committee against it. It might have been a wholly different result.

Mr. President, conferences are necessary, of course. I realize that there must be an accommodation of views, naturally; but in the accommodation of those views the Senate ought to be represented by those who are earnestly and sincerely in sympathy with and propose to carry out the wishes of the body appointing them, the Senate of the United States. I feel that the Senate conferees should have insisted to the last that the House go back and vote upon this amendment. Had that been done, and had this amendment then been rejected, you would not have heard the Senator from Texas speaking in his present tenor on this floor. I feel a sense of outrage about it all.

Mr. President, I want to say in closing that no one need beguile himself that this is the final chapter in this scene. I expect to continue at the next session of the Congress the effort to obtain substantially this particular amendment to the Social Security Act. I shall be unwilling then, as I am unwilling now, for the Federal Government to say to one citizen who resides in a rich and a powerful State, "We will give you out of the Federal Treasury, because of old-age assistance, five times as much as we give another citizen, similarly situated as to yourself, because he lives across a State border, because he lives in another geographical section of the Republic." I am willing for the States to make contributions and think they ought to make contributions, but those contributions ought to bear some relationship to the ability of the States to pay them.

What do you expect when you pass the hat in church? You do not expect the pauper to give on an equal basis with the prosperous banker who sits by his side. When you go to the United States tax collector's office you do not expect the man with $1,000 income to pay upon the same ratio or to pay the same amount as the man with $25,000 a year income or $100,000 a year income. If there is to be no humanity in the administration of this act, if it is to be based purely, cold-bloodedly upon the theory that we will match only the amounts of money contributed by the various States, then we have not made any approach to the real solution of this problem, in which the Federal Government has put its hand to the plow. This amendment of mine would practically result in every old-age beneficiary in the United States receiving at least a minimum of $15 per month. If he lived in a prosperous State, he would then receive a very substantial amount above that sum, but those in the very poorest States would get $15 per month.

Mr. LUNDEEN. Mr. President——

Mr. CONNALLY. I yield to the Senator from Minnesota.

Mr. LUNDEEN. I am very much interested in the able statement of the Senator. I desire to say that if any plan is enacted to give four times as much to one State as to another, it is an un-American plan; and I think the so-called social security that we have before us needs much amendment if it is not to be social insecurity.

Mr. CONNALLY. I thank the Senator from Minnesota. That is the effect, though not in the language. It is not so written in the law that one State shall get four times as much as another. On the written page and in theory the law operates uniformly, of course, in every State; but the effect of it, the result of it, is that in some States the old-age pensioner gets only one-fifth as much as he gets in other States. Under the present amendment that limit is raised to $20, and if it is complied with in the rich States some of the States will pay six times as much to an old-age pensioner as another old-age pensioner will receive in another State.

Mr. President, this conference report no doubt will be adopted. I desire to enter here my solemn protest against the injustices inflicted by the final result. This fight is not over. Those of us who are interested in this amendment will renew the contest in January, when Congress again meets. If the House of Representatives is ever given the opportunity to vote upon this amendment, not in the cloakroom, not out on the street, but in the House Chamber where the roll is called and where the Members go on record, I have a sublime faith that the House of Representatives will vote in favor of it. I have had many assurances from Members of the House that they wanted an opportunity to vote, and that if they had that opportunity they had high hope of being able to adopt the amendment. I do not know whether they could or not. It is not for me to pass upon that question, but it is for me to pass upon the question of the right of the membership of the House to vote upon it. It is up to me to pass upon the question as to the right of the Senate to demand that the House conferees take this back for a separate vote. If there is to exist comity between the two bodies, if there is to be that mutual respect as between the two bodies, whenever the Senate has gone on record by a roll-call vote on an amendment, the House of Representatives owes it to the Senate, it owes it to the bicameral system of a House and a Senate, to take the amendment back and have it voted upon, and secure a final result.

Mr. President, the amendment is not dead; it is just going to slumber a little while. Under the sedative which has been administered to it, it is going to sleep for a while, but it is going to come out of the coma, it is going to come out of the slumber which has been brought on, and about next January it will be again urged, and it will continue to be urged until this plan, in substance, shall be adopted by the Congress of the United States.

Mr. LA FOLLETTE. Mr. President, it is a matter of very deep regret to me that the Senator from Texas has seen fit to question the honorable character of my conduct as a representative on the part of the Senate in the conference on the important amendments to the social-security bill. For the Senator from Texas I have always had a deep personal affection and a great respect. Nothing he has said here, so far as I am personally concerned, shall alter that feeling. I do think, however, that I should make a brief statement, because I am easy in my own conscience so far as the discharge of my responsibility to this body as a member of the conference committee is concerned.

I voted for the amendment offered by the Senator from South Carolina [Mr. BYRNES] to provide a system of variable grants to States for the old-age assistance title to the Social Security Act, in accordance with the recommendations of the Advisory Council and the President, when it was submitted in the Committee on Finance. I voted for the amendment offered by the Senator from Texas in the Senate Committee on Finance, although we were unfortunately unable to obtain a majority in the committee. When the proposal came up on the floor of the Senate, I voted for the amendment.

I believe that the principle involved in the amendment offered by the Senator from South Carolina, and recommended by his select Committee on Unemployment, recommended by the Advisory Council on Social Security, and by the President, is a principle which must be written into Title I of the Social Security Act if it is to remain upon the statute books. Personally I preferred that amendment to

the Connally amendment because I believed that it was predicated upon the sound principle of endeavoring to ascertain the capacity of the respective States to meet in some measure the problem of assistance to the aged, rather than a flat increased contribution on the part of the Federal Government to all States, regardless of their financial capacity to meet this problem, which today is one of the most serious problems confronting the country.

Mr. President, in the conference I fought as hard and as long as I could for the Connally amendment, but during the progress of the conference—and I make this statement only in view of the attack which the Senator from Texas has made upon the Senator from Wisconsin—after we had argued and debated the amendment with the managers on the part of the House for many days, and it became apparent that the attitude of the House managers was adamant, I went to the Senator from Mississippi [Mr. HARRISON] for whom I have great respect—and I think I may say without exaggeration that, during my service upon the Committee on Finance, we have enjoyed a cordial and friendly and mutually respectful relationship—and asked him to call a meeting of the Senate conferees in order that there might not be any misunderstanding among us.

At that meeting I stated that I believed that the Connally amendment was of grave importance, but that I personally did not regard that particular amendment as of sufficient importance to warrant a failure of the conferees to come to an agreement on the bill and to bring in a report, so that the differences between the two Houses might be composed. I stated in the meeting of the Senate conferees that I would stand by the Connally amendment up to and until we had made every honorable effort to persuade the managers upon the part of the House to take the Connally amendment back to the House for a separate record vote.

I stated, however, that, so far as I was personally concerned, I wanted my colleagues on the conference representing the Senate to know that when that stage was reached I, as an individual conferee, discharging my responsibility to the Senate, and accepting the full measure of that responsibility, would exercise my judgment that the conference should not be frustrated because of that particular amendment.

As I recall, thereafter there were several meetings of the conference; there was further debate upon the Connally amendment, and a further effort was made to have the managers on the part of the House take the Connally amendment back to the House of Representatives for a separate and a record vote.

When the conference met on Thursday, however, in the Ways and Means Committee room in the Capitol the question again arose as to whether or not the managers on the part of the House would take the Connally amendment back to the House for a separate vote. A statement was made in the conference by a member of the conference committee representing the Senate, and who was an ardent supporter of the Connally amendment, that, in his judgment, even if the amendment went back to the House for a separate vote under the conditions at which we had then arrived, and in view of the approaching adjournment of Congress, the House would without question overwhelmingly support the position upon the amendment originally taken by the managers on the part of the House. He further stated that, even if such action were taken, insofar as he was concerned he did not think it would alter the situation, and he did not think that there would be a bill at this session of Congress.

When that statement was made on Thursday I felt that I had done everything I honorably could to get the managers on the part of the House of Representatives either to recede with an amendment, or to recede altogether, or to take the Connally amendment back to the floor of the House of Representatives for a separate vote.

Following the adjournment of the conference I went to the Senator who had made this statement and said, "Now I feel that I must exercise my individual judgment. I feel that I must, in order to bring about an agreement between the two Houses, take the position that the time has arrived when the Senate should recede upon the Connally amendment"; and I think I state accurately what he said to me—namely, in effect, that he believed that I had fought valiantly and honorably for the Connally amendment, and that, so far as any action which I might take in the remaining conferences was concerned, I was certainly free to exercise my individual judgment.

Mr. President, the Senator from Texas has implied—or perhaps I should put it more bluntly, has stated—that there was a price upon my action in this matter. I have been a Member of this body for nigh on to 14 years; it will be 15 years next December. The Senator from Texas, so far as I know, is the first man, in or out of this body, to question the integrity of the Senator from Wisconsin.

Mr. President, there was not any price. The question which confronted me was whether or not, in my judgment as a duly appointed conferee on the part of this body, the Connally amendment was of sufficient importance to prevent an honorable agreement between the two Houses upon this bill, and preclude the possibility of its enactment.

Early in the proceedings I had notified my fellow conferees—I had put them upon notice—that I did not believe that any one amendment should stand in the way of an honorable agreement.

Mr. President, there were still three amendments in disagreement when the conference met on Friday morning last. There was the 2.75 amendment. There was the so-called Massachusetts or State plan. There was the question of making wages creditable as of January 1, 1939. And there was the Connally amendment.

