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November 1 (legislative day, October 29), 1977.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1977
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SOCIAL SECURITY AMENDMENTS OF 1977

November 1 (legislative day, October 29), 1977.—Ordered to be printed

Mr. Long, from the Committee on Finance, submitted the following

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 5322]

The Committee on Finance, to which was referred the bill (H.R. 5322) to provide duty-free treatment for isle, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill as amended do pass.

I. SUMMARY

The bill (H.R. 5322), as amended by the committee, would restore the social security programs of old-age, survivors, and disability insurance to financial soundness in both the short range and the long range, would increase the amount of earnings an individual can have without any reduction in social security benefits, and would make other modifications in the social security program as described below.

Social security financing

The committee bill includes several provisions designed to improve the financial status of the social security cash-benefits trust funds which, under present law, face serious deficit situations both over the long run and in the next several years. In combination, the financing provisions in the committee bill will result in a cash-benefits program which by 1990 will build up the trust fund balances to an acceptable level of 50 percent of 1 year's outgo. Over the traditional long-range actuarial valuation period of 75 years, the program has a favorable actuarial balance of +0.06 percent of taxable payroll under the committee amendments.
Revised benefit formula for future retirees.—A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The committee bill makes the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. A new automatic adjustment mechanism will apply to the benefit formula for new retirees. This new formula will avoid the overindexing which was characteristic of the present-law formula. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring after the wages were earned. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of preretirement earnings at approximately the same ratio as applied in the case of persons who retired in 1976.

Increase in amount of earnings subject to employer tax.—Under existing law, the employer share of the social security payroll tax is collected on the first $16,500 earned by each employee. This amount increases automatically in future years as wages rise and is expected to increase to $17,700 in 1978. The committee bill would raise the base for employer taxes to $50,000 starting in 1979. The base will remain at $50,000 through 1984 and then increase to $75,000 in 1985. This amount would not be increased after 1979, as under present law, to reflect yearly increases in average wage levels. Instead, it will remain at $75,000 until early in the next century. Shortly after the turn of the century, the amount of annual earnings subject to the employer tax will have increased to $75,000 under the automatic increase provisions of present law. At that time, the employee and employer bases will again be equal. Thereafter, both bases will rise together as under present law when wage levels in the economy rise.

Increasing the amount of wages subject to social security taxes would also result in a similar increase under the railroad retirement program. Because railroad employers pay an additional tax of 9.5 percent which goes to support the part of the railroad retirement program that is essentially a staff retirement program, the committee bill provides that the 9.5-percent tax will continue to be paid on the same amount of earnings that would be taxed under present law while the increased employer tax base would apply only to that part of the employer tax rate which is equivalent to the social security tax rate.

Increase in amount of earnings subject to employee (or self-employed) tax.—In addition to increasing the amount of wages subject to the employer tax, the committee bill would increase the amount of annual earnings subject to the employee or self-employment tax. Under the provision, there will be four $600 increases over present-law levels in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases under this amendment.
AMOUNT OF EARNINGS SUBJECT TO EMPLOYEE/SELF-EMPLOYED TAX

<table>
<thead>
<tr>
<th>Years</th>
<th>Present law</th>
<th>Committee amendment</th>
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<tr>
<td>1978</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>18,900</td>
<td>19,500</td>
</tr>
<tr>
<td>1980</td>
<td>20,400</td>
<td>21,000</td>
</tr>
<tr>
<td>1981</td>
<td>21,900</td>
<td>23,100</td>
</tr>
<tr>
<td>1982</td>
<td>23,400</td>
<td>24,600</td>
</tr>
<tr>
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<td>24,900</td>
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<tr>
<td>1984</td>
<td>26,400</td>
<td>28,200</td>
</tr>
<tr>
<td>1985</td>
<td>27,900</td>
<td>30,300</td>
</tr>
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Tax rate increase.—The committee bill also modifies the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases result in a revised tax rate schedule as shown in the table below. The changes in the hospital insurance (HI) rates shown in the table will, in combination with the tax base changes also included in the bill, leave the HI fund in close to the same position as it would be under existing law.

SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)

[In percent]

<table>
<thead>
<tr>
<th>Years</th>
<th>Present law</th>
<th>Committee amendment</th>
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<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
</tr>
<tr>
<td>1978</td>
<td>4.95</td>
<td>1.10</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.95</td>
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<tr>
<td>1981-84</td>
<td>4.95</td>
<td>1.35</td>
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<td>1985</td>
<td>4.95</td>
<td>1.35</td>
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<tr>
<td>1986-89</td>
<td>4.95</td>
<td>1.50</td>
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<tr>
<td>1990-94</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>1995-2000</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>2001-10</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>2011 and after</td>
<td>5.95</td>
<td>1.50</td>
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Increase in tax rate for self-employment.—When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at $\frac{3}{2}$ times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the $\frac{3}{2}$ to 1 ratio was maintained until 1973 when the cash-benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The committee bill would restore the self-employment tax rate for cash benefits to the original ratio of $\frac{3}{2}$ times the employee rate effective in 1981.

Refund of taxes paid by State and local governments and by nonprofit organizations.—The bill would authorize an appropriation from general revenues to provide State and local governments and nonprofit organizations a partial refund of social security taxes. The refund would be equal to 50 percent of the difference between the employer social security tax paid with respect to an individual and the amount of tax paid by the employee.

Other social security provisions

Benefits for dependent spouses.—The committee bill would reduce benefits payable under social security to dependent spouses—including surviving spouses—by the amount of any civil service (Federal, State, or local) retirement benefit payable to the spouse. The provision would apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a civil service pension based on his or her own earnings in public employment which was not covered under the social security system.

Modification of retirement test and financing of the provision.—Social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount which is adjusted annually to reflect changes in average wage levels. The amount which may be earned with no reduction in benefits is $3,000 in 1977 and is expected to increase to $3,240 in 1978 and to $3,480 in 1979. The committee bill would increase these levels to $4,500 in 1978 and to $6,000 in 1979. After 1979, the $6,000 level would increase automatically as wage levels rise. (The 1978 increase would be applicable to the entire year but any additional benefits resulting from the change would not become payable until after September 30, 1978.) The committee bill would also increase the social security tax rate applicable to employers and employees, effective January 1, 1979, by the amount needed to fund the cost of the higher retirement test levels. These tax rate increases are incorporated in the tax schedule printed above.

Increased benefits for certain widows.—Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits. This delayed retirement increment which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. Under the committee bill, any such increment would also be added to the benefit payable to the widow or widower of such an individual.
Elimination of certain dual taxation requirements.—Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be increased to $50,000 effective in 1979 and to $75,000 in 1985. The base for Federal unemployment taxes is $6,000 after 1977.) Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. Under the committee bill, social security and unemployment taxes in excess of the tax base would not be paid in this type of situation starting in 1979.

Delivery of social security checks.—The committee bill would require timely delivery of social security checks when the normal delivery day falls on a weekend or legal holiday. Under present procedures, checks are generally delivered on the third of each month. In some cases when the third falls on a weekend or public holiday, the beneficiary may not receive—or may be unable to cash—the check until after the third. Under the committee bill, whenever the third of the month falls on a weekend or legal holiday, social security checks would be delivered on the Friday before the weekend—or on the day preceding the holiday. A similar rule would apply to checks under the supplemental security income (SSI) program which are ordinarily delivered on the first of the month.

Limitation on retroactive social security benefits.—Persons applying for social security benefits are now allowed to elect to receive benefits for up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained at the cost of a lower permanent benefit amount since benefits paid before age 65 are actuarially reduced. Under the committee bill, retroactive reduced benefits generally would not be permitted in cases involving entitlement before age 65. This would create a short-range savings and reduce fiscal year 1978 costs by $0.3 billion.

Benefit increases as applied to reduced benefits.—Under the automatic cost-of-living benefit increase provisions, some persons on the rolls, through a technicality, receive an increase which is larger than the increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the basic benefit rate (called “primary insurance amount”) which represents what would be paid to a retired worker if he began drawing benefits at age 65. If an individual begins getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, subsequent benefit increases will be larger than is necessary to keep that benefit up to date with increases in the cost of living.

The committee bill would modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.
Study of spouse's benefits.—The committee bill would require the Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

Study of consumer price index.—The committee bill also requires the Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, to study the need to develop a special consumer price index for the elderly.

International social security agreements.—The committee bill would authorize the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of the United States and another country. Agreements negotiated by the President would be submitted to Congress together with a report explaining their impact on program costs. If neither House passes a resolution of disapproval, the agreement could go into effect 90 days after the date of submission to Congress.

Nonprofit organization.—The committee bill contains provisions which would modify the provisions of Public Law 94-563 as it relates to the tax liabilities of certain nonprofit organizations which paid social security taxes without filing the waiver certificates required by the law and which under Public Law 94-563 are deemed to have filed such certificates.

Temporary administrative law judges.—The bill contains provisions which provide that certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges in recognition of the experience they have had in the temporary positions.

Social security advisory council.—The committee bill extends the reporting date for the next Advisory Council on Social Security. Under existing law, the report is due to be filed by January 1, 1979. The committee amendment allows an additional 9 months (until October 1, 1979) for the completion of this report.

Welfare provisions

Fiscal relief for State and local welfare costs.—The committee bill provides $400 million in additional Federal funding of welfare costs as a means of providing fiscal relief to State and local governments for fiscal year 1978. Each State would receive a share of that total on the basis of a two-part formula. Half of the fiscal relief funds would be distributed to each State in proportion to its share of total expenditures under the program of aid to families with dependent children (AFDC) for December 1976, and half would be distributed under the general revenue sharing formula.

In some States, local units of government are responsible for meeting part of the costs of the AFDC program. The fiscal relief pay-
ments to those States under this provision would have to be passed through to local governments. However, States would not be required to pass through an amount in excess of 90 percent of the amount of the welfare costs for which the local government was otherwise responsible.

Quality control and incentives to reduce errors.—The committee amendment would establish a program of fiscal incentives as part of the AFDC quality control program to encourage States to reduce the level of their dollar error rates with respect to eligibility and overpayment, of aid paid under the approved State plan. Instead of applying sanctions on the States, the dollar error rates would be used as the basis for a system of incentives, which would give the States motivation for expanding their quality control efforts and improving program administration. Under the amendment, States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Federal Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 3.5 percent but less than 4 percent</td>
<td>10</td>
</tr>
<tr>
<td>At least 3 percent but less than 3.5 percent</td>
<td>20</td>
</tr>
<tr>
<td>At least 2.5 percent but less than 3 percent</td>
<td>30</td>
</tr>
<tr>
<td>At least 2 percent but less than 2.5 percent</td>
<td>40</td>
</tr>
<tr>
<td>Less than 2 percent</td>
<td>50</td>
</tr>
</tbody>
</table>

Demonstration projects.—The committee bill broadens and makes more explicit the provision of present law relating to State demonstration programs. The objectives of the new demonstration authority would be to permit States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of persons who are on assistance—or who otherwise would be on assistance. These objectives would be achieved through experiments designed to make employment more attractive for welfare recipients.

This provision is similar in intent to an amendment approved by the Senate in 1973. It would limit States to not more than three demonstration projects. One of the projects could be statewide, and none of the projects could last for more than 2 years. The amendment would permit States to waive the requirements of the AFDC program relating to (1) statewideliness; (2) administration by a single State agency; (3) the earned income disregard; and (4) the work incentive program. The State could request a waiver of any or all of these requirements on its own initiative. The waiver would be considered approved at the end of 45 days unless the Secretary disapproved it within this 45-day waiting period.

The provision would allow States to use welfare funds to pay part of the cost of public service employment, which would have to meet
specified conditions. Participation in the demonstration projects would be voluntary. Costs of the projects would be eligible for the same matching as other AFDC costs, with the limitation that the amount matchable with respect to any participant in the project could not exceed the amount which would otherwise be payable to him under AFDC. Thus, it is estimated that the projects would not result in any increased Federal expenditures.

Access to wage information for AFDC verification.—The committee bill would improve the capacity of States to acquire accurate wage data by providing authority for the States to have access to earnings information in records maintained by the Social Security Administration and State employment security agencies. Such information would be obtained by a search of wage records conducted by the Social Security Administration or employment security agencies to identify the fact and amount of earnings and the identity of the employer in the case of individuals who were receiving AFDC at the time the earnings were received. The Secretary of Health, Education, and Welfare would be authorized to establish necessary safeguards against improper disclosure of the information. Beginning October 1979, the States would be required to request and use the earnings information made available to them under the committee amendment.

Earned income disregard.—Under present law States are required, in determining need for aid to families with dependent children, to disregard the first $30 earned monthly by an adult, plus one-third of additional earnings. Costs related to work—such as transportation, child care, uniforms, and other items—are also deducted from earnings in calculating the amount of the welfare benefit.

The committee bill requires States to disregard the first $60 earned monthly by an individual working full time—$30 in the case of an individual working part-time—plus one-third of the next $300 earned plus one-fifth of amounts earned above this. Child care expenses, subject to limitations prescribed by the Secretary, would be deducted before computing an individual’s earned income. Other work expenses could not be deducted.

II. GENERAL DISCUSSION OF THE BILL

A. SOCIAL SECURITY FINANCING

The need for legislation.—Over the years the committee and the Congress have devoted a considerable amount of time and effort to social security financing in order to assure that funds will be available to meet benefit payments as they fall due. Whenever benefit improvements have been enacted, the committee has recommended, and the Congress has provided, financing arrangements that, based on the best available economic and demographic assumptions, seemed to assure the financial soundness of the program over the long-range future.

The 1977 report of the Trustees of the social security trust funds showed for the fourth consecutive year that the social security cash benefits programs—old-age, survivors and disability insurance or OASDI—were inadequately financed in both the near-term and the long-range future. In addition, the hospital insurance program (HI) was described as being adequately financed over the next 5 years but
with a tax rate schedule which would not finance the program over the long run.