Mr. President, there was a sincere and an earnest effort to agree made on Friday morning—time has slipped away from me, but that is a little more than 24 hours ago. Everyone knew that the Congress was about to adjourn, but still there was a conscientious effort made to get the managers on the part of the House to agree to a partial report, to settle the remaining items of difference with the exception of the Connally amendment, and to present a partial report, and to ask for further instructions upon the Connally amendment.

The managers on the part of the House unanimously, so far as I can remember, took the position that they could not honorably take that course; that if they were going back for instructions on any one of the remaining amendments they must go back on all. I think it is fair to say they did not contend that such were the rules of the House, but they contended that such was the practice of the House, and that it would be unfair to managers on the part of the House who were interested in other amendments remaining in disagreement, aside from the Connally amendment, to agree to compromise those differences and to take the Connally amendment back as a naked issue.

Mr. President, I have never been a Member of the House. I have, however, been honored by this body in the past as a conferee representing the Senate. But it seemed to me that upon the question of whether or not they could honorably take certain action I must defer to the opinion of the House conferees; That I could not decide for myself the question of their conduct toward their fellow conferees.

Assuming that they took a sound position, assuming that they felt that they had to go back to the House for instructions on all the amendments still in disagreement—the Connally amendment, the 2.75 amendment, the Massachusetts-plan amendment, and the date of January 1, 1939, to make wages creditable for title 2—what would have been the situation? There was not a senatorial conferee who did not believe and know that if the powerful representatives of the Ways and Means Committee, as managers on the part of the House, went back to the House of Representatives and asked for instructions upon these amendments, they would be overwhelmingly instructed to adhere to the original position of the House upon them. And what situation would we then have been in, with the life of this session of Congress measured in terms of mere hours?

Everyone who is at all familiar with legislative procedure knows that if the managers on the part of the House had gone back for instructions on these three important amendments, and then had come back into conference, they would have been adamant on all of them, and any opportunity for compromise or discussion or adjustment of the differences between the two Houses would have been gone, and that the measure would have had to lie over until the next session of Congress. Furthermore, be it said, if such action had been taken, the instructions thus placed upon the managers upon the part of the House would have still been binding in January when we met.

Mr. President, I would be the last to claim that the pending conference report or that these amendments make satisfactory adjustments and changes in the Social Security Act. But the Senator from Mississippi, the chairman of the committee, whose name appeared upon the original legislation, if I remember correctly—in any case, he participated in the framing and the enactment of the original law, and the consideration of all amendments that have been proposed since that time—has stated upon the floor of the Senate that, in his deliberate judgment, despite his disappointment at the elimination of the Connally amendment, which I share, he believes the amendments are of such importance to the country that he would cast his vote for the conference report if it came to a vote.

Mr. President, I do not desire to go any further in revealing what took place in the conference. I hope I have not gone too far. If I have, I plead, Mr. President, that I was placed in such a situation, by the suggestion by the Senator from Texas, that, in order to defend before my colleagues my conduct as a representative of this body, it was essential for me to do so.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. HARRISON. I merely rise to state that I personally found no fault with the position taken by the Senator from Wisconsin. The Senator from Wisconsin stood loyally for the Connally amendment, and I appreciate that the only reason why he finally accepted the compromise offered by the House conferees was because he felt we ought to have a conference report, and to vote otherwise might endanger the passage of the amendments. What the Senator has stated with reference to his conversation with me is correct.

I think, since my name has been brought into the discussion, that it is incumbent upon me to make this statement.

Mr. LA FOLLETTE. Mr. President, I thank the Senator from Mississippi for that statement.

In conclusion let me say that it was my firm and deliberate judgment that if the managers on the part of the Senate had insisted upon the conferees on the part of the House going back to the House and obtaining additional instructions on all these propositions, we not only thereby would have sealed the doom of the measure so far as any action at this session of Congress was concerned, but we would have prejudiced indefinitely, even when we met in January, the possibility of an honorable compromise being arranged between the two Houses.

Mr. President, in the past I have never hesitated to accept any responsibilities that have been placed upon me, and I shall never hesitate to do so in the future. The remarks which have been made by the Senator from Texas shall not in the least cause me to deviate so much as a hair's breadth from the course which I regard as honorable in the discharge of my official responsibilities.

Mr. DOWNEY obtained the floor.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. CONNALLY. I want to say just a word, with the indulgence of the Senator from California.

Mr. President, I do not care to add to the length of this debate. I feel, however, that I am called on to say a word further: The Senator from Wisconsin seemed to imply, or rather affirm, that I attacked his personal integrity. I never made any claim that he benefited personally by it at all. All I stated—and I shall repeat it—that the Senator from Wisconsin was very much interested in another amendment, the $695,000,000 amendment, which takes money out of the trust funds and gives it to people who are not entitled to it under the present law.

I said he was more interested in that than he was in the Connally amendment, and that he preferred to secure that amendment rather than the Connally amendment. I here and now repeat that when the conference was over the Senator from Wisconsin went out of the room with his own amendment in his pocket, and the Connally amendment got the ax. I repeat that. I do not mean that the Senator from Wisconsin obtained any personal advantage from it. I did not attack his personal integrity. I have simply stated the fact.

Mr. LA FOLLETTE. Mr. President, will the Senator from California yield?

Mr. DOWNEY. I yield.

Mr. LA FOLLETTE. I wish to say, with the permission of the Senator from California, that the statement made by the Senator from Texas is not correct. I had no preference as between any of these amendments. But when I found that the House was adamant upon his amendment I felt that, after we had made a fight which lasted 21 days, the time had come when some amendment had to give way, and the amendment which had to give way was the one upon which the House Members were adamant. Had it been the amendment to which the Senator refers, or any other amendment, I would have felt exactly the same way.

Mr. DOWNEY. Mr. President, before the amendments as embodied in the conference report shall become law I desire to comment very briefly upon the Social Security Act from the point of view of my pension philosophy as it will be with these amendments which have been discussed. I wish to reiterate what I have said in two prior speeches in the Senate—that, in my opinion, the present Social Security Act marks the high tide of futility, impotency, and stupidity of statesmanship. The Senator from Texas has very abundantly illustrated the first issue upon which I shall comment. A law which wrings out of the poorer States money for the Federal Treasury for the benefit of the richer States cannot be characterized as other than unjust, inequitable, and absurd.

Yes, Mr. President; under the present law California, because it is a richer State, will take from the Federal Treasury at least $4 for every pensioner, as compared with $1 for Arkansas or Mississippi. Under this law we are capitalizing the misery and distress of the poorer citizens of this State of the Union. Under this law we are giving to the citizens in the richer States four times what we give to the citizens in the less fortunate States, and if that does not violate every rule of decency, common sense, and taxation, I do not know what could.

However, I desire to call to the attention of the Senator from Mississippi [Mr. HARRISON] and the Senator from Texas [Mr. CONNALLY], as well as the Senator from Georgia [Mr. GEORGE], the fact that the principles and views which they have so logically and properly expressed carry them a long, long way toward the philosophy which I am advocating; that is, the Townsend plan. I ask those Senators if it is inequitable and unfair to give to the citizen of a wealthier State, from the Federal Treasury, four times what is given to a citizen in a poorer State, is it not also unjust to give twice as much? Under the amendment of the Senator from Texas, in conjunction with the present law, California, Massachusetts, New York, and others of the more wealthy States would be entitled to $20 from the Federal Treasury for every pensioner, while 15 or 20 of the poorer States would receive only half that amount. If a fourfold contribution is not just, I ask the Senator from Mississippi if a twofold contribution by some strange process of reasoning is to be justified? I think not.

I say to Senators that by their eloquent speeches on the amendment, which should have been accepted by the House of Representatives, they have given a tremendous impulse,

thank God! to a philosophy of abundance and a decent, logical, Christian pension system.

Mr. President, let me briefly advert to another grotesque and absurd phase of the Social Security Act. I see in the Chamber certain Members whose names are revered and blessed in the labor temples of America. I cannot believe that those Senators understand what this law will do to the workers in the covered occupations. Under this strange, grotesque, obscene law, we plan to take 6 percent of the pay roll from the workers in the covered occupations and to penalize the workers, for we tax them 6 percent every month and give them substantially less than we now give as a matter of governmental charity and subsidies. I wonder how the Senators who hold the confidence of the workingmen of America can go back and say to them, "We have voted for a bill which will impose upon your pay roll a 6-percent tax, and for that we are going to give you a pension even more meager than that which we now give in most of the States as a matter of governmental subsidy."

Mr. President, I shall have to go back to the State of California and tell the workers in the covered occupations this strange and unbelievable story; and if those who hear my voice do not believe I am speaking the truth, I do not wonder, because the situation has reached the point of absurdity and is almost unbelievable.

In the next year in the State of California the workers in the covered occupations who are being taxed upon their salaries will receive annuities of $16 or $17 on the whole, while we shall pay $40 a month under this law as a matter of charity. Looking 40 years ahead, a worker in California earning an average of $100 a month, working every month in the 40 years, will receive substantially less than California now pays as a matter of governmental subsidy.

It may be that my sense of logic is wrong, and that some Senators who understand and know labor better than I do can go back to labor in the United States and say, "Yes; we supported a bill which will take $6 out of your pay check for every $100 every month; and in return we promise to pay you, 40 years from now, less than is now paid in many of the States as a matter of governmental subsidy." I cannot believe that the workers of America will understand that strange kind of philosophy.

Mr. LUCAS. Mr. President, will the Senator yield for a question?

Mr. DOWNEY. I yield.

Mr. LUCAS. How much would the Townsend Plan take out of the covered worker's check every month?