It has been noted that the decline in the actuarial status of the trust funds began with the adoption of the automatic cost-of-living increases in benefits. While it is true that a substantial part of the long-term deficit is caused by the cost-of-living increases, this is because the assumptions made in 1972 as to future demographic changes and the relationship between rises in wage levels and increases in the CPI are now considered to have been excessively optimistic. As a result, the increases in wage levels have not paid (as was assumed in 1972) for the cost-of-living increases in benefits.

When the Congress last enacted major social security legislation, in 1973, the estimates of the cost of the cash-benefits programs were based on the assumption that the ultimate fertility rate would be 2.55 children per woman. By 1973, it was probably more reasonable to assume that the ultimate rate should be one which would approach zero population growth (about 2.1 children per woman). Subsequent cost estimates were based on lower fertility rates. The initial reduction came in 1974 when a rate of 2.1 was assumed and a further reduction was made in 1976 when an ultimate fertility rate of 1.9 was used for the 1976 assumptions.

As for the economic assumptions made for 1973, the most significant were that after 1977 average earnings would increase at an annual rate of 5 percent while the CPI would increase at 2.5 percent a year. Even at the end of 1973, this seemed a dim prospect, and the 1974 estimates were based on the assumption that the annual rise in the CPI would average 3 percent a year. The effect of this change, however, was offset to some degree by eliminating an 0.375 percent additional cost which had been included as a “safety factor” for years prior to 2011 in the 1973 estimates. By 1976, the assumptions had been changed to a 5.75 percent annual rise in average wages and a 4 percent annual rise in the CPI.

The long-range economic assumptions used for the 1977 estimates are basically those used for the 1976 estimates. Significant changes though, were made in the mortality and fertility assumptions. Mortality was assumed to improve, thus raising the cost of the program by 0.64 percent of taxable payroll. This increase in cost was offset by assuming that the fertility rate would rise to 2.1 (the approximate rate at which the population eventually would neither grow nor decline).

The committee bill.—In order to eliminate both the short-range deficits and the longer range deficit, the committee bill includes changes in the way benefits are computed, increases in social security tax rates for employees, employers, and the self-employed, increases in the contribution and benefit base for employees and the self-employed and for employers, and a reallocation of income between the disability insurance program and the other cash-benefits programs.

In the short term, 1978-87, the changes in the committee bill turn an estimated cumulative deficit for the OASDI program of $173 billion in 1987 into a positive balance of $102.5 billion. The added financing for the cash-benefits program also has a small impact on the funding of the medicare program. Table 1 shows the status of the trust funds over the next 10 years under existing law and under the committee bill.
<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net change</th>
<th>End of year fund as percent of outgo in year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net change</th>
<th>End of year fund as percent of outgo in year</th>
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**A. CASH BENEFITS PROGRAM**
## B. HOSPITAL INSURANCE PROGRAM

<table>
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<th>Year</th>
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<th>66</th>
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<td>-4.7</td>
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<td>-4.7</td>
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<td>16</td>
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<td>61.2</td>
<td>-8.2</td>
<td>-4.3</td>
<td>6</td>
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</tbody>
</table>

1 Includes committee decisions on both tax and benefit provisions.  
2 Less than $0.05 billion.  
3 Fund exhausted.  
4 Reaches 50% by 1990.
Over the long-range 75-year valuation period, estimates that seem reasonable at this time show that the amendments made by the committee bill would result in a small "actuarial" surplus of 0.6 percent of taxable payroll. As indicated in the actuarial section of this report, it is desirable for financing legislation to bring the program as close as possible to exact actuarial balance—leaving, if anything, a slight surplus as a margin of safety. The amendments proposed by the committee would achieve this objective.

In designing the financing scheme to reach this long-term objective of actuarial soundness, the committee also took into account the short-range financial needs of the system and the need to build the trust funds to a level where they would be able to sustain the programs should the Nation again be faced with adverse economic conditions such as those which prevailed for the middle part of this decade. Although the committee bill will not build the fund to the needed level (a balance which does not fall below an approximate 6 months expenditures) as quickly as the committee would wish, it does reach that level by 1990. The committee believes that this is a reasonable period within which to rebuild the reserves, and that a more rapid build-up would require tax increases of a level that could jeopardize continuing economic recovery.

THE TAX BASE
(Sections 101 and 102 of the Bill)

The employer tax base.—The traditional approach to financing the social security cash-benefits programs has been to levy an equal tax on employers and their employees. In considering how best to raise the funds necessary to the short-term financial soundness of the system without at the same time providing an intolerable tax burden either now or in the future, the committee, in a sense, determined to break with tradition by imposing a greater direct tax on employers than on employees. One reason for doing this is that social security benefits are based on individual earnings taxed and increases in the amount of employee earnings taxed raises additional income in the early years but over the long-term increases benefit costs so that much of the additional income is spent in later years. Employer taxes, on the other hand, do not increase the amount of earnings used to compute individual benefits. As a result, the additional income in the early years continues into the future without being offset by future benefit liabilities.

In deciding to increase the amount of earnings taxed to employers, the committee considered a number of levels (including taxing total payroll) and, with the aid of the actuaries, determined that the total package it had in mind could best be financed if the amount were to be increased to a maximum of $50,000 for each employee starting in 1979. The employer base would remain at $50,000 through 1984 and then would increase to $75,000 starting in 1985. There would be no automatic increases thereafter (as under present law) related to future increases in wage level until about the turn of the century when the employee and employer bases have both risen above $75,000. When the employee base does reach a level above $75,000, the two bases would once again be equal. Thereafter they would both rise together as wage levels in the economy increase.
The committee's decision to raise the employer base will affect the taxes paid by employers to support the Railroad Retirement program. The Railroad Retirement Act of 1974 provides a two-tier benefit with Tier-I providing what is essentially a social security benefit financed by an employer-employee tax that is tied to the social security tax base and tax rates. Tier-II, on the other hand, is financed by a 9.5 percent tax paid by employers only and on the same earnings taxed for Tier-I. Although the Railroad Retirement program is authorized by Federal law, financed by Federal taxes and administered by a Federal agency, the present provisions came about as the direct result of industrywide negotiations between management and labor. A basic part of the agreement resulting in the Railroad Retirement Act of 1974 was that employees would pay no more for the program than other employees pay for social security and that the cost of benefits above the level provided by the social security program would be paid for by management. The committee has been advised that railroad management and labor are now conducting industrywide negotiations on such issues as wages, conditions of employment and fringe benefits including Tier-II benefits. In order not to affect in any way these negotiations, the committee bill would increase the amount of earnings subject to employer taxes only with respect to the part of the railroad retirement tax equal to the social security tax. The additional tax of 9.5 percent would continue to be applied to the maximum amount of earnings that would be taxable under the provisions of present law without regard to the increases in the tax base that would be made by the committee bill.

**Tax base for employees and the self-employed.**—In addition to increasing the amount of wages subject to the employer tax, the committee bill would also provide a lesser increase in the amount of annual earnings subject to the employee or self-employment tax. Under the amendment, there will be four $600 increases above the levels which would exist under present law in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also automatically increase as wage levels rise. The table below shows the projected tax bases under this amendment.

**TABLE 2.—AMOUNT OF EARNINGS SUBJECT TO EMPLOYEE/SELF-EMPLOYED TAX**

<table>
<thead>
<tr>
<th>Years</th>
<th>Present law</th>
<th>Committee amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>18,900</td>
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<tr>
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<td>21,000</td>
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<td>21,900</td>
<td>23,100</td>
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<tr>
<td>1982</td>
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</tr>
<tr>
<td>1985</td>
<td>27,900</td>
<td>30,300</td>
</tr>
</tbody>
</table>
This amendment by itself would provide additional tax revenues for the program without increasing the tax burden on lower income workers. Only those workers earning in excess of the current base—some 15 percent of all covered workers—would pay higher social security taxes as a result of the increase in the base. Moreover, it permits the adoption of a lesser increase in tax rates (see below) than would otherwise be necessary to provide adequate financing.

Increasing the base in a decoupled social security system, as proposed by the committee, would result in a net long-range saving to the cash benefits program since the additional income resulting from raising the base is not completely offset by increased benefit rights resulting from larger amounts of workers' annual earnings being made creditable for benefits.

**TAX RATES**

*(Section 103 of the Bill)*

A significant part of the new funding (3.35 percent of taxable payroll or about $27 billion a year at present payroll levels in the long term) would be provided through increases in the social security tax rates paid by employers, employees and the self-employed.

*Increase in self-employment tax rate.*—When earnings from self-employment were made subject to the social security tax by the 1950 amendments, the rate was set at 1.5 times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the 1.5 ratio was maintained until 1973 when the cash-benefits rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the HI rate has increased.)

Because a self-employed person gets the same protection that an employee with the same earnings gets under the program, there is a financial disadvantage to the program in covering the self-employed person, as compared to covering an employee, unless the self-employed person pays contributions at a rate as high as the combined employee-employer rate. On the other hand, though, looked at from the standpoint of an individual contributing toward his own protection, the self-employed individual could easily feel that he was being overcharged if he were required to pay social security contributions over a lifetime at the combined employee-employer rate. The self-employed rate of one and one-half times the employee rate that was established when the self-employed were first covered was a compromise between these alternatives.
The committee believes that the self-employed rate should be restored to its original level in relation to the employee rate and has included such a change in the bill. Based on the idea that protection under the HI program is the same for all workers, employees and the self-employed, the HI tax rate for the self-employed has in the past been the same rate as the employee rate. The committee would retain such treatment. The tax-rate schedule for the self-employed under present law and the committee bill is shown in table 3.

TABLE 3.—TAX RATES FOR THE SELF-EMPLOYED: PRESENT LAW AND COMMITTEE BILL

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<thead>
<tr>
<th>Years</th>
<th>OASDI</th>
<th></th>
<th>HI</th>
<th></th>
<th>Total</th>
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<td>Committee bill</td>
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<td>11.70</td>
<td>1.40</td>
<td>12.35</td>
<td>1.40</td>
</tr>
</tbody>
</table>

Tax rate increases.—In order to provide in an orderly way the revenue necessary to assure the short-term financial soundness of the cash-benefits programs, the committee bill contains (in addition to the increases in the tax base described above) a new schedule of tax rates. The new schedule was designed so that not only will the cash-benefits program be soundly financed, but the Hospital Insurance program (HI) will be in close to the same financial position that it would be under present law. This later point contrasts with some of the proposals presented to the committee which would have transferred substantial amounts of anticipated income from the HI program to the cash-benefits programs with the lost income being replaced with funds appropriated from general revenues or from unrealized savings from a suggested cost-reduction program which has not yet been enacted.

The new schedule calls for a series of tax rate increases starting in 1979 as shown in table 4.
TABLE 4.—SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)

<table>
<thead>
<tr>
<th>Taxable Years</th>
<th>Present law</th>
<th>Committee amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
</tr>
<tr>
<td>1978</td>
<td>4.95</td>
<td>1.10</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.95</td>
<td>1.10</td>
</tr>
<tr>
<td>1981-84</td>
<td>4.95</td>
<td>1.35</td>
</tr>
<tr>
<td>1985</td>
<td>4.95</td>
<td>1.35</td>
</tr>
<tr>
<td>1986-89</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>1990-94</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>1995-2000</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>2001-10</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>2011 and after</td>
<td>5.95</td>
<td>1.50</td>
</tr>
</tbody>
</table>

Change in allocation to the disability insurance trust fund.—The committee bill would increase the allocation of tax income to the disability insurance trust fund so as to assure adequate funding and to take into account changing experience with the disability insurance program, the revision in the tax rates and the rise in the tax base. The present-law and proposed allocation schedules are shown in table 5.

TABLE 5.—ALLOCATION TO DISABILITY INSURANCE TRUST FUND

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Employer and employee each</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
</tr>
<tr>
<td>1977</td>
<td>0.575</td>
<td>0.575</td>
</tr>
<tr>
<td>1978</td>
<td>.600</td>
<td>.775</td>
</tr>
<tr>
<td>1979-80</td>
<td>.600</td>
<td>.750</td>
</tr>
<tr>
<td>1981-84</td>
<td>.650</td>
<td>.825</td>
</tr>
<tr>
<td>1985</td>
<td>.650</td>
<td>.950</td>
</tr>
<tr>
<td>1986-89</td>
<td>.700</td>
<td>.950</td>
</tr>
<tr>
<td>1990-94</td>
<td>.700</td>
<td>1.050</td>
</tr>
<tr>
<td>1995-2000</td>
<td>.700</td>
<td>1.200</td>
</tr>
<tr>
<td>2001-10</td>
<td>.700</td>
<td>1.350</td>
</tr>
<tr>
<td>2011 and after</td>
<td>.850</td>
<td>1.500</td>
</tr>
</tbody>
</table>
PAYMENT TO NONPROFIT AND GOVERNMENTAL EMPLOYERS

(Section 106 of the Bill)

The committee bill, in order to provide adequate financing of the social security program, would significantly increase the amount of annual earnings subject to the employer social security tax. The committee is concerned over the potential immediate impact of this feature of the bill on nonprofit organizations and State and local governments. Private employers may be able to pass on in one manner or another the increased cost attributable to higher social security taxes. Moreover, to the extent that employers are unable to pass the impact of higher taxes on to consumers, they are able to claim the increased costs as a deduction against income in computing their income tax liability. In effect then, the net impact on an employer in the private profitmaking sector of an increase in social security taxes may be considerably less than the gross amount of those increased taxes.

In the case of nonprofit organizations and State and local governments, however, the situation is somewhat different. Frequently, these types of employers have virtually no capacity to pass on increased costs and, since they are not subject to Federal income taxes, they gain no increased deductions as a result of the higher taxes.