Mr. DOWNEY. Mr. President, I want my remarks to be brief and limited. I am merely commenting upon the measure before the Senate. However, next January I shall be happy indeed to discuss that issue before this body.

Mr. President, let me also point out to the Senate that in the United States today there are about 6,000,000 or 7,000,000 people between 60 and 65 years of age. Most of them are totally unemployed, most of them living in misery and insecurity. Any social security act which does not provide for that great body of citizens between 60 and 65 will not meet the approval of the great majority of American citizens.

Mr. President, I should like to make a further brief comment. The Social Security Act, which betrays the worker as opposed to the recipient of charity, will give to those in need who are past 65 an average of only $20 a month; and we Senators of the United States are placing our edict back of a law to degrade, humiliate, and starve people, because no one can live in decency on $20 a month.

One Senator said that a man could not starve in 5 months. Perhaps not, if he is receiving $20 a month; but he had better starve and have it over with than to exist in misery, insecurity, and degradation on $20 a month.

Mr. LUNDEEN. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUNDEEN. In my State of Minnesota the Republican administration now in power has passed a law by which the State compels aged individuals to sign away even their little homesteads. They are not permitted to have a dollar's worth of property in their homesteads. They must sign it away to the State before they receive even a crust of bread. Then when they pass from the earth they are not permitted to leave a single dollar to their children.

Mr. DOWNEY. I thank the Senator from Minnesota for his contribution, and for directing my attention to that situation. Let me tell him of a press notice which I have just received from Sacramento, Calif. A man 81 years of age had been receiving a pension in Sacramento. The State officials found that he had secreted and hidden out the tremendous sum of $654. Under our law no man who has over $500 is entitled to a pension; so the State attached the money and charged the man with fraud. The man, 81 years of age, loosed the chickens he had on his little ranch, obtained a gun, and blew out his brains. Undoubtedly he did the smart thing; for when a government becomes so small and oppressive as to haunt and pursue a man because of a breach of that kind, the unfortunate citizen had better seek a happier world.

Mr. President, in concluding let me say that the pension philosophy which we are advocating is a philosophy of abundance. We know that the farms and factories of America can produce sufficient wealth to deluge every American citizen with all the good and needed things of life. Those who say we cannot pay decent wages and decent pensions are merely saying that we must continue to live in an era of poverty. We can now produce in the United States almost twice as much as we do produce.

When I suggest that the senior citizens of America should be paid sufficient to enable them to live in decency, and some Senators say, "We are just too poor; it cannot be done," they are not referring to the workers and the businessmen and the factories and the farmers of America, because those could produce in generous abundance for every retired citizen and worker in the land. When it is said we are too poor, yes, we are too poor in ability to work out the means of distributing to the retired citizens and the workers of America that which our wealth could so abundantly produce.

Mr. President, I have intruded upon this body longer than I should. I desire in closing merely to say that the Senator from Texas is right; this question is not ended. In a land of opulent wealth, "flowing with milk and honey," with our farms and factories operating at 50 percent, retired workers, kicked out of employment in a technological civilization, will not be satisfied with any law condemning them to penury and distress when ample wealth to allow them to live in dignity and security is all around them.

AMENDMENTS TO SOCIAL SECURITY ACT—CONFERENCE REPORT

The Senate resumed consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes.

Mr. LEE obtained the floor.

Mr. KING. Mr. President——

Mr. LEE. I yield to the Senator from Utah.

Mr. KING. There are on the calendar a number of House bills which our leader is very anxious to have disposed of, and nothing can be done in that direction until the conference report shall have been disposed of. I do not desire to interfere with the Senator, but we would like to expedite the consideration of the calendar.

Mr. LEE. I will say to the Senator from Utah that I do not anticipate taking much time.

Mr. President, I wish to read into the RECORD an editorial from the Austin American, of Austin, Tex., under the heading Deserters Repudiate Their Party Pledge: "No Man Shall Starve," by Charles E. Green:

[From the Austin (Tex.) American]

DESERTERS REPUDIATE THEIR PARTY PLEDGE: "NO MAN SHALL STARVE"

(By Chas. E. Green)

Roosevelt-hating Democrats joined hands with reactionary Republicans and had their say this week.

Eager to discredit the administration, they scuttled the bill for "recoverable expenditures"—the lending bill—and destroyed the housing program.

These two measures remained, with the curtailed relief program, mainstays of the Government's effort to carry the Nation on toward reemployment, busy factories, buying capacity, business stimulus.

Their wreckage shows that partisan politics of '40 already has stifled the Nation's hopes of constructive action by this Congress.

Many of these Democratic House Members rode into office on the Nation's confidence in Franklin D. Roosevelt, his policies, and aims. Many persons believed with the President that wealth must be better distributed in every part of the country—jarred from the control of the money barons of Wall Street.

They now have destroyed much of the effect of the lending-spending works program of the past. They have blasted the hopes of hundreds of thousands of workers' families for food and shelter and clothing this winter. They have played into the hands of unemployment; they have put terror into the minds of those people who were told that "nobody shall starve in this Nation."

But, most of all, they have played into the hands of the bourbon aristocracy of the Republican ranks, who could never see further than the inside of their money vaults.

They have scuttled the hopes for reform of the masses who can no longer look toward a liberal viewpoint of the Democratic Party. Their action strikes at the hopes of the Democratic Party in 1940.

In 1924 the Republican Party was well pleased with the choice of John W. Davis as the Democratic nominee. Republicans approved it. They chuckled over it. Whether Coolidge or Davis went in, a good conservative was in the saddle.

They approved Davis' selection and voted the Republican ticket.

In 1940 there may be some parallel. In 1919 people began to tire of the idealism of Woodrow Wilson; of the reforms he sought. In this cynicism, they turned to Harding and his materialism, which brought on the subsequent Hoover debacle.

Wilson failed to stem the flight of the masses because he was a tired, sick man. He was defeated in spirit and soul. He had been broken on the rack of political persiflage.

Today there are many who are tired of Roosevelt; tired of his ebullient idealism. The arch conservative who prates of rugged individualism and the Constitution has snatched his lantern and is galloping down the highway shouting, "The Communists are coming."

Wall Street, which no longer can dictate the interest rate that business pays on investments, is disgruntled with "this meddling Government," that won't let it exact its full tribute from the "principalities" that constitute "their" United States of America.

But being tired of Roosevelt is a poor excuse for stranding hundreds of thousands of American families, still the victims of Hoover's depression, to bleak hopelessness of a return to Hoover policies—rewards for the powerful; subsidies and tax refunds for the rich; contempt for the poor; starvation for the jobless.

Thus it is that, while the Senate might have been expected to start the wreckage, Democrats in the House have stunned the Nation the worst since an inane Congress mumbled politics while Republicans crushed the wealth from the land and their livelihood from the people back in 1930–31.

Let the coalition of Democrats and Republicans take the political destiny of this Nation from the hands of the masses and invest it again with the eastern moneyed interests. Let them plant it under the same standard that nearly crushed a mighty nation in 1930, 1931, and 1932. Let them count their votes and chuckle in the cloakrooms and rub their hands in glee.

But there will be a day of reckoning. The man in the White House today is not a sick, tired individual. The revolters against the sell-out of the party will have a virile leader. In the districts of these deserter Democrats and elsewhere there will be rumblings, growlings. Human misery knows no season—and no political party.

Mr. President, we have in the United States sufficient natural resources, sufficient labor, and sufficient capital to develop those resources to feed every hungry mouth, to clothe every half-clad body, and to furnish shelter for every family in need in the Nation. This administration is undertaking to bring those three things together in a proper relation; it has undertaken to redistribute the national income in such a manner that every person would have a buying power. It is not so much that we need more loans in this country; it is not so much that we need construction of new factories, although that would follow certainly; what big business needs today is not so much so-called confidence as it needs cash customers, because cash customers will result in confidence.

Since this depression began labor-saving inventions have displaced millions of laborers. I recently rode through the city of Pittsburgh where there were pointed out to me factories in which I was told one could walk for a block and not see a worker; yet those factories were operating by mechanical devices. Mechanical inventions have so displaced labor that if we were "back to normal" in some regards we still would have a great army of unemployed.

It is not enough to shrug our shoulders and say that these people can live; they will get along. How will they get along? Some say, "Balance the Budget." I should like to balance the Budget all right; but balancing the Budget will not give employment to persons who are out of jobs because of mechanical inventions.

There is enough of wealth in this country. The problem is to get it into circulation in the proper manner. This administration has undertaken to cut down the number of hours and distribute the work. This administration has undertaken to cut off labor unemployment at both ends by the youth program on the one hand and pensions for needy old people on the other. This administration has undertaken to set up Government force pumps that force money out to the forks of the creek, so that it will come back in the form of buying power.

It has been charged that we have a deficit. Indeed we have. I wish we could pay. I believe we can pay. We have $55,000,000,000 worth of tax-exempt bonds. There is $55,000,000,000 of wealth in this country which is not contributing to taxation, $55,000,000,000 that does not pay tax either as to income or as to principal; and then we are told that we cannot have an economy that will provide merely a buying power for the necessaries of life for all the people in this country. I believe we can.

There are those who have temporarily stymied this program, but I challenge them. There is no mistaking the issues. It is the same fight that was fought and the same group that marched under the banner of the Liberty League in 1936. There has been some attempt to confuse the issues. There is no confusing of the issues. It is the same invisible financial government that wrecked this country before by the concentration of wealth into the hands of the few with the accompanying poverty on the part of the many.

Money gravitates toward the hands of a few just as surely as heavy bodies fall, pulled by the law of gravity. Divide all the money equally tonight, and tomorrow night some persons would be rich and some would be broke. The second night the rich would be richer and fewer, and the poor would be poorer and more numerous; and that process continues. The poor cannot stop it, or they never would be poor. The rich will not stop it, because to do so does not square with human conduct. There is only one power that can stop it. There is only one power that can set up an offsetting pressure, bringing about a constant redistribution of purchasing power, and that is the Government. I understand that the purpose of Government is to protect the weak from the strong, to prevent the strong from exploiting the weak.

Some persons talk about the right to make money. One fellow's right is tempered by the other fellow's right. One man's right to make money is tempered by another man's right to make a living. When his children tug at his coat and beg for bread, he has a right for a day's labor to give them shelter and food and clothing and schooling.

Yes; we have made mistakes. We would be foolish to say that we have not. We have made mistakes; but we did not make the mistake of doing nothing when men were hungry and out of employment and could not get it. That is the one mistake we have not made. The trouble is, too many people, like the window washer, just see the dirt on the window in front of them—the little W. P. A. trouble down here, the rough spot over there somewhere—and they say, "Look at those things," and point them out to us. Yes; they are mistakes. The window washer up on the skyscraper sees the dirt on the window. That is all he sees. He does not see the great foundation stones that support the building. He does not see the great sweep of architectural beauty. He does not see the tiers of useful offices. All he sees is the dirt on the window in front of him.

Back away and take a panoramic view of this administration. Look at America today and look at her in 1932, and you will be impressed by the difference between what this administration has done for America and what the other administration did to America.

There is no mistaking the issue. The opponents of the administration are marching under the same banners. They shouted "Rugged individualism!" in 1932. They shouted "Save the Constitution!" in 1936; and that is just what we did. We took it off the shelf and made it a living, breathing, dynamic document.

They say, "Save the Constitution!" We say, "Save labor from economic slavery!"

They say to us, "Save the Constitution!" We say, "Save home owners from being driven out from under their shelter."

They say, "Save the Constitution!" We say, "Save children from going to bed at night hungry."

They say, "Save the Constitution!" We say, "Save the workers from sweatshops."

They say, "Save the Constitution!" We say, "Save the old people from the disgrace of a poorhouse!" and that is what we have done. It is the same battle. This program has been thwarted and stymied by the same forces which marched under the banner of "Save the Constitution from the Democrats!" and that is funny.

Out of 67 unconstitutional laws passed since the Government was organized down to this administration, 21 were

passed by Democratic Congresses and 42 were passed by Republican Congresses.

I think Abraham Lincoln was a great man, a great American, and a great constitutional lawyer; and yet in his administration Republican Congresses passed six unconstitutional laws.

I think Theodore Roosevelt was a great man and a great American, and yet under Theodore Roosevelt Republican Congresses passed seven unconstitutional laws.

Under the administration of Ulysses S. Grant 12 unconstitutional laws were passed, more than half as many as had been passed by all the Democrats from the organization of this Government down to this administration.

"Save the Constitution!" That is what we have done. We have saved it and made it a living, breathing document. We have made it a tower of strength, a haven of refuge for the weak; and that is what our opponents cannot stand. They have hamstrung the people's program. The wage earner has been thrown for a loss. The unemployed have been kicked in the teeth. This Congress has let the people down. But we are not discouraged. We will meet you at the polls, those of you who have stopped this program.

You say we have a debt. Why, the increase in the value of securities on the stock market alone would pay the increase in the public debt. The increase in the national income alone would pay much of that debt. Any man judges a balance sheet by both sides; not alone by the one side which simply shows the liabilities, but also by the side which shows the assets.

Look across America today, and you see a rising tide of prosperity. You see monuments of this administration; you see school buildings, libraries, public buildings, fine roads, everywhere standing as monuments.

Yes; the issues are drawn. They are clear. Those who are marching with the financial hierarchy that wants again to take control of the Government, I put you on notice: This is the people's program which has been temporarily thwarted and the people will meet you at the polls.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. KING. I move the adoption of the report.

Mr. LA FOLLETTE. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. I understand that if he were present he would vote as I am about to vote. Therefore, I am at liberty to vote. I vote "yea."

Mr. HARRISON (when his name was called). I have a general pair with the senior Senator from Oregon [Mr. MCNARY] and in his absence I withhold my vote. If permitted to vote, I would vote "yea."

The roll call was concluded.

Mr. AUSTIN. I announce the necessary absence of the Senator from New Jersey [Mr. BARBOUR] and the Senator from Oregon [Mr. MCNARY]. Both of these Senators if present would vote "yea."

Mr. MINTON. I announce that the Senator from Washington [Mr. BONE], the Senator from Michigan [Mr. BROWN], the Senator from Idaho [Mr. CLARK], the Senator from Iowa [Mr. GILLETTE], the Senator from Virginia [Mr. GLASS], the Senator from Rhode Island [Mr. GREEN], the Senator from West Virginia [Mr. HOLT], the Senator from Delaware [Mr. HUGHES], the Senator from Connecticut [Mr. MALONEY], the Senator from West Virginia [Mr. NEELY], and the Senator from New Jersey [Mr. SMATHERS] are necessarily detained from the Senate. I am advised that if present and voting, these Senators would vote "yea."

The Senator from Mississippi [Mr. BILBO], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Ohio [Mr. DONAHEY], the Senator from California [Mr. DOWNEY], the Senator from Alabama [Mr. HILL], the Senator from Louisiana [Mr. OVERTON], and the Senator from North Carolina [Mr. REYNOLDS] are unavoidably detained.

Mr. RADCLIFFE. I announce that my colleague [Mr. TYDINGS] is unavoidably detained. I am advised that if present and voting, he would vote "yea."

Mr. STEWART. I have a general pair with the Senator from Oregon [Mr. HOLMAN]. I transfer that pair to the Senator from New Jersey [Mr. SMATHERS] and vote.

Mr. BURKE. I desire to announce that the junior Senator from Virginia [Mr. BYRD] is unavoidably detained. If present he would vote "yea."

Mr. BARKLEY. I wish to announce the unavoidable absence of my colleague, the junior Senator from Kentucky [Mr. LOGAN], and to announce that if he were present he would vote "yea."

Mr. SHIPSTEAD. I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if present he would vote as I am about to vote. I vote "yea."

Mr. LUCAS. My colleague, the junior Senator from Illinois [Mr. SLATTERY], is unavoidably detained. If present he would vote "yea."

Mr. MCKELLAR (after having voted in the affirmative). I have a general pair with the senior Senator from Delaware [Mr. TOWNSEND] which I transfer to the Senator from Connecticut [Mr. MALONEY] and allow my vote to stand.

The result was announced—yeas 59, nays 4, as follows:

YEAS—59

Adams	Davis	Lodge	Sheppard
Andrews	George	Lucas	Shipstead
Ashurst	Gerry	Lundeen	Smith
Austin	Gibson	McCarran	Stewart
Bailey	Guffey	McKellar	Taft
Bankhead	Gurney	Mead	Thomas, Okla.
Barkley	Hale	Miller	Thomas, Utah
Borah	Hatch	Minton	Truman
Bulow	Hayden	Murray	Vandenberg
Burke	Herring	Nye	Van Nuys
Byrnes	Johnson, Calif.	O'Mahoney	Wagner
Capper	Johnson, Colo.	Pittman	Walsh
Chavez	King	Radcliffe	Wheeler
Clark, Mo.	La Follette	Schwartz	White
Danaher	Lee	Schwellenbach	

NAYS—4

Connally	Ellender	Pepper	Russell

NOT VOTING—33

Barbour	Downey	Hughes	Slattery
Bilbo	Frazier	Logan	Smathers
Bone	Gillette	McNary	Tobey
Bridges	Glass	Maloney	Townsend
Brown	Green	Neely	Tydings
Byrd	Harrison	Norris	Wiley
Caraway	Hill	Overton	
Clark, Idaho	Holman	Reed	
Donahey	Holt	Reynolds	

So the report was agreed to.

[PUBLIC—No. 379—76TH CONGRESS]
[CHAPTER 666—1ST SESSION]
[H. R. 6635]

AN ACT

To amend the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1939".

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

SEC. 101. Section 2 (a) of the Social Security Act is amended to read as follows:

"(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 to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (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 Board 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 Board 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 Board may from time to time require, and comply with such provisions as the Board 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 consideration any other income and resources of an individual claiming old-age assistance; and (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."

SEC. 102. Effective January 1, 1940, section 3 of such Act is amended to read as follows:

"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 January 1, 1940, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) 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 clause, 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, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of 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 Board, 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 Board 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 Division of Disbursement 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 Board, the amount so certified, increased by 5 per centum."

SEC. 103. Section 6 of such Act is amended to read as follows:

"SEC. 6. When used in this title the term 'old-age assistance' means money payments to needy aged individuals."

TITLE II—AMENDMENT TO TITLE II OF THE SOCIAL SECURITY ACT

SEC. 201. Effective January 1, 1940, title II of such Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

"SEC. 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' (hereinafter in this title called the 'Trust Fund'). The 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 Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury.

"(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (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 Chairman of the Social Security Board, 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'). It shall be the duty of the Board of Trustees to—

"(1) Hold the Trust Fund;

"(2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its 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 the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

"(c) It shall be the duty of the Managing Trustee to invest such portion of the Trust Fund 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 special obligations exclusively to the Trust Fund. Such special obligations shall 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 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 of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Managing Trustee determines that the purchase 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) Any obligations acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(e) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

"(f) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Chairman of the Social Security Board which will be expended during a three month period by the Social Security Board and the Treasury Department for the administration of Title II and Title VIII of this Act, and the Federal Insurance Contributions Act. 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 the Federal Insurance Contributions Act. Such repayments shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates in any particular three month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

"(g) All amounts credited to the Trust Fund shall be available for making payments required under this title.