The committee generally believes that nonprofit organizations and State and local governments who have elected social security coverage should make the same payments into the system as other employers. However, since this bill provides an immediate substantial increase in employer liability, the committee believes that it would be appropriate and desirable to provide a reasonable amount of relief to these entities through a payment.

In order to provide this relief, the committee bill would authorize an appropriation from general revenues to finance such a payment.

DECOUPLING AND WAGE-INDEXED BENEFITS

(Sections 104, 105, and 107 of the Bill)

Automatic cost-of-living increases.—Existing law calls for automatic cost-of-living increases in benefits effective each June and for increases in the tax base (based on changes in wage levels) each January (assuming that the Consumer Price Index rises by at least 3 percent). Each benefit increase is put into effect by a revision of the table in the law. Thus, each increase applies not only to people entitled to benefits for the month the increase is effective but also to everyone who will become entitled to benefits in the future. For example, because of the rise in the CPI between the first quarter of 1976 and the first quarter of 1977, benefits for June 1977 were increased by 5.9 percent. As a result, each of the percentages in the benefit formula was increased by 5.9 percent. A further expansion of the table will take place in January when the maximum amount of earnings taxable rises to $17,700. Much of the estimated long-term deficit results from the fact that these modifications in the benefit formula apply to benefits which will be awarded in the future as well as to the benefits paid to people on the benefit rolls on the effective date.
Relationship between benefit formula and the deficit.—The automatic “cost-of-living” benefit increase mechanism incorporated into the social security program by the 1972 amendments, which had been recommended as a way to make benefits inflation proof, operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The committee bill proposes no change in this concept.

The “cost-of-living” adjustment mechanism, however, also increases the percentages in the formula for determining initial benefits in the future. Future benefits however, are based on earnings which rise, in part, as the result of increases in prices. Thus, wages which were increased to take account of rising prices are multiplied by a benefit formula which was also increased to take account of the same increase in prices.

For an example of how benefits are increased under present procedures, assume a program with a benefit equal to 50 percent of wages. In such a program wages of $100 would produce a benefit of $50. If wages and prices both rise by 10 percent, the individual who is on the benefit rolls will have his benefit increased to $55 and the person who is still working will have his $100 wage increased to $110. If the benefit formula is left unchanged, both individuals would qualify for a $55 benefit. But under present procedures the benefit formula is also increased to 55 percent and the person who will retire in the future with wages increased from $100 to $110 will get a benefit of $60.50.

Under any reasonable projection of future economic conditions, benefit levels determined by the present-law mechanism will be much higher than what is necessary to simply adjust for inflation and will represent an ever-increasing percentage of the new retiree’s wages in the year before he retires. For significant numbers of people, the benefits payable just after retirement would approach—and in many cases exceed—their wage levels immediately before retirement. It is this part of the current cost-of-living provisions that the committee bill would change as discussed below.

The starting point for most proposals for dealing with the current long-term deficit of the social security system is a concept called “decoupling.” Decoupling means that the automatic benefit increase mechanism in present law would continue to apply to keep benefits inflation proof after a person retires and begins to draw his benefits but the formula for determining benefits at the time of retirement would no longer be automatically increased. If the system were simply decoupled with no other changes, an individual retiring in 1987 would get the same initial benefit as a man or woman with the same average earnings retiring in 1977. The level of initial benefits would tend to grow in the future but only as a result of rising wage levels which, using the same benefit formula, would tend to generate higher
benefits. However, the rise in actual benefits awarded in the future would not be enough to keep pace with the anticipated rise in wage levels or to offset the expected rise in the CPI.

Decoupling by itself would make a substantial reduction in the long-term cost of the program but would also cause a significant reduction in the real value of future benefits. In order to forestall a reduction of this nature, the committee bill would provide a new automatic mechanism for adjusting the formula for computing initial benefits which is designed to keep replacement rates at about existing levels. This proposal, in slightly different form, was recommended by the 1974 Advisory Council on Social Security. The committee has been advised that the method adopted in its bill would assure future benefits at approximately the level of the benefits provided last year.

Under the committee bill, indexed earnings would be averaged and a three-step, weighted benefit formula would be applied to the individual's average indexed monthly earnings (AIME) to produce the benefit amount. For those becoming entitled to benefits in the future, the benefit factors (percentage amounts) would not be indexed, but the bend points (dollar amounts) in the formula would be adjusted automatically as average wages increase.

Under the benefit procedures included in the committee bill, the relationship between the benefits paid at the time of retirement and earnings in the year prior to retirement is expected to be a constant 43 percent for a person retiring at age 65 with earnings in all years equal to the national average, and the real value of benefits expressed in terms of 1977 prices will rise three times by the year 2050.

A basic change such as that which would be provided by the committee bill also requires many substantial changes in provisions of present law, transitional provisions for the period during which the new system is implemented, and a number of conforming amendments to minimize the possible disruptions that so basic a change in the benefit structure might otherwise produce.

Wage indexed earnings.—The committee's bill would provide that an individual's benefit be based on the earnings level that prevails just prior to age 62, disability, or death. To do this, an individual's earnings in each year after 1950 would be updated (indexed) to reflect the increase in average wages through the second year before an individual reaches age 62, becomes disabled, or dies.1 (Under present law, for the purpose of computing a benefit, earnings are counted in actual dollar value, and these earnings do not reflect their value relative to average earnings at the time they were earned.)

1 While it would seem reasonable to update earnings through the first year before the year one reaches retirement age, the Social Security Administration informed the committee that data on actual wage growth will not be available in time to allow for such current indexing. For 1975 and subsequent years, the law provides that earnings will be reported on an annual rather than a quarterly basis. Thus, for example, data on average wage levels in 1980 will not become available until late in 1981—too late for indexing earnings of workers who reach age 62, become disabled, or die in 1981; 1979 would be the indexing year for such workers.
TABLE 6.—BENEFITS, REPLACEMENT RATES AND EXPENDITURES UNDER PRESENT PROGRAM 1955-2050

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual benefit in 1977 prices</th>
<th>Replacement rate</th>
<th>Low earnings 2</th>
<th>High earnings 3</th>
<th>As percent of payroll</th>
<th>As percent of GNP 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955..</td>
<td>$2,141</td>
<td>31</td>
<td>45</td>
<td>31</td>
<td>3.34</td>
<td>1.3</td>
</tr>
<tr>
<td>1960..</td>
<td>2,493</td>
<td>33</td>
<td>45</td>
<td>30</td>
<td>5.89</td>
<td>2.3</td>
</tr>
<tr>
<td>1965..</td>
<td>2,665</td>
<td>32</td>
<td>43</td>
<td>33</td>
<td>7.93</td>
<td>2.8</td>
</tr>
<tr>
<td>1970..</td>
<td>2,987</td>
<td>34</td>
<td>46</td>
<td>29</td>
<td>8.12</td>
<td>3.4</td>
</tr>
<tr>
<td>1975..</td>
<td>3,619</td>
<td>43</td>
<td>56</td>
<td>30</td>
<td>10.65</td>
<td>4.6</td>
</tr>
<tr>
<td>1979..</td>
<td>4,444</td>
<td>46</td>
<td>58</td>
<td>35</td>
<td>10.85</td>
<td>4.5</td>
</tr>
<tr>
<td>1985..</td>
<td>5,354</td>
<td>48</td>
<td>60</td>
<td>34</td>
<td>11.56</td>
<td>4.8</td>
</tr>
<tr>
<td>1990..</td>
<td>5,871</td>
<td>49</td>
<td>63</td>
<td>36</td>
<td>12.39</td>
<td>5.1</td>
</tr>
<tr>
<td>1995..</td>
<td>6,476</td>
<td>49</td>
<td>66</td>
<td>37</td>
<td>13.13</td>
<td>5.4</td>
</tr>
<tr>
<td>2000..</td>
<td>7,406</td>
<td>52</td>
<td>75</td>
<td>39</td>
<td>13.92</td>
<td>5.7</td>
</tr>
<tr>
<td>2010..</td>
<td>9,489</td>
<td>56</td>
<td>84</td>
<td>42</td>
<td>16.57</td>
<td>6.8</td>
</tr>
<tr>
<td>2020..</td>
<td>11,916</td>
<td>60</td>
<td>91</td>
<td>44</td>
<td>21.64</td>
<td>8.9</td>
</tr>
<tr>
<td>2030..</td>
<td>14,765</td>
<td>63</td>
<td>96</td>
<td>46</td>
<td>26.02</td>
<td>10.7</td>
</tr>
<tr>
<td>2040..</td>
<td>18,122</td>
<td>65</td>
<td>101</td>
<td>47</td>
<td>26.67</td>
<td>11.0</td>
</tr>
<tr>
<td>2050..</td>
<td>22,088</td>
<td>67</td>
<td>106</td>
<td>48</td>
<td>26.93</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Average medium-range cost (1977-2001) .............................................. 12.24
Average medium-range revenue .......................................................... 9.90
Average medium-range balance .......................................................... -2.34
Average long-range cost (1977-2051) ................................................. 19.19
Average long-range revenue ........................................................... 10.99
Average long-range balance .............................................................. -8.20

1 Assumed to be 4 times the average 1st quarter covered earnings.
2 Assumed at $4,600 in 1976 and following the trends of the average.
3 Assumed at the maximum taxable under the program.
4 For 1979 and later, based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.
TABLE 7.—BENEFITS, REPLACEMENT RATES, AND EXPENDITURES UNDER COMMITTEE BILL, 1979-2050

<table>
<thead>
<tr>
<th>Year</th>
<th>Worker with average earnings</th>
<th>Replacement rate</th>
<th>Aggregate OASDI expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual benefit in 1977 prices</td>
<td>Low earnings</td>
<td>High earnings</td>
</tr>
<tr>
<td>1979</td>
<td>$4,444</td>
<td>46</td>
<td>58</td>
</tr>
<tr>
<td>1985</td>
<td>4,713</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>1990</td>
<td>5,145</td>
<td>43</td>
<td>55</td>
</tr>
<tr>
<td>1995</td>
<td>5,581</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2000</td>
<td>6,068</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2010</td>
<td>7,172</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2020</td>
<td>8,472</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2030</td>
<td>10,011</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2040</td>
<td>11,830</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>2050</td>
<td>13,978</td>
<td>43</td>
<td>54</td>
</tr>
</tbody>
</table>

Average medium-range cost (1977-2001) ........................................... 10.93
Average medium-range revenue ........................................................... 11.83
Average medium-range balance ......................................................... +.90
Average long-range cost (1977-2051) .............................................. 14.16
Average long-range revenue .............................................................. 14.22
Average long-range balance ............................................................... +.96

1 Assumed to be 4 times the average 1st quarter covered earnings.
2 Assumed at $4,600 in 1976 and following the trends of the average.
3 Assumed at the maximum taxable under the program.
4 Based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.
Earnings would be indexed by multiplying the actual earnings by the ratio of average wages in the second year before an individual reaches age 62, becomes disabled, or dies to the average wages in the year being updated. For example, if an individual earned $3,000 in 1956, and retired at age 62 in 1979, the $3,000 would be multiplied by the ratio of average annual wages in 1977 (estimated to be $10,002) to average wages in 1956 ($3,514), as follows:

\[
\frac{3,000 \times 10,002}{3,514} = 8,539
\]

Thus, while the actual earnings for 1956 were $3,000, the relative or indexed earnings would be $8,539. Earnings each year would be adjusted in this manner. The result would be that an individual’s benefits would be based on the earnings level that prevails at age 60 and benefits would be based on the individual’s relative earnings (that is relative to average wages) averaged over the time most people could reasonably be expected to have worked in covered employment.

The committee understands that as part of this change, the Secretary of Health, Education, and Welfare recommends that the method of computing average wages nationally be changed from the present procedures which rely on earnings reported for social security purposes to a system which would be based on wages reported for Federal income tax purposes. The change is needed because the social security law provides for combined annual reporting of wages for social security and income tax purposes beginning in 1978. The committee bill would authorize such a change. Average wages would be equal to the sum of wages subject to income taxes or social security taxes as reported to the Internal Revenue Service, and divided by the number of individuals reported on the withholding statements. For 1977 and 1978, form 1040 data would be used and after 1978, forms W-2 data would be used. Adjustments in earlier data would be made to allow for overall comparability.

The change in the way benefits are computed proposed by the committee bill would also reduce the increasing advantage that young disabled people and their families and the survivors of deceased individuals have over retired workers under present law. Under the present method of computing benefit amounts, benefits for young disability and survivor cases are based on recent and relatively high earnings while benefits for new retirees are based on an average that is depressed because of past earnings levels that are generally much lower than current earnings levels. In certain cases, the difference in benefit amounts can be substantial.

**Base year for indexing.**—The committee’s bill would index earnings in retirement cases through the second year before age 62 (the age of first eligibility) rather than to retirement (when an individual is first entitled to benefits). Because the indexing point is based solely on the date of birth rather than on the year retirement benefits are elected, people would be assured that their age-62 benefit would not decline if average wages declined and that it would rise should the Consumer Price Index rise. If wages were indexed to the date of retirement instead of to age 62, the worker’s benefit amount could decline after the date he could first have been eligible if average wages decline.
Computation period.—The committee bill, like present law, would provide that benefits generally would be based on earnings averaged over the number of years after 1950 (or age 21, if later) up to the year an individual reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest earnings). The number of years in the computation period would expand over time—for example, for an individual reaching age 62 in 1979, the computation period would be 23 years, and eventually, for individuals reaching age 62 in 1991 or later, the computation period would be 35 years.

With the use of actual earnings, as under present law, the expanding computation period would depress replacement rates since early wages, which are generally much lower than current wage levels, must be used in computing the benefits. However, wage indexing is designed so that if an individual's earnings increase at the same rate as average wages in the economy, average indexed monthly earnings (AIME) rise at the same rate as average wages in the economy.