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Primary Insurance Benefits

"SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g)) after December 31, 1939,

(2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"Wife's Insurance Benefits

"(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of her husband, except that, if she is entitled to receive a primary insurance benefit for any month, such wife's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such wife.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 209 (k)) of an individual entitled to primary insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 209 (g) and (h)) after December 31, 1939, if such child (A) has filed application for child's insurance benefits, (B) at the time such application was filed was unmarried and had not attained the age of 18, and (C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to receive a child's insurance benefit for each month, beginning with the month in which such child becomes so entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: such child dies, marries, is adopted, or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit, except that, when there is more than one such individual such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

"(3) A child shall be deemed dependent upon a father or adopting father, or to have been dependent upon such individual at the time

of the death of such individual, unless, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, 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, at the time of such individual's death, was living with and supported by such child's stepfather.

"(4) A child shall be deemed dependent upon a mother, adopting mother, or stepparent, or to have been dependent upon such individual at the time of the death of such individual, only if, at the time of such death, or, if such individual was living, at the time such child's application for child's insurance benefits was filed, no parent other than such individual was contributing to the support of such child and such child was not living with its father or adopting father.

"Widow's Insurance Benefits

"(d) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully insured individual after December 31, 1939, if such widow (A) has not remarried, (B) has attained the age of sixty-five, (C) has filed application for widow's insurance benefits, (D) was living with such individual at the time of his death, and (E) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, shall be entitled to receive a widow's insurance benefit for each month, beginning with the month in which she becomes so entitled to such insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Widow's Current Insurance Benefits

"(e) (1) Every widow (as defined in section 209 (j)) of an individual who died a fully or currently insured individual after December 31, 1939, if such widow (A) has not remarried, (B) is not entitled to receive a widow's insurance benefit, and is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than three-fourths of a primary insurance benefit of her husband, (C) was living with such individual at the time of his death, (D) has filed application for widow's current insurance benefits, and (E) at the time of filing such application has in her care a child of such deceased individual entitled to receive a child's insurance benefit, shall be entitled to receive a widow's current insurance benefit for each month, beginning with the month in

which she becomes so entitled to such current insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to receive a child's insurance benefit, she becomes entitled to receive a primary insurance benefit equal to or exceeding three-fourths of a primary insurance benefit of her deceased husband, she becomes entitled to receive a widow's insurance benefit, she remarries, she dies.

"(2) Such widow's current insurance benefit for each month shall be equal to three-fourths of a primary insurance benefit of her deceased husband, except that, if she is entitled to receive a primary insurance benefit for any month, such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

"Parent's Insurance Benefit

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, leaving no widow and no unmarried surviving child under the age of eighteen, if such parent (A) has attained the age of sixty-five, (B) was wholly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal to or exceeding one-half of a primary insurance benefit of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of a primary insurance benefit of such deceased individual, except that, if such parent is entitled to receive an insurance benefit or benefits for any month (other than a benefit under this subsection), such parent's insurance benefit for such month shall be reduced by an amount equal to the total of such other benefit or benefits for such month. When there is more than one such individual with respect to whose wages the parent is entitled to receive a parent's insurance benefit for a month, such benefit shall be equal to one-half of whichever primary insurance benefit is greatest.

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

"Lump-Sum Death Payments

"(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump-sum to the following person (or if more than one, shall be distributed among them) whose relationship to the deceased is determined by the Board, and who is living on the date of such determination: To the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who are, under the intestacy law of the State where the deceased was domiciled, entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or to the parents of the deceased, in equal shares. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this subsection by reason of the fact that no such named relative survived the deceased or of the fact that no such named relative of the deceased was living on the date of such determination. If none of the persons described in this subsection be living on the date of such determination, 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 the deceased. 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 individual.

"APPLICATION

"(h) An individual who would have been entitled to a benefit under subsection (b), (c), (d), (e), or (f) for any month 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 third month immediately succeeding such month.

"REDUCTION AND INCREASE OF INSURANCE BENEFITS

"SEC. 203. (a) Whenever the total of benefits under section 202, payable for a month with respect to an individual's wages, is more than $20 and exceeds (1) $85, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least, such total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount or to $20, whichever is greater.

"(b) Whenever the benefit or total of benefits under section 202, payable for a month with respect to an individual's wages, is less than $10, such benefit or total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be increased to $10.

"(c) Whenever a decrease or increase of the total of benefits for a month is made under subsection (a) or (b) of this section, each benefit, except the primary benefit, shall be proportionately decreased or increased, as the case may be.

"(d) Deductions, in such amounts and at such time or times as the Board 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 for any month in which such individual:

"(1) rendered services for wages of not less than $15; or

"(2) if a child under eighteen and over sixteen years of age, failed to attend school regularly and the Board finds that attendance was feasible; or

"(3) if a widow entitled to a widow's current insurance benefit, did not have in her care a child of her deceased husband entitled to receive a child's insurance benefit.

"(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than $15.

"(f) If more than one event 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.

"(g) Any individual in receipt of benefits subject to deduction under subsection (d) or (e) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e).

"(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"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 adjustment shall be made, under regulations prescribed by the Board, 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 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 Board 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 Board is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Board has rendered, it 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 its findings of fact and such decision. The Board is further authorized, on its own motion, to hold such hearings and to conduct such investigations and other proceedings as it may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, it may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Board even though inadmissible under rules of evidence applicable to court procedure.

"(c) (1) On the basis of information obtained by or submitted to the Board, and after such verification thereof as it deems necessary, the Board shall establish and maintain records of the amounts of wages paid to each individual and of the periods in which such wages were paid and, upon request, shall inform any individual, or after his death shall inform the wife, child, or parent of such individual, of the amounts of wages of such individual and the periods of payments shown by such records at the time of such request. Such records shall be evidence, for the purpose of proceedings before the Board or any court, of the amounts of such wages and the periods in which they were paid, and the absence of an entry as to an individual's wages in such records for any period shall be evidence that no wages were paid such individual in such period.

"(2) After the expiration of the fourth calendar year following any year in which wages were paid or are alleged to have been paid an individual, the records of the Board as to the wages of such indi-

vidual for such year and the periods of payment shall be conclusive for the purposes of this title, except as hereafter provided.

"(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. Upon request in writing made prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

"(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of such records with such tax returns and such other data submitted under such title VIII or the Federal Insurance Contributions Act or under such regulations.

"(5) Decisions of the Board under this subsection shall be reviewable by commencing a civil action in the district court of the United States as provided in subsection (g) hereof.

"(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpenas 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 Board. 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. Subpenas of the Board shall be served by anyone authorized by it (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 subpena

setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpenaed 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 subpena 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 Board, shall have jurisdiction to issue on 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 subpenaed 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 Board 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 Board 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 its answer the Board 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 Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, 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 Board made before it files its answer, remand the case to the Board for further action by the Board, and may, at any time, on good cause shown, order additional evidence to be taken before the Board, and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact

or its 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 its 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.

"(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, 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 Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board 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 Division of Disbursement 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 Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board 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 Board.

"(j) When it appears to the Board 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 Board 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 Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

"(m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

"(n) The Board may, in its 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.

"REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

"SEC. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, 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 claimants 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 Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board 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 Board 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, 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 repre-

sentation in connection with any matter arising under the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, 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.

"DEFINITIONS

"SEC. 209. When used in this title—

"(a) The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year prior to 1940, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar year after 1939, is paid to such individual with respect to employment during such calendar year;

"(3) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(4) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

"(5) Dismissal payments which the employer is not legally required to make; or

"(6) Any remuneration paid to an individual prior to January 1, 1937.

"(b) The term 'employment' means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to January 1, 1940 (except service performed by an individual after he attained the age of sixty-five if performed prior to January 1, 1939), and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (l) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

"(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 1410 of the Internal Revenue Code;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

"(i) the remuneration for such service does not exceed $45, 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 exempt from income tax under section 101 (1) of the Internal Revenue Code;

"(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 per centum 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 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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;

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

"(15) 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.

"(c) 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 (b).

"(d) 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.

"(e) The term 'primary insurance benefit' means an amount equal to the sum of the following—

"(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50 and does not exceed $250, and

"(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years

in which $200 or more of wages were paid to such individual. Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.

"(f) The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the quarter in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by three times the number of quarters elapsing after 1936 and before such quarter in which he died or became so entitled, excluding any quarter prior to the quarter in which he attained the age of twenty-two during which he was paid less than $50 of wages and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939.

"(g) The term 'fully insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that—

"(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

"(2) He had at least forty quarters of coverage.

"As used in this subsection, and in subsection (h) of this section, the term 'quarter' and the term 'calendar quarter' mean a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term 'quarter of coverage' means a calendar quarter in which the individual has been paid not less than $50 in wages. When the number of quarters specified in paragraph (1) of this subsection is an odd number, for purposes of such paragraph such number shall be reduced by one. In any case where an individual has been paid in a calendar year $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 dies or becomes entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(h) The term 'currently insured individual' means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

"(i) The term 'wife' means the wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

"(j) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to the beginning of the twelfth month before the month in which he died.

"(k) The term 'child' (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before

the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died.

"(l) The term 'agricultural labor' includes all service performed—

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

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

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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.

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

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

TITLE III—AMENDMENTS TO TITLE III OF THE SOCIAL SECURITY ACT

SEC. 301. Section 302 (a) of such Act is amended to read as follows:

"(a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under the Federal Unemployment Tax Act, such amounts as the Board determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year."

SEC. 302. Section 303 (a) of such Act is amended to read as follows:

"(a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board 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 Board 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 Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Board 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 1606 (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

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Board for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Board for the proper administration of such State law."

TITLE IV—AMENDMENTS TO TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 401. (a) Clause (5) of section 402 (a) of such Act is amended to read as follows: "(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 Board 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 Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 402 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children".

SEC. 402. (a) Effective January 1, 1940, subsection (a) of section 403 of such Act is amended by striking out "one-third" and inserting in lieu thereof "one-half", and paragraph (1) of subsection (b) of such section is amended by striking out "two-thirds" and inserting in lieu thereof "one-half".

(b) Effective January 1, 1940, paragraph (2) of section 403 (b) of such Act is amended to read as follows:

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State 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 Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children 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 Board for such prior quarter."

SEC. 403. Section 406 (a) of such Act is amended to read as follows:

"(a) The term 'dependent child' means a needy child under the age of sixteen, or under the age of eighteen if found by the State agency to be regularly attending school, who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;".

TITLE V—AMENDMENTS TO TITLES V AND VI OF THE SOCIAL SECURITY ACT

SEC. 501. Section 501 of such Act is amended by striking out "$3,800,000" and inserting in lieu thereof "$5,820,000".

SEC. 502. (a) Subsection (a) of section 502 of such Act is amended by striking out "$1,800,000" and inserting in lieu thereof "$2,800,000".

(b) Subsection (b) of such section 502 is amended by striking out "$980,000" and inserting in lieu thereof "$1,980,000".

SEC. 503. Clause (3) of section 503 (a) of such Act is amended to read as follows: "(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 Board 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."

SEC. 504. Section 511 of such Act is amended by striking out "$2,850,000" and inserting in lieu thereof "$3,870,000".

SEC. 505. (a) Subsection (a) of section 512 of such Act is amended by striking out the words "the remainder" and inserting in lieu thereof "$1,830,000".

(b) Such section is further amended by inserting after subsection (a) the following new subsection:

"(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States $1,000,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, 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."

(c) Subsection (b) of such section 512 is amended by striking out the letter "(b)" at the beginning thereof and inserting in lieu thereof the letter "(c)".

SEC. 506. Clause (3) of section 513 (a) of such Act is amended to read as follows: "(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 Board 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."

SEC. 507. (a) Subsection (a) of section 514 of such Act is amended by striking out "section 512" and inserting in lieu thereof "section 512 (a)".

(b) Such section 514 is further amended by inserting at the end thereof the following new subsection:

"(c) The Secretary of Labor 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 Division of Disbursement 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 Labor."

(c) Section 521 (a) of such Act is amended by striking out "$1,500,000" and inserting in lieu thereof "$1,510,000".

SEC. 508. (a) Section 531 (a) of such Act is amended by—

(1) Striking out "$1,938,000" and inserting in lieu thereof "$3,500,000".

(2) Striking out "$5,000" and inserting in lieu thereof "$15,000".

(3) Inserting before the period at the end thereof a colon and the following: "*Provided*, That the amount of such sums apportioned to any State for any fiscal year shall be not less than $20,000".

(b) Section 531 (b) of such Act is amended by striking out "$102,000" and inserting in lieu thereof "$150,000".

SEC. 509. Section 601 of such Act is hereby amended to read as follows:

"SEC. 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1940, the sum of $11,000,000 to be used as hereinafter provided."

TITLE VI—AMENDMENTS TO THE INTERNAL REVENUE CODE

SEC. 601. Section 1400 of the Internal Revenue Code is amended to read as follows:

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following

percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

SEC. 602. (a) Section 1401 (c) of the Internal Revenue Code is amended to read as follows:

"(c) ADJUSTMENTS.—If more or less than the correct amount of tax imposed by section 1400 is paid with respect to any payment of remuneration, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

(b) Such section 1401 is further amended by adding at the end thereof the following new subsection:

"(d) SPECIAL REFUND.—If by reason of an employee rendering service for more than one employer during any calendar year after the calendar year 1939, the wages of the employee with respect to employment during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400, deducted from such wages and paid to the collector, which exceeds the tax with respect to the first $3,000 of such wages paid. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (1) the employee makes a claim, establishing his right thereto, after the calendar year in which the employment was performed with respect to which refund of tax is claimed, and (2) such claim is made within two years after the calendar year in which the wages are paid with respect to which refund of tax is claimed. No interest shall be allowed or paid with respect to any such refund."

SEC. 603. Part I of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1403. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee after December 31, 1939. Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the

employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

"(b) PENALTY FOR FAILURE TO FURNISH.—Any employer who wilfully fails to furnish a statement to an employee in the manner, at the time, and showing the information, required under subsection (a), shall for each such failure be subject to a civil penalty of not more than $5."

SEC. 604. Section 1410 of the Internal Revenue Code is amended to read as follows:

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, and 1942, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

"(3) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(4) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

SEC. 605. Section 1411 of the Internal Revenue Code is amended to read as follows:

"SEC. 1411. ADJUSTMENT OF TAX.

"If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter."

SEC. 606. Effective January 1, 1940, section 1426 of the Internal Revenue Code is amended to read as follows:

"SEC. 1426. DEFINITIONS.

"When used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide

for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(b) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

"(1) Agricultural labor (as defined in subsection (h) of this section);

"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

"(3) Casual labor not in the course of the employer's trade or business;

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

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

"(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 by virtue of any other provision of law;

"(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 subdivi-

sions 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 1410;

"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

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

"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

"(i) the remuneration for such service does not exceed $45, 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 exempt from income tax under section 101 (1);

"(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 per centum 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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;

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

"(15) 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.

"(c) INCLUDED AND EXCLUDED SERVICE.—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 (b).

"(d) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(e) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(f) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(g) AMERICAN VESSEL.—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.

"(h) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services performed—

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

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

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 607. Subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1432. This subchapter may be cited as the 'Federal Insurance Contributions Act'."

SEC. 608. Section 1600 of the Internal Revenue Code is amended to read as follows:

"SEC. 1600. RATE OF TAX.

"Every employer (as defined in section 1607 (a)) shall pay for the calendar year 1939 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3 per centum of the total wages (as defined in section 1607 (b)) paid by him during the calender year with respect to employment (as defined in section 1607 (c)) after December 31, 1938."

SEC. 609. Section 1601 of the Internal Revenue Code is amended to read as follows:

"SEC. 1601. CREDITS AGAINST TAX.

"(a) CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—

"(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 1600 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 1603.

"(2) The credit shall be permitted against the tax for the taxable year only for the amount of contributions paid with respect to such taxable year.

"(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day but before July 1 next following such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The preceding provisions of this subdivision shall not apply to the credit against the tax of a taxpayer for any taxable year if such taxpayer's assets, at any time during the period from such last day for filing a return for such year to June 30 next following such last day, both dates inclusive, are in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

"(4) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 1604.

"(5) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

"(b) ADDITIONAL CREDIT.—In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 1600 for any taxable year an amount, with respect to the unemployment compensation law of each State certified for the taxable year as provided in section 1602 (or with respect to any provisions thereof so certified), equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have been required to pay if throughout the taxable year he had been subject under such State law to the highest rate applied thereunder in the taxable year to any person having individuals in his employ, or to a rate of 2.7 per centum, whichever rate is lower.

"(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable."

SEC. 610. (a) Section 1602 of the Internal Revenue Code is amended to read as follows:

"SEC. 1602. CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE.

"(a) STATE STANDARDS.—A taxpayer shall be allowed an additional credit under section 1601 (b) with respect to any reduced rate of contributions permitted by a State law, only if the Board finds that under such law—

"(1) No reduced rate of contributions to a pooled fund or to a partially pooled account, is permitted to a person (or group of persons) having individuals in his (or their) employ except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the three consecutive years immediately preceding the computation date;

"(2) No reduced rate of contributions to a guaranteed employment account is permitted to a person (or a group of persons) having individuals in his (or their) employ unless (A) the guaranty of remuneration was fulfilled in the year preceding the computation date; and (B) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding the computation date by which contributions to such account were measured; and (C) such contributions were payable to such account with respect to three years preceding the computation date;

"(3) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such account amounts to not less than 7½ per centum of the total

wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

"(4) Effective January 1, 1942, paragraph (3) of this subsection is amended to read as follows:

"'(3) No reduced rate of contributions to a reserve account is permitted to a person (or group of persons) having individuals in his (or their) employ unless (A) compensation has been payable from such account throughout the year preceding the computation date, and (B) the balance of such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three years preceding such date, and (C) the balance of such account amounts to not less than 2½ per centum of that part of the pay roll or pay rolls for the three years preceding such date by which contributions to such account were measured, and (D) such contributions were payable to such account with respect to the three years preceding the computation date.'

"(b) CERTIFICATION BY THE BOARD WITH RESPECT TO ADDITIONAL CREDIT ALLOWANCE.—

"(1) On December 31 in each taxable year, the Board shall certify to the Secretary of the Treasury the law of each State (certified with respect to such year by the Board as provided in section 1603) with respect to which it finds that reduced rates of contributions were allowable with respect to such taxable year only in accordance with the provisions of subsection (a) of this section.