Benefit formula.—Under present law, benefit amounts for an individual are derived from a table in the Social Security law and are related to the average monthly earnings in covered employment. The benefit formula that roughly approximates the benefit amounts shown in the table in present law has nine steps and, whenever the tax base is increased, a new step is added to take account of the higher average earnings possible as a result of the new, higher base. Each time there is an automatic cost-of-living benefit increase, the percentage factors in the formula are increased by the percentage increase in the cost of living.

Under the committee's bill, the benefit formula shown below would be applied to an individual's average indexed monthly earnings (AIME). The formula is designed to produce benefits which are approximately equal to the benefits that were payable under present law to workers retiring in 1976:

92 percent of the first $180 of AIME; plus
33 percent of AIME over $180 through AIME of $1,075; plus
16 percent of AIME above $1,075.

This formula would apply to those who reach age 62, become disabled, or die in 1979. The dollar amounts or bend points (the AIME levels at which the weighting in the benefit formula changes) would be adjusted automatically as average wages increase for those who become eligible for benefits in the future, and the adjusted bend points would be rounded to the nearest multiple of $1. After the individual benefit has been established in this way it would be increased as provided by the automatic cost-of-living provisions.

Maximum family benefit.—Under present law, the maximum family benefit ranges from 150 percent to 188 percent of the primary insurance amount (PIA).2

The committee bill retains the same relationship between maximum family benefits and PIA's as in present law and to accomplish this would determine the family maximum (in 1979) by applying the following formula to the worker's PIA:

150 percent of the first $236 of PIA, plus
272 percent of the next $106 of PIA, plus
134 percent of the next $107 of PIA, plus
175 percent of the remainder.

2 The amount on which all benefits are based.
In the future, the dollar amounts in the formula would be increased based on increases in average wages. This would assure that the same relationship between maximum family benefits and PIA's would be maintained. Once the family maximum has been established in an individual case, the maximum payable to the family would be increased by the same percentage that benefits are increased under the automatic cost-of-living provisions.

Transition.—Because the committee bill would provide benefits that would be about equal to those payable under present law in 1976, a transitional provision has been included to protect the benefit rights of people who are now approaching retirement and whose retirement plans have taken social security benefits into account.

Under the committee bill, the transitional provision would guarantee that an individual who first becomes eligible for retirement benefits within 5 years after the effective date would get an initial benefit that would be the higher of: (a) The benefit derived under the new benefit formula; or (b) the benefit based on the present law benefit table as it is in the law on the effective date of the revised system—January 1979.

For purposes of the guarantee, the January 1979 benefit table would not be subject to future automatic benefit increases, but all individual benefits would be subject to all benefit increases that become effective after age 62. Earnings after age 61 would not be used under the guaranteed benefit computation. With the passage of time, benefits under the wage-indexing system would rise beyond the levels generally payable under the guarantee, because future wage increases would be reflected in a higher AIME and in the adjustments in the benefit formula each year. As a result, the proportion of new retirees that would receive higher benefits under the guarantee would decrease with each passing year.

The committee bill would not provide a similar transition for death and disability cases because these benefits under present law can be significantly higher than in retirement cases for similar earnings histories.

Treatment of earnings after age 62 or disability.—Under the committee bill, earnings subsequent to the year of first eligibility (age 62) or onset of disability would be counted at actual dollar value (that is, they would not be indexed). They would be substituted for earlier years of indexed earnings in the initial computation or recomputation if they would increase a worker's AIME and his PIA. These provisions are similar to those under present law. However, because past earnings would be higher after wage indexing than under present law, earnings after retirement can be expected to have substantially less effect in increasing benefit amounts than they have under present law.

Special rules would apply in the case of earnings after age 61 during the transitional period. People who are eligible for benefits under the transitional guarantee (because they reached age 62 in the period from 1979 through 1983) could have earnings after age 61 included only under the wage-indexing computation. Earnings after age 61, however, could not be included in the computation of guaranteed benefits under the transitional provision.
Those age 62 or disabled before 1979 would continue to have their benefits computed and recomputed under the provisions of present law even if they work in covered employment after 1978.

Treatment of earnings before 1951.—Under the committee bill, earnings before 1951 would not be indexed and could not be used in computing benefits under the new wage-indexing system. Instead, the present-law computation method that applies in the case of pre-1951 earnings would be used; this present-law computation provides for allocating total pre-1951 earnings according to a formula designed to avoid time-consuming manual procedures that would otherwise be necessary, due to the fact that the Social Security Administration does not have a year-by-year breakdown of pre-1951 earnings on machine records.

Under the bill a nonprofit organization or a State or local government which is covered under social security would be eligible for a payment subject to the availability of appropriations, this payment would be equivalent to 50 percent of the employer tax liability to the extent that that liability exceeds the tax liability of the persons it employs. This provision gives nonprofit organizations and State and local governments an amount of relief related to the higher employer wage base approximately equivalent to the value of an income tax deduction for a profitmaking private employer. The provision would be effective in 1979 since this is the first year in which the employer tax base would be higher than the employee tax base.

The provision is designed to provide relief in a manner closely related to that element of the financing package which will create an immediate and substantial increase in social security costs for State and local governments and non-profit organizations. It is a transitional provision which will phase out as the employee base rises in the future.

Cost of the provision.—The provision is estimated to cost $83 million in fiscal year 1979.

B. Other Provisions

The Retirement Test

(Section 121 of the Bill)

Under the present law, the benefits paid are reduced whenever an individual under age 72 has significant earnings. Although a test of retirement has been in the law since the original law was enacted in 1935, the provision has generated a great deal of discussion and argument. While most people seem to believe that some test of retirement is appropriate to the program, there is little agreement as to what the appropriate test should be. Others believe that the concept of the social security program as an income replacement program is not appropriate and that the basic nature of the program should be changed so that it would provide benefits without regard to continued earnings activity.

The committee considered these various concepts and determined that the better course would be to continue the program, as currently conceived, in the income replacement tradition. The committee notes that in the first year an annuity program would cost some $6 to $7 billion if payments were to be made to all beneficiaries, regardless of
age. While this cost could be substantially reduced by making benefits available as an annuity only at age 65, the committee believes it is preferable to continue the practice of making the same retirement test applicable to all persons under age 72.

At the same time, the committee is aware that the present level of benefits can be inadequate in many individual circumstances. The committee, therefore, recommends that the law be changed to provide a substantial increase in the amount of money an individual can earn and still receive all of his benefits while at the same time retaining the basic concept of the cash-benefits program as an income replacement program. In keeping with this decision, the committee bill would increase the amount an individual can earn without any reduction in benefits to $4,500 in 1978 and to $6,000 in 1979. As under present law, earnings above that amount would result in a $1 reduction in benefits for each $2 earned above $4,500 in 1978 and above $6,000 in 1979, with automatic increases in these amounts in future years as average earnings rise. There would be no reduction in benefits for any month in 1978 in which an individual earned less than $375 and did not render substantial services in self-employment or for any month in 1979 in which an individual earned less than $500 and did not render substantial services in self-employment. Under the committee amendment, an individual who has a 1978 benefit of $300 a month would not lose all of his benefits until he had earned $11,700 and in 1979 until he had earned $13,200.

The committee is aware that in the past there has been a tendency to use the retirement test exempt amount as a guide in setting the earnings level used as a presumption that a disabled individual can engage in substantial gainful activity. While the committee believes that this was appropriate in the past when the retirement test exempt amount was relatively small, the larger exempt amount resulting from the committee decision is not intended as a measure of an individual's ability or inability to engage in substantial gainful activities. The committee suggests that the Secretary of Health, Education, and Welfare devise a more appropriate measure of earnings to use in determining an individual's ability to engage in substantial gainful activities.

To avoid any budgetary impact in fiscal year 1978, the committee bill provides that, while the provision will be effective for all of 1978, no monthly payments, other than the payments which would be made under present law, would be permitted until October 1, 1978.

The provision will substantially increase benefit payments in fiscal years after 1978. The committee, in adopting this provision, specifically increased the social security tax rates by the amount necessary to generate offsetting revenues. Thus, from the standpoint of long-range financial soundness of the program, the provision is fully funded.

Costs and number of people affected.—About 1.8 million people would be paid benefits or would be paid larger benefits in 1979. About $2 billion in additional benefits would be paid in 1979.

Effective date.—The provision would become effective as of October 1, 1978, with respect to benefits payable for months after December 1977.
INCREASED BENEFITS FOR CERTAIN SPOUSES

(Section 122 of the Bill)

Under present law, a worker who continues working and delays retirement beyond age 65 gets a delayed retirement credit of one-twelfth of 1 percent of his benefit for each month (1 percent a year) for which he does not receive a benefit from age 65 up to the earlier of the month he retires or reaches age 72. The credit is applied to the worker's benefit only and does not affect the benefits of dependents and survivors.

Under the committee bill, the delayed retirement credit earned by an individual would be added to the surviving spouse's benefit. Specifically, the percentage increase in the individual's retirement benefit due to the delayed retirement credit (or the increase that would have been provided had the individual retired at the time of death), would be added to the surviving spouse's benefit.

To the extent that the delayed retirement credit is provided in consideration of the worker's post-age 65 earnings (and taxes) the committee believes that the surviving spouse's benefit—which is based on total earnings (including post-65 earnings)—should also include any delayed retirement credit earned by the worker.

Costs and number of people affected.—About 40,000 people would become eligible for benefits or would become eligible for larger benefits on the effective date. About $4 million in additional benefits would be paid in the first full year.

Effective date.—The provision would become effective with respect to benefits payable for months after December 1977.

OFFSET OF BENEFITS OF SPOUSES RECEIVING PUBLIC PENSIONS

(Section 123 of the Bill)

Under present law, a woman can become entitled to spouse's or surviving spouse's benefits without proving dependency on her husband. As a result of a March 1977 Supreme Court decision, a man can also become entitled to spouse's or surviving spouse's benefits without proving his dependency on his wife. (In Califano v. Goldfarb, the court ruled that men should be treated equally with women in determining entitlement for surviving spouse's benefits. Subsequently, other court decisions extended this ruling to husband's benefits. Previously, a man had been required to prove his dependency on his wife to become entitled to spouse's or surviving spouse's benefits, although women were presumed dependent.) Under the social security program, an individual who is entitled to two benefits does not receive the full amount of both benefits. For example, if one is entitled to both a worker's benefit and a spouse's benefit, the full worker's benefit is paid first and then the amount (if any) by which the spouse's benefits exceed the worker's benefit. This "dual-entitlement" provision prevents payment of dependents benefits to some persons not truly dependent. However, persons who receive civil service pensions based on their work in non-covered employment and are entitled to social security spouses' bene-
fits, receive their dependent spouses' benefits in full, regardless of their dependency on the worker. This results in "windfall" benefits to some retired government employees.

The committee recommends that social security benefits payable to spouses and surviving spouses be reduced by the amount of any public (Federal, State, or local) retirement benefit payable to the spouse. The offset would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. In general, this should assure that dependents' social security benefits will not be paid to persons not dependent on the worker.

Consideration was given to requiring claimants to prove their dependency on the worker before entitling them to spouses' benefits. However, a dependency test would be subject to manipulation. For example, a government employee with earnings higher than those of his wife could qualify for a social security spouse's benefit by allowing a few months to intervene between the date of his retirement and the effective date of his pension. Also, a dependency test could deny spouses' benefits in situations where it would seem undesirable to deny such benefits. For example, a woman might, in fact, be dependent upon her husband for most of her life and might have earned little or nothing in the way of retirement income protection in her own right and yet be denied benefits if a dependency test were implemented. This could occur if her husband became ill shortly before reaching retirement age, thus forcing a temporary reversal of their usual dependency situation. Additionally, a dependency test would require substantial numbers of persons to provide information with regard to their total income in order to establish entitlement, a significant departure from present practice where income is not generally a factor in entitlement. Making such determinations would also create administrative difficulties. For these reasons, the committee believes an offset is preferable to a dependency test. The provision would be applicable only to future beneficiaries.

Costs and number of people affected.—About 85,000 people would be affected by the provision during the first year. The provision is estimated to save $10 million in 1979.

Effective date.—The provision would become effective with respect to benefits payable for months starting with the month of enactment on the basis of applications filed in or after the month of enactment.

ELIMINATION OF CERTAIN DUAL TAXATION PROVISIONS

(Section 124 of the Bill)

The committee bill contains provision for limiting employer social security and unemployment insurance tax liability in certain instances of concurrent employment of workers by related corporations. Present law requires each employer to pay social security and unemployment insurance taxes on the wages an employee receives because of his employment by that employer, up to the taxable earnings base ($16,500 for social security purposes and $4,200 for unemployment insurance purposes in 1977). If an employee has covered wages from more than one employer, each employer is liable for employer social security (and unemployment) tax on wages up to the maximum amount of earnings
taxable for the year. In the case of concurrent employment by two or more related corporations, each of the employing corporations is liable for social security (and unemployment) taxes on that part of the worker's wages attributable to services performed for each employer. Thus, in such cases of concurrent employment involving high-paid workers, two or more employers may be liable for employer taxes on an employee's wages up to the taxable maximum, even though only one of the employers actually paid the employee's total wages.

The effect of the committee decision is that related corporations would pay no more employer taxes than if the corporations were only one employer even though the worker is actually employed by the several corporations and his compensation reflects services he performs for the several corporations. Thus, a related group with a common paymaster would be treated as a single corporation and would not be required to pay the taxes that would otherwise be due because the worker is an employee of the several corporations. The provision is intended to have no effect, by inference or otherwise, on the deductibility for Federal income tax purposes of employment taxes or wages payable by a corporation. The committee expects the Secretary of the Treasury to specify the degree of relationship required to enable corporations to establish a common paymaster for purposes of this provision.

The committee notes that since other provisions of the bill would raise the employer taxable earnings base for social security purposes to $50,000 beginning in 1979 and to $75,000 in 1985, the combined effect of that provision and the provision limiting employer tax liability of certain related corporations—insofar as employer social security tax liability is concerned—would be limited to a relatively small number of workers with high annual earnings.

Cost.—The revenue loss associated with this provision is estimated to be less than $25 million in social security taxes and in unemployment taxes.

RETROACTIVE PAYMENT OF REDUCED BENEFITS

(Section 125 of the Bill)

The present law provides that benefits can be paid for as many as 12 months before the date an application for benefits is filed. This provision was intended to assure that an individual who, for one reason or another, could or did not make a timely application for benefits would not lose any of the benefits to which he would have been entitled. At the same time it was recognized that the purpose of the program—to provide income to help meet current living costs—would not be achieved if an individual were permitted to forego monthly benefits in order to accumulate a large lump-sum payment. The 12-month limit on the payment of retroactive benefits is a compromise between the two conflicting objectives of providing income to help meet current expenses and preventing the loss of benefits merely because of difficulties in filing a benefit application at a specific time.

The committee was informed that the present retroactive payment provisions permit the payment of a windfall benefit in certain cases where an individual learns at the time he files for benefits that he could
be paid retroactive benefits provided that he accepts a reduced payment for the rest of his life. The committee views such a situation as a distortion of the primary purpose of the program which is to provide a continuing source of income after earnings under social security are lost (e.g., through retirement in old age). It is not the purpose of the program to provide large lump-sum payments, particularly where providing such one-time payments results in a lessening of the adequacy of the on-going monthly benefit level.

Under the committee bill, monthly benefits generally would not be paid retroactively for months before the month in which the application was filed if it would cause reduced benefits to be paid. An exception, however, would be made if unreduced dependent's benefits are payable in addition to the reduced benefit.

Under present law, the applicant-beneficiary who is eligible for reduced benefits may be faced with options that are unclear and misleading to him, and which could make it difficult for him to decide whether or not to elect reduced benefits. For example, if a worker’s monthly benefit amount were $160 as of the month he attained age 65 and filed an application, he could get a lump-sum payment of $1.792.80 if he elected to have his monthly benefits reduced by $10.60 to $149.40.

The committee has been concerned about the high proportion of applicants in such situations who choose to receive a relatively high one-time retroactive benefit payment, even though it means a permanent reduction in the monthly benefits they would get in the future. It is this continuing income on which they have to rely for the remainder of their lives; it may be too small to adequately provide for current needs. Under the proposed change, many older beneficiaries would have higher incomes to meet their ongoing needs.

Costs and number of people affected.—About 1 million people would be affected by the provision in the first year. This provision would reduce the long-term cost of the program by 0.01 percent of taxable payroll and would cause a reduction in payments for the first few years it is in effect ranging from $0.4 billion in calendar 1978 to $0.6 billion in 1982.

Effective date.—The provision would become effective with respect to benefits payable for months after the month of enactment on the basis of applications filed after the date of enactment.

DELIVERY OF SOCIAL SECURITY AND SSI CHECKS

(Section 126 of the Bill)

Under present law, social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month.

The committee has been concerned that social security and SSI beneficiaries have to wait several days before they could get their benefit checks cashed in those instances where the usual delivery date fell on a Saturday, Sunday, or legal holiday.

The committee bill would require that, when the delivery date for either payment falls on a Saturday, Sunday, or legal holiday, the checks would be delivered on an earlier date.
BENEFIT INCREASES AS APPLIED TO REDUCED BENEFITS

(Section 127 of the Bill)

Because of the way in which benefit increases are computed, people who initially received actuarially reduced benefits sometimes receive an increase which is a greater percent of their total benefit than the increase provided generally. For example, when a cost-of-living increase is provided, these people receive an increase which is larger than the increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the basic benefit rate (the primary insurance amount) which equals the amount that would be paid to a retired worker who began drawing benefits at age 65. If an individual begins getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, subsequent benefit increases are larger than is necessary to keep that benefit up to date with increases in the CPI.

The fact that subsequent benefit increases are not actuarially reduced to the same extent as the original benefit complicates the processing of benefit increases, makes the program less easily understandable, and violates the actuarial neutrality of the decision as to whether or not to take benefits prior to age 65. The last factor would become particularly significant under the provision in the bill which raises the retirement test exempt amount to $6,000. Under that change, some social security benefits will be payable to persons earning in excess of $10,000 per year. A person under age 65 will in many cases be able to begin getting benefits while still employed. The incentive for such an individual to claim reduced benefits will be substantially greater if subsequent benefit increases are exempt from the reduction factor applied to the original benefit.

In view of all these factors, the committee bill modifies the provisions relating to benefit increases so that the across-the-board percentage increase will apply to the benefit actually being paid rather than to the “primary insurance amount.” Under this provision, all beneficiaries on the rolls at the time of an increase will get the same percentage increase in their benefits.

Costs and number of people affected.—About 14 million people who receive actuarially reduced benefits for June 1978, when the next cost-of-living increase is effective would be affected by the provision. In calendar year 1979 (the first year in which it has a full-year effect), the provision will reduce benefit payments by $230 million.

Effective date.—The provision would become effective with respect to benefit increases which go into effect after December 1977.

TOTALIZATION AGREEMENTS

(Section 128 of the Bill)

There is at present no authority in the Social Security Act authorizing the President to enter into agreements (totalization agreements) with other countries to provide for coordination between social security systems. Lack of coordination with the systems of other countries has two disadvantages.
First, the work of U.S. citizens employed by U.S. employers in foreign countries is subject to the social security taxes of the United States and is also subject to the social security taxes of the foreign country. The tax payments to foreign systems may be higher than in the United States and American workers generally get little or no return for the taxes they and their employers pay to the foreign systems because social security eligibility requirements are usually stricter under foreign systems.

Second, U.S. citizens who divide their working careers between work covered under the U.S. social security system and work covered under a foreign social security system suffer a loss of continuity in their social security coverage. Some who work abroad for a number of years and have periods of coverage under two or more social security systems may not qualify for benefits under one or more countries when they retire, become disabled, or die. (For example, American workers who work abroad for a number of years may lose their U.S. social security disability protection because to be insured for disability benefits they must generally have substantial recent work covered by the U.S. system.) Others may qualify for social security benefits but the social security benefits they receive may be small because not all their employment can be taken into account.

The committee bill would help solve these problems by authorizing the President to enter into bilateral agreements with foreign countries to provide for limited coordination between the U.S. social security system and those of other countries. Each agreement would be submitted to the Congress along with a report of the number of people who might be affected by the agreement and the effect the agreement would have on the long-term and short-term income and outgo of the social security system. Each House would then have 90 days (counting only days in which it was in session) to consider the agreement. Should either House pass a resolution within that period disapproving the agreement, the agreement would not go into effect.

Each agreement should provide for the elimination of dual social security taxation and coverage for the same work. An agreement could also provide that each country would take into account a worker's total work and earnings in both countries for purposes of determining eligibility for and the amount of benefits. Each country would pay only a part of the totalized benefit; the amount of the benefits paid would be the proportion of the totalized benefit which is attributable to the covered work performed in the paying country. The United States would not pay a totalized benefit to a worker who had less than six quarters of coverage under the U.S. system. Totalization would improve protection for people who work in both countries. In a large proportion of these cases, if the worker is insured based on his U.S. work alone, his regular social security benefits would be higher than his totalized benefit. In such cases, the worker would be able to receive the higher benefit.

Totalization agreements (which are common among European countries) are considered to have an advantage over other approaches to coordination in that the agreements are designed to allow each cooperating country to carry out its responsibilities virtually independently. The countries exchange information on covered earnings and earnings
credits and provide other administrative assistance, but otherwise each country makes its determinations and computations independently and pays benefits directly, without any need for an interchange of funds or balancing of amounts paid as benefits.

A number of countries, including Italy, West Germany, Switzerland, Canada, France, and Japan, have approached the United States about the possibility of concluding social security totalization agreements, and the Social Security Administration has had technical discussions with representatives of each of these countries except Japan. A totalization agreement between the United States and Italy was signed in 1973 and a totalization agreement between the United States and West Germany was signed in 1976, to signify that the countries accepted the text of the agreement for purposes of seeking enabling legislation from their national legislatures. Both Italy and Germany have enacted enabling legislation, but the agreements cannot become effective until they are authorized for the United States as provided in the committee amendment.

EMPLOYEES OF CERTAIN NONPROFIT ORGANIZATIONS

(Section 129 of the Bill)

The committee bill contains an amendment designed to correct the effect of the constructive waiver provisions of Public Law 94–563 which caused substantial and unintended liabilities for retroactive social security taxes.

Services performed in the employ of a religious, charitable, or other organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code are excluded from social security coverage, unless the employing organization files a certificate provided for under section 3121(k) of the Code waiving its exemption from social security taxes together with a list of current employees who concur in the filing of such certificate. Thereafter, social security coverage and tax liability attach to those listed employees and all employees subsequently hired by the organization.

It was discovered during the 94th Congress that a substantial number of nonprofit organizations had been paying social security taxes although not formally in compliance with the waiver procedure. Some organizations had in fact demanded and obtained large-scale refunds and caused retroactive elimination of their employees' social security coverage. To foreclose abuse of the program, Congress enacted Public Law 94–563 which provides, in effect, for constructive filing of waiver certificates in certain instances where taxes were paid.

Public Law 94–563 dealt with the organizations differently depending on whether they had withdrawn from improperly established coverage and had obtained a refund (or tax credit) prior to September 9, 1976. Organizations that had obtained a refund were given a 6-month period (which ended April 18, 1977) to file an actual waiver certificate together with a list of employees who wished to have their coverage reinstated. Refunded taxes with respect to those employees only would have to be repaid and they could be repaid through an installment arrangement. Failure to file a waiver certificate within the 6-month period resulted in a deemed filing of such a certificate
and liability on the part of the employer for the payment of both employer and employee taxes due for the retroactive period.

Organizations which had not obtained a refund prior to September 9, 1976, were simply deemed by Public Law 94—563 to have filed a valid waiver certificate covering all employees with respect to whom taxes had been paid. No special provisions for the exclusion of their employees or repayment of their retroactive tax liability were included in Public Law 94—563, since it was assumed that such organizations would generally be current in their social security tax payments and that they had simply been unaware that they were exempt from the social security tax requirements.

This legislation has created problems for organizations that paid social security taxes for some period prior to learning of their failure to file a valid waiver certificate. Instead of requesting a refund of incorrectly paid taxes, some of these organizations merely terminated payments. Last year's legislation deems these organizations to have filed a constructive waiver with respect to employees for whom they previously paid social security taxes and requires them to pay social security taxes for the retroactive period from the time they stopped paying them. Moreover, the law does not allow them the option of paying this newly created past liability in installments. There exists as well a substantial liability for social security taxes for all employees hired after the "deemed-filing" date.

Similarly affected by Public Law 94—563 are certain nonprofit organizations that terminated social security payments and sought a refund but did not receive that refund until after September 8, 1976. Those organizations became, by operation of last year's bill, liable for repayment of the refund and for social security taxes on the wages of their employees for the period dating from their termination.

In addition, a large number of affected organizations qualifying for treatment under section 3121 (k) (5) did not meet the filing date in the original law, in large part due to misunderstanding and confusion with respect to their obligations and liabilities under the provisions of Public Law 94—563.

The committee bill would provide that nonprofit organizations that ceased paying social security taxes on earnings of their employees before October 1, 1976, without receiving a refund of social security taxes they had paid in the past, would not be liable for any social security taxes from the time that such taxes ceased to be paid through June 30, 1977, and any taxes that had been paid after the enactment of Public Law 94—563 which would not be required under the committee amendment would be refunded.

Those organizations that received refunds or credits of taxes after September 8, 1976, would, under the provision of the committee bill, be treated the same as those organizations that had ceased paying social security taxes. Thus, such organizations would not be liable for taxes on their employees' services prior to June 30, 1977, for which they received refunds. However, no social security credits would be given to employees for services rendered during the period for which social security taxes would be forgiven by the bill, but a worker for whom taxes were paid in the past may file a claim by April 15, 1980, to have the taxes for the nonpayment period paid and receive social security credit for such period.
The bill would also extend until December 31, 1977, the period during which those organizations that had received a refund or credit of social security taxes could file an actual waiver certificate to cover their employees under social security. Under Public Law 94–653, this period expired on April 18, 1977.

SPECIAL HEW STUDIES
(Section 201 of the Bill)

Because of the high priority with which the committee views the need to restore the social security program to financial soundness, it has largely limited its consideration of the current legislation to improvements in the funding of the program together with a few specific benefit changes. The committee recognizes, however, that there remains a need for review of many basic structural aspects of social security such as the problems of the disability program, the question of extending coverage to public employees, and the interrelationship of social security with other public and private income support programs. The committee intends, once the fiscal integrity of the existing system has been assured, to undertake a close examination of some of these structural questions. Some of the areas to be examined by the committee and the Congress in the future will require the availability of certain research data and analyses which are not now available. The committee has identified two areas in particular in which it believes that studies are clearly needed.