"(2) If the Board finds that under the law of a single State (certified by the Board as provided in section 1603) more than one type of fund or account is maintained, and reduced rates of contributions to more than one type of fund or account were allowable with respect to any taxable year, and one or more of such reduced rates were allowable under conditions not fulfilling the requirements of subsection (a) of this section, the Board shall, on December 31 of such taxable year, certify to the Secretary of the Treasury only those provisions of the State law pursuant to which reduced rates of contributions were allowable with respect to such taxable year under conditions fulfilling the requirements of subsection (a) of this section, and shall, in connection therewith, designate the kind of fund or account, as defined in subsection (c) of this section, established by the provisions so certified. If the Board finds that a part of any reduced rate of contributions payable under such law or under such provisions is required to be paid into one fund or account and a part into another fund or account, the Board shall make such certification pursuant to this paragraph as it finds will assure the allowance of additional credits only with respect to that part of the reduced rate of contributions which is allowed under provisions which do fulfill the requirements of subsection (a) of this section.

"(3) The Board shall, within thirty days after any State law is submitted to it for such purpose, certify to the State agency its findings with respect to reduced rates of contributions to a

type of fund or account, as defined in subsection (c) of this section, which are allowable under such State law only in accordance with the provisions of subsection (a) of this section. After making such findings, the Board shall not withhold its certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any taxable year pursuant to paragraph (1) or (2) of this subsection unless, after reasonable notice and opportunity for hearing to the State agency, the Board finds the State law no longer contains the provisions specified in subsection (a) of this section or the State has, with respect to such taxable year, failed to comply substantially with any such provision.

"(c) DEFINITIONS.—As used in this section—

"(1) RESERVE ACCOUNT.—The term 'reserve account' means a separate account in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ, from which account, unless such account is exhausted, is paid all and only compensation payable on the basis of services performed for such person (or for one or more of the persons comprising the group).

"(2) POOLED FUND.—The term 'pooled fund' means an unemployment fund or any part thereof (other than a reserve account or a guaranteed employment account) into which the total contributions of persons contributing thereto are payable, in which all contributions are mingled and undivided, and from which compensation is payable to all individuals eligible for compensation from such fund.

"(3) PARTIALLY POOLED ACCOUNT.—The term 'partially pooled account' means a part of an unemployment fund in which part of the fund all contributions thereto are mingled and undivided, and from which part of the fund compensation is payable only to individuals to whom compensation would be payable from a reserve account or from a guaranteed employment account but for the exhaustion or termination of such reserve account or of such guaranteed employment account. Payments from a reserve account or guaranteed employment account into a partially pooled account shall not be construed to be inconsistent with the provisions of paragraph (1) or (4) of this subsection.

"(4) GUARANTEED EMPLOYMENT ACCOUNT.—The term 'guaranteed employment account' means a separate account, in an unemployment fund, maintained with respect to a person (or group of persons) having individuals in his (or their) employ who, in accordance with the provisions of the State law or of a plan thereunder approved by the State agency,

"(A) guarantees in advance at least thirty hours of work, for which remuneration will be paid at not less than stated rates, for each of forty weeks (or if more, one weekly hour may be deducted for each added week guaranteed) in a year, to all the individuals who are in his (or their) employ in, and who continue to be available for suitable work in, one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within the eleven or less consecutive weeks immediately following the first week in which the individual renders services), and

"(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account, unless such account is exhausted or terminated, is paid all and only compensation, payable on the basis of services performed for such person (or for one or more of the persons comprising the group), to any such individual whose guaranteed remuneration has not been paid (either pursuant to the guaranty or from the security or assurance provided for the fulfillment of the guaranty), or whose guaranty is not renewed and who is otherwise eligible for compensation under the State law.

"(5) YEAR.—The term 'year' means any twelve consecutive calendar months.

"(6) BALANCE.—The term 'balance', with respect to a reserve account or a guaranteed employment account, means the amount standing to the credit of the account as of the computation date; except that, if subsequent to January 1, 1940, any moneys have been paid into or credited to such account other than payments thereto by persons having individuals in their employ, such term shall mean the amount in such account as of the computation date less the total of such other moneys paid into or credited to such account subsequent to January 1, 1940.

"(7) COMPUTATION DATE.—The term 'computation date' means the date, occurring at least once in each calendar year and within twenty-seven weeks prior to the effective date of new rates of contributions, as of which such rates are computed.

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than the standard rate applicable under the State law, and the term 'standard rate' means the rate on the basis of which variations therefrom are computed."

SEC. 611. Paragraphs (1), (3), and (4) of section 1603 (a) of the Internal Revenue Code are amended to read as follows:

"(1) All compensation is to be paid through public employment offices or such other agencies as the Board may approve;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act 49 Stat. 640; U. S. C., 1934 ed., title 42, sec. 1104);

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b);"

SEC. 612. Section 1604 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EXTENSION OF TIME FOR FILING.—The Commissioner may extend the time for filing the return of the tax imposed by this subchapter, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

SEC. 613. Section 1606 of the Internal Revenue Code is amended to read as follows:

"SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES.

"(a) No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate or foreign commerce, or that the State law does not distinguish between employees engaged in interstate or foreign commerce and those engaged in intrastate commerce.

"(b) The legislature of any State may require any instrumentality of the United States (except such as are (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Board under section 1603 and (except as provided in section 5240 of the Revised Statutes, as amended, and as modified by subsection (c) of this section) to comply otherwise with such law. The permission granted in this subsection shall apply (1) 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 (2) 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 State is not certified by the Board under section 1603 with respect to such year.

"(c) Nothing contained in section 5240 of the Revised Statutes, as amended, shall prevent any State from requiring any national banking association to render returns and reports relative to the association's employees, their remuneration and services, to the same extent that other persons are required to render like returns and reports under a State law requiring contributions to an unemployment fund. The Comptroller of the Currency shall, upon receipt of a copy of any such return or report of a national banking association from, and upon request of, any duly authorized official, body, or commission of a State, cause an examination of the correctness of such return or report to be made at the time of the next succeeding examination of such association, and shall thereupon transmit to such official, body, or commission a complete statement of his findings respecting the accuracy of such returns or reports.

"(d) No person shall be relieved from compliance with a State unemployment compensation law on the ground that services were performed on land or premises owned, held, or possessed by the United States, and any State shall have full jurisdiction and power to enforce the provisions of such law to the same extent and with

the same effect as though such place were not owned, held, or possessed by the United States."

SEC. 614. Effective January 1, 1940, section 1607 of the Internal Revenue Code is amended to read as follows:

"SEC. 1607. DEFINITIONS.

"When used in this subchapter—

"(a) EMPLOYER.—The term 'employer' does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was eight or more.

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

"(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

"(4) Dismissal payments which the employer is not legally required to make.

"(c) EMPLOYMENT.—The term 'employment' means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except—

"(1) Agricultural labor (as defined in subsection (l));
"(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;
"(3) Casual labor not in the course of the employer's trade or business;
"(4) Service performed as an officer or member of the crew of a vessel on the navigable waters of 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 twenty-one 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 owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;
"(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 1600;
"(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;
"(9) Service performed by an individual as an employee or employee representative as defined in section 1 of the Railroad Unemployment Insurance Act;
"(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—
"(i) the remuneration for such service does not exceed $45, 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 exempt from income tax under section 101 (1);
"(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 per centum 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 any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

"(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 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;

"(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; or

"(15) 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.

"(d) INCLUDED AND EXCLUDED SERVICE.—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 (c).

"(e) STATE AGENCY.—The term 'State agency' means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

"(f) UNEMPLOYMENT FUND.—The term 'unemployment fund' means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b).

"(g) CONTRIBUTIONS.—The term 'contributions' means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

"(h) COMPENSATION.—The term 'compensation' means cash benefits payable to individuals with respect to their unemployment.

"(i) EMPLOYEE.—The term 'employee' includes an officer of a corporation.

"(j) STATE.—The term 'State' includes Alaska, Hawaii, and the District of Columbia.

"(k) PERSON.—The term 'person' means an individual, a trust or estate, a partnership, or a corporation.

"(l) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

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

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

"(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

"(4) 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, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph 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.

"As used in this subsection, 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."

SEC. 615. Subchapter C of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1611. This subchapter may be cited as the 'Federal Unemployment Tax Act'."

TITLE VII—AMENDMENTS TO TITLE X OF THE SOCIAL SECURITY ACT

SEC. 701. (a) Clause (5) of section 1002 (a) of the Social Security Act is amended to read as follows: "(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 Board 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 Board to be necessary for the proper and efficient operation of the plan."

(b) Effective July 1, 1941, section 1002 (a) of such Act is further amended by inserting before the period at the end thereof a semicolon and the following new clauses: "(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; and (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".

SEC. 702. Effective January 1, 1940, section 1003 of such Act is amended to read as follows:

"PAYMENT TO STATES

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing January 1, 1940, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds $40, and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Board for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

"(1) The Board 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, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its 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 Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind 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 Board 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 Division of Disbursement 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 Board, the amount so certified."

SEC. 703. Section 1006 of such Act is amended to read as follows:

"SEC. 1006. When used in this title the term 'aid to the blind' means money payments to blind individuals who are needy."

TITLE VIII—AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 801. Effective January 1, 1940, paragraph (1) of section 1101 (a) of such Act is amended to read as follows: "(1) The term 'State' (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia, and when used in titles V and VI of such Act (including section 531) includes Puerto Rico."

SEC. 802. Title XI of such Act is further amended by adding at the end thereof the following new sections:

"DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

"SEC. 1106. 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 the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board 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.

"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, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, 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 Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child 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."

TITLE IX—MISCELLANEOUS PROVISIONS

SEC. 901. Except as provided in section 906, no provision of this Act shall be construed as amending or altering the effect of section 13 (b), (c), (d), (e), or (f) of the Railroad Unemployment Insurance Act.