Study of spouse's benefits.—The social security benefit structure is designed to provide income replacement not only for the insured worker but also to provide additional benefits when that worker has a dependent spouse (and/or dependent children). The benefit structure was designed during a period when it was considered reasonable to assume that a wife would largely be dependent upon her husband's income. Today, a far greater proportion of married women have a substantial involvement in the work force. At the same time, however, it remains true that many women do not have a separate income. In addition, increasing attention is being paid today to the appropriateness of laws which treat, or appear to treat, men and women differently, and some such provisions in the Social Security Act have been successfully challenged on this basis in the courts. The committee believes that it will quite likely find it necessary to consider legislation dealing with these questions in the near future and the consideration of such legislation will be greatly aided if the Department undertakes now a thoughtful analysis of these issues which could be available when the committee considers these issues. For this reason, the committee bill requires the Department to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouses' benefits and on proposals related to equal treatment of men and women under the social security program. Elements to be considered in the study include the nature and extent of women's participation in the labor force, the divorce rate, and the economic value of women's work in the home. In conducting this study, the Department would be directed to consult with the Justice Department Task Force on Sex Discrimination.
Study of consumer price index.—In the past few years, the automatic benefit adjustment provisions in the social security law have used the Consumer Price Index as a benchmark for adjusting the benefit formula as it applies both to persons already on the benefit rolls and as it applies to determining the initial benefit amount for new retirees. Under the revised benefit adjustment provisions of the committee bill, the Consumer Price Index will in the future be used solely as a mechanism for keeping benefits inflation proof once an individual is on the rolls. While the Consumer Price Index is the usually accepted measure of the rate of inflation, it is constructed in such a manner as to reflect the impact of rising prices on specific population groups. Some concern has been expressed for several years over the possibility that consumption patterns of elderly persons may differ so greatly from those groups covered by the CPI survey as to make the Consumer Price Index an inappropriate measure of the impact of inflation on the purchasing power of social security benefits. The committee believes that this is an issue which ought to be resolved and has included in the bill a requirement that the Department of Labor, in consultation with HEW, study the need to develop a special consumer price index for the elderly.

PERMANENT STATUS FOR TEMPORARY ADMINISTRATIVE LAW JUDGES

(Section 202 of the Bill)

The committee bill contains a provision which would convert to regular administrative law judges (ALJ’s) the temporary ALJ’s who were appointed under Public Law 94–202 to hear cases under titles II, XVI, and XVIII of the Social Security Act through 1978. These hearings officers have conducted hearings under the provisions of the Administrative Procedure Act (APA) in the same manner as regular ALJ’s.

When Public Law 94–202 was enacted, Congress intended that these hearings officers would be converted expeditiously to regular ALJ status with great weight being given to their extensive adjudication experience in the social security definition of disability. Since then, only a few hearings officers have been appointed to regular ALJ positions.

One of the principal objectives of Public Law 94–202 was to make clear that Congress intended that SSI adjudications were under the Administrative Procedure Act and that SSI hearings examiners could hear all types of social security cases. The process of selecting ALJ’s on the basis of this experience envisioned in Public Law 94–202 has not taken place. In making selections, the Civil Service Commission has not given adequate credit for the actual experience the temporary ALJ’s obtained in adjudicating social security cases over a substantial period of time. The committee believes that this experience is most valuable and pertinent in appointing regular social security ALJ’s.

To correct this situation, the bill would provide that the hearing officers appointed under section 1631 (d) (2) of the Social Security Act (as in effect prior to January 2, 1976) to hold hearings under the supplemental security income program who had been deemed to be
appointed under and governed by the provisions of the Administrative Procedure Act of Public Law 94–202, shall be appointed to career-absolute ALJ positions as if they had been appointed under the Administrative Procedure Act, section 3105 of title 5, United States Code. They would have the same authority and tenure as hearing examiners appointed directly under section 3105 and be compensated at the same rate as social security ALJ’s (GS-15). All provisions of the Administrative Procedure Act shall apply to them in the same manner as they apply to other administrative law judges. The former temporary black lung ALJ’s who were appointed as temporary ALJ’s under the authority of Public Law 94–202 are fully covered by this provision.

DELAY IN REPORTING DATE FOR SOCIAL SECURITY ADVISORY COUNCIL

(Section 203 of the Bill)

The Social Security Act requires that an advisory council on social security be appointed every 4 years. The statutory reporting date for the advisory council that is to be appointed this year is January 1, 1979. In view of the substantial changes in social security financing included in this bill, the committee believes it would be appropriate to provide a reasonable extension in this deadline so as to enable the coming advisory council more time to take into account the impact of this legislation. For this reason, the committee has included in the bill a 9-month extension—to October 1, 1979—of the reporting date.

C. Public Assistance Amendments

FISCAL RELIEF FOR STATE AND LOCAL WELFARE COSTS

(Section 301 of the Bill)

Present law.—The AFDC statute provides Federal matching of State AFDC cash maintenance payments at a rate of 50 to 83 percent, depending upon the State’s per capita income. Overall, on a nationwide basis, the Federal Government provided about 54 percent of the funds for AFDC payments in fiscal year 1976, and the States and localities provided about 46 percent.

Between 1973 and 1977, the cost of the AFDC program to States and localities increased from about $3.4 billion to $5.2 billion, or about a 52-percent increase. In that same period the costs to States and localities of the AFDC, supplemental security income, social services, medicaid and general assistance programs combined grew from $10.3 billion to nearly $17.8 billion, or a 62-percent increase.

These statistics testify to the burden of the major welfare programs on State and local governments, a burden which has reached disturbing proportions, especially in certain areas of the country. The table below shows the distribution of expenditures for AFDC payments for each State:
### AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC), TOTAL MAINTENANCE ASSISTANCE PAYMENTS, FISCAL YEAR 1976

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<tr>
<th>State</th>
<th>Total payments computable for Federal funding</th>
<th>Federal funds (unadjusted)</th>
<th>Local funds</th>
<th>State funds</th>
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<td>WIC Expenditure</td>
<td>Welfare Expenditure</td>
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Total: 9,675,496,908, 5,257,605,534, 829,026,094, 3,588,865,280, 54.3, 8.6, 37.1

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1 The sum of $755,825 was reported by Guam as a local expenditure; but is reported here as a State (territorial) expenditure. Adjustments have been made for errors in the printed report.

Committee provision.—The committee bill includes several provisions which, over the long term, should assist the States in bringing their welfare costs under greater control. The committee is convinced, however, that in the meantime State and local governments should be given some immediate relief from their fiscal burden.

The committee amendment would provide the States with $400 million in fiscal relief in fiscal year 1978.

Since one of the major elements of State and local welfare costs is the AFDC program, the committee bill provides that half of the fiscal relief payment would be allocated among the States in the same proportion as AFDC expenditures for December 1976. However, State and local welfare costs also arise from a variety of other programs which provide assistance and services to the needy. The distribution of costs under these other programs does not necessarily follow the same pattern as AFDC. The committee believes it can most appropriately recognize other elements of the welfare burden on States and localities by utilizing the general revenue sharing formula for allocating the other half of the payment. The committee recognizes that States and local governments have been led to expect that the Federal Government would provide them with some fiscal relief from their welfare costs. The committee believes that the amount provided in this bill represents a significant step in this direction, taking into account the needs of the States and localities as well as the fiscal situation of the Federal Government.

Although in most States the cost of the non-Federal share of AFDC is borne entirely by the State, a number of States require substantial contribution by localities to the cost of the program. States reporting local contributions ranging from 1 to 27 percent of the cost of AFDC maintenance payments in fiscal year 1976 include: California, Colorado, Indiana, Maryland, Minnesota, Montana, New Jersey, New York, North Carolina, North Dakota, Virginia, and Wyoming. Localities in these States can expect to benefit from the provision in the committee bill which requires the States to pass the fiscal relief through to localities in any case where local governments pay part of the program's costs. However, States would not be required to pass through an amount in excess of 90 percent of the AFDC costs for which the local government was otherwise responsible.

Although the fiscal relief provisions of the committee bill would be computed under a formula related in part to the AFDC program and would be provided to the States in the form of increased funding for that program, the committee wishes to make clear that it views these provisions as an attempt to provide some relief for the overall welfare burden faced by the States. That burden falls not only on the AFDC program but also in the areas of aid to the aged, blind, and disabled in States which supplement the SSI program, in general assistance, and in programs of social and child welfare services.

The table below shows how the fiscal relief payment under the bill would be distributed among the States:
## FISCAL RELIEF FOR STATES UNDER COMMITTEE BILL

[Dollars in thousands]

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage distribution</th>
<th>State fiscal relief payment November 1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
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<td>$4,663</td>
</tr>
<tr>
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<tr>
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<tr>
<td>Arkansas</td>
<td>.7</td>
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</tr>
<tr>
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<tr>
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</tr>
<tr>
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<td>(*)</td>
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</table>

See footnotes at end of table.
FISCAL RELIEF FOR STATES UNDER COMMITTEE BILL—Con.

[Data in thousands]

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<tr>
<th>State</th>
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<th>November 1977</th>
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<tr>
<td>Total</td>
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<td>400,000</td>
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*Less than .05 percent.

QUALITY CONTROL INCENTIVES TO REDUCE ERRORS

(Section 302 of the Bill)

Background.—For at least the last 25 years there has been recognition at the Federal level of the need for a program to reduce errors in the Federal-State public assistance programs. "Quality control" techniques were first used on a limited basis in 1952. However, at that time they were limited to periodic Federal reviews of samples of case records. No verification was made of the information in the case file, and full field investigations were not part of the system. As the result of a nationwide study in the early 1960's that indicated widespread ineligibility in some States, the Department of Health, Education, and Welfare developed a new and expanded quality control system to be implemented by January 1964 in all States for all public assistance programs. This new system also produced little in the way of results,
and the quality control program underwent major revision again in 1970. Basic changes made at that time included the use of field investigations, requirements on States for reporting of results, the establishment of acceptable error levels, and implementation of corrective actions.

Both the States and the Department of Health, Education, and Welfare showed a lack of initiative in implementing the new system. However, in 1973 HEW issued a new set of quality control regulations for AFDC. They differed from the 1970 rules in one major aspect—they set forth a procedure by which the Department would not match portions of State claims for AFDC payments based on the extent to which the State's error rates exceeded the acceptable Federal tolerance levels. These levels were set at 3 percent for ineligible cases, 5 percent for overpaid cases, and 5 percent for underpaid cases.

The error measurement and corrective action components of the quality control program have not been questioned. As we stated in the May 1976 Federal district court decision (Maryland v. Mathews), "plaintiffs assert that they do not question HEW's right to set quality controls." However, the legality of the "disallowance" or "fiscal sanction" provision for limiting Federal matching with respect to State claims has been challenged. In the above cited case the judge ruled that "under the Secretary's rulemaking power to assure the efficient administration of the [Social Security Act], it can be concluded that a regulation establishing a withholding of Federal financial participation in a specified amount set by a tolerance level is consistent with the Act." However, the remainder of the decision invalidated the disallowance regulations based on the unreasonableness of the "tolerance levels" used in determining the extent of any disallowance. As a result of the court decision, fiscal sanctions have never been applied and are no longer a part of the Federal quality control regulations.

Despite the controversy that has existed in the last few years over the penalty aspects of the quality control program, the committee believes that the program has been responsible for significant reductions in State AFDC error rates since 1973. The national average has fallen from a 42.6-percent case error rate and a 16.5-percent payment error rate for the period April–September 1973 to a case error rate of 23.2 percent and a payment error rate of 8.5 percent for July–December 1976. Table shows the changes in payment error rates for each State.
## AFDC—Change in Payment Error Rates, July to December 1976 Over April to September 1973

<table>
<thead>
<tr>
<th>State</th>
<th>Ineligible and eligible overpaid</th>
<th>Ineligible</th>
<th>Eligible but overpaid</th>
<th>Eligible but underpaid</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April to September 1973</td>
<td>July to December 1976</td>
<td>Percent change</td>
<td>April to September 1973</td>
<td>July to December 1976</td>
</tr>
<tr>
<td>U.S. average</td>
<td>16.5</td>
<td>8.5</td>
<td>-48.5</td>
<td>9.1</td>
<td>4.6</td>
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<td>15.1</td>
<td>6.0</td>
<td>-60.3</td>
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<td>2.9</td>
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<td>-59.9</td>
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<td>-50.0</td>
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<tr>
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<td>New Jersey</td>
<td>New Mexico</td>
<td>New York</td>
<td>North Carolina</td>
<td>North Dakota</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------</td>
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<td>----------</td>
<td>--------------</td>
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<tr>
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<td>Minnesota</td>
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<td>2.1</td>
<td>21.7</td>
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<tr>
<td>Minnesota</td>
<td>9.4</td>
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<td>2.1</td>
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<tr>
<td>Minnesota</td>
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<td>21.7</td>
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<tr>
<td>Minnesota</td>
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<td>5.2</td>
<td></td>
<td>2.1</td>
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<tr>
<td>Minnesota</td>
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<td>2.1</td>
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<td>5.2</td>
<td></td>
<td>2.1</td>
<td>21.7</td>
</tr>
</tbody>
</table>

1 See footnote 1, table 11.
2 See footnote 2, table 11.
3 See footnote 3, table 11.
4 See footnote 4, table 11.

The committee believes that this progress can be continued, and that with proper incentives the States can be encouraged to decrease the number of errors in their AFDC caseload to more acceptable levels. The committee notes that the General Accounting Office in its recent report on the AFDC quality control program recommended that legislation establishing an incentive for controlling payment errors be enacted.

Committee provision. — The committee amendment would establish a system of fiscal incentives for States to improve their dollar error rates with respect to eligibility and overpayment of aid paid under the approved State plan. Instead of applying sanctions on the States, the dollar error rates would be used as the basis for a system of incentives, which would give the States motivation for expanding their quality control efforts and improving program administration. Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 3.5 percent but less than 4 percent</td>
<td>10</td>
</tr>
<tr>
<td>At least 3 percent but less than 3.5 percent</td>
<td>20</td>
</tr>
<tr>
<td>At least 2.5 percent but less than 3 percent</td>
<td>30</td>
</tr>
<tr>
<td>At least 2 percent but less than 2.5 percent</td>
<td>40</td>
</tr>
<tr>
<td>Less than 2 percent</td>
<td>50</td>
</tr>
</tbody>
</table>

ACCESS TO WAGE INFORMATION FOR AFDC VERIFICATION

(Section 303 of the Bill)

Present law. — Quality control findings indicate that 76 percent of client errors in the AFDC program are the result of non-reporting of income. States have particular difficulty in many cases in verifying the source and amount of earned income. In many cases they are dependent solely on the recipient to supply wage information.

Committee provision. — The committee bill would improve the capacity of States to acquire accurate wage data by providing authority for the States to have access to earnings information in records maintained by the Social Security Administration and State employment security agencies. Such information would be obtained by a search of wage records conducted by the Social Security Administration or the employment security agency to identify the fact and amount of earnings and the identity of the employer in the case of individuals who were receiving AFDC at the time of the earnings. The Secretary of Health, Education, and Welfare would be authorized to establish necessary safeguards against improper disclosure of the information. Beginning October 1979, the States would be required to request and use the earnings information made available to them under the committee amendment.
Although the records of wages maintained by the Social Security Administration and by State employment security agencies may not be available on a current basis, it seems inevitable that a procedure for screening against one or the other of these two sets of records should greatly increase the incentive for recipients to accurately report their earned income. Where welfare agencies are requesting the wage data from the Social Security Administration, each State or local administering agency would designate a single official who would be authorized to make the necessary request for information. Alternatively, procedures for requesting such information could be worked out by mutual agreement of the welfare agency and the Social Security Administration. The cost of searching wage records would be reimbursed to the agency maintaining the records and would be matchable as an administrative expense of the welfare agency.

**AUTHORITY FOR STATES TO OPERATE DEMONSTRATION PROJECTS MAKING EMPLOYMENT MORE ATTRACTIVE FOR WELFARE RECIPIENTS**

(Section 304 of the Bill)

Present law.—Section 1115 of the Social Security Act allows the Secretary of Health, Education, and Welfare to waive any of the State plan requirements of the Federal welfare law for the sake of experimental, pilot, or demonstration projects which in the Secretary's judgment are likely to assist in promoting the objectives of the welfare programs. The committee notes that under this existing law, there is considerable authority at the Federal level to carry on research and demonstration on better ways of developing work incentives for welfare recipients. Exclusive use of this approach, however, ignores one of the basic strengths of federalism; namely, that individual States should be free to experiment with better ways of solving governmental problems. A number of States have attempted to institute innovative employment programs for welfare recipients but they have been inhibited by HEW because of its slowness to act under current demonstration authority. The committee bill will alleviate this situation.

Committee provision.—Under the committee amendment, which is similar in intent to an amendment reported by the committee and approved by the Senate in 1973 (section 164 of H.R. 3133, 93d Congress), this authority would be both broadened and made more explicit to emphasize a major objective for demonstration projects. This objective is to permit States to achieve more efficient and effective use of funds for public assistance recipients, to reduce dependency, and to improve the living conditions and increase the incomes of persons who are on assistance (or who would be on assistance if they were not participating in the demonstration project) by conducting experiments designed to make employment more attractive for welfare recipients.

States would be limited to not more than three demonstration projects under this authority; one of the projects could be statewide. None of the projects could last for more than 2 years, and all authority for the projects would terminate September 30, 1980.

In pursuing these objectives under the committee bill, States would be permitted for demonstration purposes to waive the requirements of the Aid to Families with Dependent Children program relating to (1)
statewideness; (2) administration by a single State agency; (3) the earned income disregard (but in no case could a State offer an earned income disregard of more than 50 percent); and (4) the work incentive program. The State could waive any or all of these requirements on its own initiative. Unless the Secretary, within 45 days, disapproved the waiver as inconsistent with the purposes of section 1115 and the AFDC law, the demonstration would be considered approved and could be operated by the State.

As part of a demonstration project, the State could use welfare funds to pay part of the cost of public service employment. The State could add additional amounts to pay a wage higher than the amount of the welfare payment. Under the committee bill, revenue sharing funds could be used for the non-welfare share of the salaries. The committee amendment requires the States, in making arrangements for public service employment, to provide that appropriate standards for the health, safety, and other conditions applicable to the performance of work and training are established and maintained, that projects will not result in the displacement of employed workers, and that the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and that appropriate worker's compensation protection is provided to all participants. The State welfare agency would also be free to contract with non-profit private institutions organized for a public purpose, such as hospitals, to carry out such projects.

When unemployed fathers are placed in public service employment, Federal matching will continue for the portion of the salary equal to the former welfare payments and it will be available for wage payments.

Public Service employment is not the only type of experimentation authorized by the committee bill. States may wish, for example, to experiment with the income disregard. If they do so, however, they will not be allowed to conduct a test which disregards more than one-half of a welfare recipient's earned income.

Participation by welfare recipients in the demonstration projects would be voluntary.

The costs incurred by the States in conducting demonstration projects under this provision of the committee bill would be eligible for the same Federal matching as applies to other costs of the AFDC program, subject to the limitation that the amount matchable with respect to any participant in the project may not exceed the amount which would otherwise have been payable to him under the regular provisions of the AFDC program. Thus, these projects should not result in increased Federal expenditures.

**EARNED INCOME DISREGARD**

*(Section 305 of the Bill)*

*Present law.—* Under present law States are required, in determining need for Aid to Families with Dependent Children, to disregard:

1. All earned income of a child who is a full-time student, or a part-time student who is not a full-time employee; and

2. The first $30 earned monthly by an adult plus one-third of additional earnings. Costs related to work (such as transportation costs,
uniforms, union dues, child care and other items) are also deducted from earnings in calculating the amount of welfare benefit.

Three problems have been raised concerning the earned income disregard under present law. First, Federal law neither defines nor limits what may be considered a work-related expense, and this has led to great variation among States and to some cases of abuse. Second, the requirement for itemization of individual work expenses results in administrative complexity and error. Third, some States have complained that the lack of an upper limit on the earned income disregard has the effect of keeping people on welfare even after they are working full-time at wages well above the poverty line.

In an effort to curb the abuse of the work expense provision and to simplify its administration, a number of States in the past established standard amounts to be used in the case of all AFDC recipients with earnings. However, in 1974 the U.S. Supreme Court in Shea v. Vialpando ruled the policy of using a fixed work expense disregard, regardless of actual costs, as contrary to the Social Security Act. It said, however, that a standard allowance which would enhance administrative efficiency would be permissible if it provided for individualized consideration of expense in excess of the standard amount. Since the ruling, a number of States have used standard amounts for work expenses, but at the same time they are required to allow individual recipients to make additional claims for work expenses if they can show that they do in fact have such expenses.

In the summer of 1975 the Congressional Research Service conducted a survey to determine State practices with respect to work expenses. The responses indicated very wide variations among the States, and also indicated that in most instances individual itemization of work expenses is necessary. An analysis of AFDC work expenses which are allowable in the 42 States responding to the survey showed the following:

**Child care.**—Twenty-one of the responding States indicated that they imposed no dollar limit on child care expenses. Of those that did, the range of allowable expense was from $17 to $50 a week. (Some States indicated that child care was not an allowable expense under AFDC. Presumably, in those States, if child care were necessary for an AFDC family, it would be provided through title XX vendor payments.)

**Transportation, special clothing and lunch.**—Ten States indicated that they had a standard amount for two or all of these items, ranging from about $25 to $44 a month. Seven States indicated that they disallowed one or more of the items. More specifically, States reported for:

1. **Transportation.**—Twenty States said they had no limit for transportation expenses. Those that gave mileage limitations ranged from 6 cents to 20 cents a mile. States did not indicate whether they allowed car payments or repairs as work expenses.

2. **Special clothing.**—Twenty-five States indicated that there was no limit for these expenses. The few that have established limits for this category generally specified a limit of $5 a month.

3. **Lunch.**—Fourteen States said they had not established a limit. Those that have, gave a range of from $0.25 to $1 a day.
States did not provide information to indicate what kinds of exceptions they make to their general rules, although it is known that some exceptions are made. For example, New York indicated a limit of $50 a week for child care. However, higher amounts are generally allowable in New York City.

In addition to the above-mentioned items, States generally allow for mandatory tax deductions and union dues.

**Committee provision.**—The committee believes that the broad discretion that now exists in determining work expenses leads to abuse, and also results in unnecessary administrative complexities and errors. The committee amendment would address these problems by requiring States to disregard the first $60 earned monthly by an individual working full time ($30 in the case of an individual working part-time), in lieu of individual itemized work expenses. In addition, reasonable child care expenses, subject to limitations prescribed by the Secretary, would then be disregarded. To preserve an incentive for additional earnings, but also to provide for a phaseout of welfare payments at a reasonable level, the committee amendment would provide for the disregard of one-third of remaining earnings, up to $300 plus one-fifth of remaining earnings above $500 a month. Thus, in a State where the payment standard is $300 a month for a family of four (in July 1976 the median State’s payment standard was $317), the level of earnings at which a family would no longer be eligible for any AFDC payment would be $585 a month (assuming child care expenses of $100). A State which implements this section upon enactment and prior to the effective date would not be regarded as out of compliance with requirements imposed with respect to improved State plans under part A of title IV of the Social Security Act.

The following example compares the effects of present law and the committee bill.

**Example:** Recipient earns $500 per month, pays $200 for child care; pays $110 for union dues, parking fees, interest on automobile, withholding taxes, etc. State AFDC payment for family with no income would be $300.

**Present law:**

<table>
<thead>
<tr>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Basic disregard</td>
<td>$30</td>
</tr>
<tr>
<td>33 1/3 percent of earnings above basic disregard</td>
<td>$157</td>
</tr>
<tr>
<td>Child care costs</td>
<td>$200</td>
</tr>
<tr>
<td>Other work expenses</td>
<td>$110</td>
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<tr>
<td><strong>Total disregard</strong></td>
<td>$497</td>
</tr>
<tr>
<td>Family is paid in AFDC:</td>
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<tr>
<td>$300 full payment less the $3 of earned income which is not disregarded</td>
<td>$297</td>
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**Committee bill:**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Basic disregard</td>
<td>$60</td>
</tr>
<tr>
<td>Allowable child care</td>
<td>$150</td>
</tr>
<tr>
<td>20 percent of the 1st $300 of earnings above other disregards</td>
<td>$97</td>
</tr>
<tr>
<td><strong>Total disregard</strong></td>
<td>$307</td>
</tr>
<tr>
<td>Family is paid in AFDC:</td>
<td></td>
</tr>
<tr>
<td>$300 full payment less the $193 of earned income which is not disregarded</td>
<td>$107</td>
</tr>
</tbody>
</table>

1 Assumes that HEW limit on deductible child care would be $150 for the individual in this example.

2 In this example, the excess income above other disregards is only $290; thus the 20 percent factor does not come into play.
D. Actuarial Section

Actuarial Soundness of the OASDHI System

In order to determine the financial soundness of the OASDHI system over a long-range period, the concept of long-range actuarial balance has normally been used. The long-range actuarial balance for OASDI is the difference between the 75-year average OASDI tax rate and the 75-year average of the annual expenditures expressed as a percentage of taxable payroll. The long-range actuarial balance for HI is calculated in a similar fashion, but over a 25-year period. If the difference is positive (that is, if the average tax rate exceeds the average expenditures expressed as a percentage of taxable payroll), the system is said to have an actuarial surplus; if it is negative, the system is said to have an actuarial deficit. The Office of the Actuary, Social Security Administration, advises the committee that it is desirable to keep the program in as close balance as possible, preferably with a slight positive balance. In the past when there has been an actuarial imbalance (i.e., an actuarial deficit or actuarial surplus), the Congress has traditionally acted to revise the financing of the program so as to bring it into close actuarial balance.

The long-range cost of the OASDI system under the committee bill is estimated to be 14.16 percent of taxable payroll and the average OASDI tax rate is 14.22 percent of taxable payroll. Thus, the actuarial balance under the committee bill would be a surplus of +0.06 percent of payroll. This is consistent with the goal of achieving a slight positive balance for the system.

The long-range cost of the HI system under the committee bill is estimated to be 3.84 percent of taxable payroll and the average HI tax rate is 2.62 percent. This results in a substantial long-range deficit, making the actuarial balance -1.22 percent of taxable payroll, which is similar to the deficit under present law. (This bill does not address the problems of financing of the HI system. Under this bill, as under present law, the HI program is projected to become exhausted in 1987 unless changes are made to improve its financial situation.)

Actuarial Cost Estimates for the OASDI System

1. EFFECT OF THE BILL ON THE ACTUARIAL BALANCE OF THE OASDI SYSTEM

From an actuarial cost standpoint, the major features of the committee bill are as follows:

(a) Revised benefit formula for future retirees.—Under the bill the cost-of-living increase provisions in present law would apply only to individuals who are eligible for benefits at the time each increase occurs. A new automatic mechanism is provided for persons retiring in the future. These people will have their benefits determined on the basis of their previous earnings after those earnings have been adjusted to reflect changes in wage levels occurring in the economy. The result will be that average benefit levels as a percent of average preretirement income will remain at approximately the same level as for those persons who retired at the beginning of 1976.
(b) Increase in amount of earnings subject to employer tax.—The committee bill would increase the base for employer taxes to $50,000 for 1979-84. This amount would be further increased to $75,000 in 1985 and would be held at that level until the employee taxable base catches up with it. Thereafter, it would increase automatically, as under present law, to reflect yearly increases in average wage levels.

(c) Increase in amount of earnings subject to employee (or self-employed) tax.—The bill would also increase the amount of annual earnings subject to the employee or self-employment tax. Under the bill, there would be four $600 increases over present law levels in 1979, 1981, 1983, and 1985. The tax base for employees and self-employed persons, as under existing law, will also continue to automatically increase as wage levels rise.

(d) Tax rate increase.—The bill also provides for modification of the social security tax rate schedules, to bring in additional revenue (see tables 8 and 9).

The changes in the hospital insurance (HI) tax rates will, in combination with the tax base changes, leave the HI trust fund in approximately the same position as it would be under existing law.

Effective in 1981, the OASDI tax rate applicable to self-employed persons would be increased to one and one-half times the tax rate which applies to employees.