SEC. 902. (a) Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit for the amount of contributions, with respect to employment during such year, paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act;

(2) On or after such sixtieth day, with respect to wages paid after the fortieth day after such date of enactment;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

(b) Upon the payment of contributions into the unemployment fund of a State which are required under the unemployment compensation law of that State with respect to remuneration on the basis of which, prior to such payment into the proper fund, the taxpayer erroneously paid an amount as contributions under another unemployment compensation law, the payment into the proper fund shall, for purposes of credit against the tax imposed by section 901 of the Social Security Act for the calendar years 1936, 1937, and 1938, respectively, be deemed to have been made at the time of the erroneous payment. If, by reason of such other law, the taxpayer was entitled to cease paying contributions with respect to services subject to such other law, the payment into the proper fund shall, for purposes of credit against the tax, be deemed to have been made on the date the return for the taxable year was filed under section 905 of the Social Security Act.

(c) The provisions of the Social Security Act in force prior to February 11, 1939 (except the provisions limiting the credit to amounts paid before the date of filing returns) shall apply to allowance of credit under subsections (a), (b), and (h), and the terms used in such subsections shall have the same meaning as when used in title IX of the Social Security Act prior to such date. The total credit allowable against the tax imposed by section 901 of such Act for the calendar years 1936, 1937, and 1938, respectively, shall not exceed 90 per centum of such tax.

(d) Refund of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under subsections (a), (b), and (h), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund.

(e) Notwithstanding the provisions of section 1601 (a) (2) of the Internal Revenue Code, as amended, credit shall be permitted under such section 1601, against the tax for the taxable year in which remuneration is paid for services rendered during a prior year, for the amounts of contributions with respect to such remuneration which have not been credited against the tax for any prior taxable year. Credit shall be permitted under this subsection only against the tax for the years 1940, 1941, and 1942, and only for contributions with respect to remuneration for services rendered after December 31, 1938.

(f) No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of sections 1426 (b) and 1607 (c) of the Internal Revenue Code, as amended, and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to services rendered prior to January 1, 1940, which are described in subparagraphs (11) and (12) of section 209 (b) of such Act, as amended.

(g) No lump-sum payment shall be made under the provisions of section 204 of the Social Security Act after the date of enactment of this Act, except to the estate of an individual who dies prior to January 1, 1940.

(h) Notwithstanding the provision of section 907 (f) of the Social Security Act limiting the term "contributions" to payments required by a State law, credit shall be permitted against the tax imposed by section 901 of such Act for the calendar year 1936 or 1937, for so much of any payments made as contributions for such year into the unemployment fund of a State which are held by the highest court of such State not to be required payments under the unemployment compensation law of such State if they are not returned to the taxpayer. So much of such payments as are not so returned shall be considered to be "contributions" for the purposes of section 903 of such Act. The periods of limitations prescribed by section 3312 (a) of the Internal Revenue Code shall not begin to run, in the case of the tax for such year of any taxpayer to whom any such payment is returned, until the last such payment is returned to the taxpayer.

(i) No part of the tax imposed by the Federal Unemployment Tax Act or by title IX of the Social Security Act, whether or not the taxpayer is entitled to a credit against such tax, shall be deemed to be a penalty or forfeiture within the meaning of section 57j of the Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended.

SEC. 903. Section 1430 of the Internal Revenue Code is amended by striking out "3762" and inserting in lieu thereof "3661".

SEC. 904. Effective January 1, 1940, section 1428 of the Internal Revenue Code is amended by striking out "paragraphs (9) and (10)" and inserting in lieu thereof "paragraph (9)".

SEC. 905. (a) No service performed at any time during the calendar year 1939 by any individual shall, by reason of the individual having attained the age of sixty-five, be excepted from employment as defined in section 1426 (b) of subchapter A of chapter 9 of the Internal Revenue Code. Paragraph (4) of such section (which excepts such service from employment) is repealed as of the effective date thereof, and paragraph (4) of section 811 (b) of the Social Security Act is repealed as of January 1, 1939. The tax on employees imposed by section 1400 of such subchapter and the tax on employers imposed by section 1410 of such subchapter, and the provisions of law applicable to such taxes, shall apply with respect to remuneration paid after December 31, 1938, for service which, by reason of the enactment of this section, constitutes employment as so defined.

(b) Notwithstanding any other provision of law, no employer shall be liable for the tax on any employee, imposed by section 1400 of such subchapter (unless the employer collects such tax from the employee), with respect to service performed before the date of enactment of this Act which constitutes employment by reason of the enactment of this section, except to the extent that the employer has under his control at any time on or after the ninetieth day after such date amounts of remuneration earned at any time by the employee.

SEC. 906. If the Social Security Board finds with respect to any State that the first regular session of such State's legislature which began after June 25, 1938, and adjourned prior to thirty days after the enactment of this Act (1) had not made provision to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such session or July 1, 1939, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "preliminary amount", or to authorize and direct the Secretary of the Treasury, prior to thirty days after the close of such session or January 1, 1940, whichever date is later, to transfer from its account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund an amount equal to such State's "liquidating amount", or both; and (2) had not made provision for financing the administration of its unemployment-compensation law during the period with respect to which grants therefor under section 302 of the Social Security Act are required under section 13 of the Railroad Unemployment Insurance Act to be withheld by the Social Security Board, notwithstanding the provisions of section 13 (d) of the Railroad Unemployment Insurance Act the Social Security Board shall not begin to withhold from certification to the Secretary of the Treasury for payment to such State the amounts determined by it pursuant to section 302 of the Social Security Act and to certify to the Secretary of the Treasury for payment into the railroad unemployment-insurance account the amount so withheld from such State, as provided in section 13 of the

Railroad Unemployment Insurance Act, until after the thirtieth day after the close of such State's first regular or special session of its legislature which begins after the date of enactment of this Act and after the Social Security Board finds that such State had not, by the thirtieth day after the close of such legislative session, authorized and directed the Secretary of the Treasury to transfer from such State's account in the Unemployment Trust Fund to the railroad unemployment insurance account in the Unemployment Trust Fund such State's "preliminary amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security Board, and such State's "liquidating amount" plus interest thereon at 2½ per centum per annum from the date the amount thereof is determined by the Social Security Board. Notwithstanding the provisions of section 13 (e) of the Railroad Unemployment Insurance Act, any withdrawal by such State from its account in the Unemployment Trust Fund for purposes other than the payment of compensation of the whole or any part of amounts so withheld from certification with respect to such State pursuant to this Act shall be deemed to constitute a breach of the conditions set forth in sections 303 (a) (5) of the Social Security Act and 1603 (a) (4) of the Internal Revenue Code. The terms "preliminary amount" and "liquidating amount", as used herein, shall have the meanings defined in section 13 of the Railroad Unemployment Insurance Act.

SEC. 907. In addition to any other deductions made under section 203 of the Social Security Act, as amended, deductions shall be made from any primary insurance benefit or benefits to which an individual is entitled or from any other insurance benefit payable with respect to such individual's wages, until such deductions total 1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code have not been deducted by his employer from his wages or paid by such employer.

SEC. 908. All functions of the Social Security Board shall be administered by the Social Security Board under the direction and supervision of the Federal Security Administrator.

SEC. 909. Subsection (h) of section 5 of the Home Owners' Loan Act of 1933, as amended, is amended by inserting after the words "United States", where they first appear in such subsection, the following: "(except the taxes imposed by sections 1410 and 1600 of the Internal Revenue Code with respect to wages paid after December 31, 1939, for employment after such date)".

SEC. 910. (a) The provisions of section 213 (f) of the Revenue Act of 1939 shall apply without regard to the exception therein provided, if (1) the taxpayer in the determination referred to in such exception is a corporation, (2) such determination is by a decision of the Board of Tax Appeals or of a court, (3) under the law applicable to the taxable year in which the exchange occurred, the basis of the property, acquired upon the exchange from the taxpayer by the party assuming a liability of the taxpayer or acquiring the property subject to a liability, is the cost to such party of the property acquired upon the exchange, and (4) the taxpayer in

pursuance of the plan of reorganization effected a complete liquidation immediately subsequent to the exchange.

(b) No overpayment determined to have been made for any taxable year by reason of the provisions of paragraph (a) of this section shall be refunded or credited unless a claim for refund is filed within the period of limitations otherwise provided by law for filing a claim for refund for such taxable year, or within one year from the date of enactment of the Revenue Act of 1939, whichever of such periods expires the later. No interest shall be allowed or paid on the amount of any overpayment refunded or credited by reason of the provisions of this section.

SEC. 911. Subsection (d) of section 602 of the Revenue Act of 1936, as amended, (relating to floor stocks adjustment) is amended by striking out "January 1, 1937", and inserting in lieu thereof "January 1, 1940".

Approved, August 10, 1939.

LISTING OF REFERENCE MATERIALS

U.S. Advisory Council on Social Security. *Final Report . . . December 10, 1938.* (S. Doc. 4, 76th Cong., 1st sess.)

U.S. Social Security Board. *Proposed Changes in the Social Security Act: A Report of the Social Security Board to the President and Congress of the United States.* (Printed as H. Doc. 110, 76th Cong., 1st sess., with text of message from the President) 1939.

U.S. Congress. House. Committee on Ways and Means. *Social Security. Hearings Relative to the Social Security Act Amendments of 1939, 76th Congress, 1st session.*

U.S. Congress. Senate. Committee on Finance. *Social Security Act Amendments. Hearings on H.R. 6635, 76th Congress, 1st session.*