**TABLE 8.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS AND DISABILITY INSURANCE UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL**

<table>
<thead>
<tr>
<th>Calendar years</th>
<th>Employer and employee rate, each</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Committee bill</td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>4.95</td>
</tr>
<tr>
<td>1978</td>
<td>4.95</td>
<td>5.05</td>
</tr>
<tr>
<td>1979–80</td>
<td>4.95</td>
<td>5.085</td>
</tr>
<tr>
<td>1981–84</td>
<td>4.95</td>
<td>5.35</td>
</tr>
<tr>
<td>1985–89</td>
<td>4.95</td>
<td>5.65</td>
</tr>
<tr>
<td>1990–94</td>
<td>4.95</td>
<td>6.10</td>
</tr>
<tr>
<td>1995–2000</td>
<td>4.95</td>
<td>6.70</td>
</tr>
<tr>
<td>2001–2010</td>
<td>4.95</td>
<td>7.30</td>
</tr>
<tr>
<td>2011 and after</td>
<td>5.95</td>
<td>7.80</td>
</tr>
</tbody>
</table>

1 Approximately 1½ times the employee rate beginning in 1981.
TABLE 9.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS,
AND DISABILITY INSURANCE UNDER THE COMMITTEE BILL,
SUBDIVIDED BY TRUST FUND

[In percent]

<table>
<thead>
<tr>
<th>Calendar years</th>
<th>Employer and employee rate, each</th>
<th>Self-employed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASI</td>
<td>DI</td>
</tr>
<tr>
<td>1977</td>
<td>4.375</td>
<td>0.575</td>
</tr>
<tr>
<td>1978</td>
<td>4.275</td>
<td>0.775</td>
</tr>
<tr>
<td>1979–80</td>
<td>4.335</td>
<td>0.750</td>
</tr>
<tr>
<td>1981–84</td>
<td>4.525</td>
<td>0.825</td>
</tr>
<tr>
<td>1985–89</td>
<td>4.700</td>
<td>0.950</td>
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<td>1990–94</td>
<td>5.050</td>
<td>1.050</td>
</tr>
<tr>
<td>1995–2000</td>
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<td>1.200</td>
</tr>
<tr>
<td>2001–10</td>
<td>5.950</td>
<td>1.350</td>
</tr>
<tr>
<td>2011 and after</td>
<td>6.300</td>
<td>1.500</td>
</tr>
</tbody>
</table>

(e) Benefits for dependent spouses.—Benefits payable to people who qualify in the future for social security benefits as dependent spouse (includes surviving spouses) are reduced by the amount of any governmental (Federal, State, or local) retirement benefit payable to the spouse on the basis of such spouse's own employment for such a government that was not covered by OASDI.

(f) Modification of retirement test.—Under present law, social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount which is adjusted annually to reflect changes in average wage levels. This amount is $3,000 in 1977 and is estimated to automatically increase to $3,240 in 1978 and to $3,480 in 1979. The bill increases these levels to $4,600 in 1978 and to $6,000 in 1979. After 1979, the new $6,000 level would increase automatically as wage levels rise, as under present law. (The 1978 increase would be applicable to the entire year, but any additional benefits resulting from the change would not become payable until after September 30, 1978.)

(g) Increased benefits for certain widows.—Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits because of the retirement test. Under present law this delayed retirement increment of 1 percent a year, which is added to the individual worker's benefit when he retires, ap-
plies only to the worker's own benefit. The committee bill would make the increment applicable to the benefit payable to the widow or widow of such an individual.

(1) Elimination of certain dual taxation requirements.—Effective in 1979, the committee bill will treat an individual who concurrently performs services for two or more related corporations (but is paid by only one of them) as if there were only one employing corporation. (Current law treats him as an employee of each corporation which can result in a total employer tax liability in excess of the maximum amount of annual earnings ordinarily subject to social security taxes.)

(i) Elimination of retroactive payments of actuarially reduced benefits.—Under present law, social security beneficiaries may receive benefits for up to 12 months before application. Under the committee bill, such benefits would not be payable if they are actuarially reduced.

(j) Change in method of applying benefit increase to actuarially reduced benefits.—Under present law, when a general benefit increase is applied to actuarially reduced benefits, the increase in benefits is reduced by a percentage that is less than the percentage initially applied when the benefits were awarded. Under the committee bill, the initial percentage reduction will be applied to later benefit increases.

The changes in the medium-range and long-range actuarial balances of the system from the levels under present law to those under the committee bill are shown in tables 10 and 11.

These long-range estimates are based on the assumption that average earnings will increase after 1982 at an annual rate of 5½ percent, and that the CPI will increase at 4 percent per year.

It is estimated that the changes made by the bill would provide a sound actuarial position for the old-age, survivors, and disability insurance program, because the system would be in close actuarial balance (+0.06 percent of taxable payroll).

<table>
<thead>
<tr>
<th>Item</th>
<th>OASI</th>
<th>DI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-range actuarial balance under present law</td>
<td>−1.45</td>
<td>−0.89</td>
<td>−2.34</td>
</tr>
<tr>
<td>Effect of decoupling</td>
<td>+1.68</td>
<td>+0.55</td>
<td>+2.23</td>
</tr>
<tr>
<td>Effect of new (wage-indexed) benefit formula</td>
<td>−1.22</td>
<td>−0.32</td>
<td>−1.54</td>
</tr>
<tr>
<td>Increase in wage base for employers</td>
<td>+0.33</td>
<td>+0.07</td>
<td>+0.40</td>
</tr>
<tr>
<td>Increase in earnings base for employees and self-employed persons</td>
<td>+0.09</td>
<td>+0.01</td>
<td>+0.10</td>
</tr>
<tr>
<td>Increase in self-employed tax rate</td>
<td>+0.05</td>
<td>+0.01</td>
<td>+0.06</td>
</tr>
<tr>
<td>Government pension offset for spouses' benefits</td>
<td>+0.06</td>
<td>+0.0</td>
<td>+0.06</td>
</tr>
<tr>
<td>Increase in exempt amount in retirement test</td>
<td>−0.16</td>
<td>−0.0</td>
<td>−0.16</td>
</tr>
<tr>
<td>Change in method of applying general benefit increases to actuarially reduced benefits</td>
<td>+0.13</td>
<td>+0.0</td>
<td>+0.13</td>
</tr>
<tr>
<td>Delayed retirement increment for widows and widowers and employer tax relief for affiliated corporations</td>
<td>−0</td>
<td>−0</td>
<td>−0</td>
</tr>
<tr>
<td>Eliminating retroactive payments of actuarially reduced benefits</td>
<td>+0.02</td>
<td>+0.0</td>
<td>+0.02</td>
</tr>
<tr>
<td>Revised tax schedule</td>
<td>+1.31</td>
<td>+0.63</td>
<td>+1.94</td>
</tr>
<tr>
<td>Total effect of changes in bill</td>
<td>+2.29</td>
<td>+0.96</td>
<td>+3.24</td>
</tr>
<tr>
<td>Medium-range actuarial balance under bill</td>
<td>+0.84</td>
<td>+0.06</td>
<td>+0.90</td>
</tr>
</tbody>
</table>

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5¼ percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
TABLE 11.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE LONG-RANGE PERIOD (1977-2051) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW, AND THE COMMITTEE BILL

<table>
<thead>
<tr>
<th>Item</th>
<th>OASI</th>
<th>DI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-range actuarial balance under present law</td>
<td>−6.06</td>
<td>−2.14</td>
<td>−8.20</td>
</tr>
<tr>
<td>Effect of decoupling</td>
<td>+9.63</td>
<td>+2.32</td>
<td>+11.95</td>
</tr>
<tr>
<td>Effect of new (wage-indexed) benefit formula</td>
<td>−6.18</td>
<td>−1.31</td>
<td>−7.49</td>
</tr>
<tr>
<td>Increase in wage base for employers</td>
<td>+.22</td>
<td>+.05</td>
<td>+.27</td>
</tr>
<tr>
<td>Increase in earnings base for employees and self-employed persons</td>
<td>+.05</td>
<td>0</td>
<td>+.05</td>
</tr>
<tr>
<td>Increase in self-employed tax rate</td>
<td>+.08</td>
<td>+.02</td>
<td>+.10</td>
</tr>
<tr>
<td>Government pension offset for spouses' benefits</td>
<td>+.05</td>
<td>0</td>
<td>+.05</td>
</tr>
<tr>
<td>Increase in exempt amount in retirement test</td>
<td>−.17</td>
<td>0</td>
<td>−.17</td>
</tr>
<tr>
<td>Changes in method of applying general benefit increase to actuarially reduced benefits</td>
<td>+.25</td>
<td>0</td>
<td>+.25</td>
</tr>
<tr>
<td>Delayed retirement increment for widows and widowers and employer tax relief for affiliated corporations</td>
<td>−.01</td>
<td>0</td>
<td>−.01</td>
</tr>
<tr>
<td>Eliminating retroactive payments of actuarially reduced benefits</td>
<td>+.01</td>
<td>0</td>
<td>+.01</td>
</tr>
<tr>
<td>Revised tax schedule</td>
<td>+2.17</td>
<td>+1.08</td>
<td>+3.25</td>
</tr>
<tr>
<td>Total effect of changes in bill</td>
<td>+6.10</td>
<td>+2.16</td>
<td>+8.26</td>
</tr>
</tbody>
</table>

Long-range actuarial balance under bill                               | +.04 | +.03 | +.06    |

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5¾ percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
These long-range estimates are based on the assumption that average earnings will increase after 1982 at an annual rate of 5 3/4 percent, and that the CPI will increase at 4 percent per year.

It is estimated that the changes made by the bill would provide a sound actuarial position for the old-age, survivors, and disability insurance program, because the system would be in close actuarial balance (+0.06 percent of taxable payroll).

2. INCOME AND OUTGO IN NEAR FUTURE FOR THE OASDI SYSTEM

Tables 12-14 show the progress of the OASI, DI, and combined OASDI trust funds under present law in the past and under the committee bill in the future.

TABLE 12.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, UNDER THE COMMITTEE BILL, CALENDAR YEARS 1972-87

[Dollar amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of disbursements during the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>$40.1</td>
<td>$38.5</td>
<td>$1.5</td>
<td>$35.3</td>
<td>88</td>
</tr>
<tr>
<td>1973</td>
<td>48.3</td>
<td>47.2</td>
<td>1.2</td>
<td>36.5</td>
<td>75</td>
</tr>
<tr>
<td>1974</td>
<td>54.7</td>
<td>53.4</td>
<td>1.3</td>
<td>37.8</td>
<td>68</td>
</tr>
<tr>
<td>1975</td>
<td>59.6</td>
<td>60.4</td>
<td>-.8</td>
<td>37.0</td>
<td>63</td>
</tr>
<tr>
<td>1976</td>
<td>66.3</td>
<td>67.9</td>
<td>-1.6</td>
<td>35.4</td>
<td>54</td>
</tr>
</tbody>
</table>

Estimated future experience:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of disbursements during the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>72.5</td>
<td>75.6</td>
<td>-3.1</td>
<td>32.3</td>
<td>47</td>
</tr>
<tr>
<td>1978</td>
<td>78.5</td>
<td>84.1</td>
<td>-5.5</td>
<td>26.8</td>
<td>38</td>
</tr>
<tr>
<td>1979</td>
<td>92.1</td>
<td>92.9</td>
<td>-.8</td>
<td>26.0</td>
<td>29</td>
</tr>
<tr>
<td>1980</td>
<td>101.9</td>
<td>101.4</td>
<td>.5</td>
<td>26.5</td>
<td>26</td>
</tr>
<tr>
<td>1981</td>
<td>115.2</td>
<td>109.7</td>
<td>5.4</td>
<td>31.9</td>
<td>24</td>
</tr>
<tr>
<td>1982</td>
<td>124.3</td>
<td>118.1</td>
<td>6.2</td>
<td>38.1</td>
<td>27</td>
</tr>
<tr>
<td>1983</td>
<td>133.3</td>
<td>126.9</td>
<td>6.4</td>
<td>44.5</td>
<td>30</td>
</tr>
<tr>
<td>1984</td>
<td>142.4</td>
<td>136.5</td>
<td>5.9</td>
<td>50.4</td>
<td>33</td>
</tr>
<tr>
<td>1985</td>
<td>158.8</td>
<td>146.7</td>
<td>12.1</td>
<td>62.5</td>
<td>34</td>
</tr>
<tr>
<td>1986</td>
<td>170.6</td>
<td>157.6</td>
<td>13.0</td>
<td>75.5</td>
<td>40</td>
</tr>
<tr>
<td>1987</td>
<td>182.2</td>
<td>169.1</td>
<td>13.1</td>
<td>88.5</td>
<td>45</td>
</tr>
</tbody>
</table>
### TABLE 13.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE COMMITTEE BILL, CALENDAR YEARS 1972-87

[Dollar amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in fund</th>
<th>Fund at end of coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>$5.6</td>
<td>$4.8</td>
<td>$0.8</td>
<td>$7.5</td>
</tr>
<tr>
<td>1973</td>
<td>6.4</td>
<td>6.0</td>
<td>.5</td>
<td>7.9</td>
</tr>
<tr>
<td>1974</td>
<td>7.4</td>
<td>7.2</td>
<td>.2</td>
<td>8.1</td>
</tr>
<tr>
<td>1975</td>
<td>8.0</td>
<td>8.8</td>
<td>-.8</td>
<td>7.4</td>
</tr>
<tr>
<td>1976</td>
<td>8.8</td>
<td>10.4</td>
<td>-1.6</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Estimated future experience:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>9.6</td>
<td>12.4</td>
<td>-2.4</td>
<td>3.3</td>
</tr>
<tr>
<td>1978</td>
<td>13.8</td>
<td>13.6</td>
<td>.2</td>
<td>3.5</td>
</tr>
<tr>
<td>1979</td>
<td>16.0</td>
<td>15.3</td>
<td>.7</td>
<td>4.2</td>
</tr>
<tr>
<td>1980</td>
<td>17.7</td>
<td>17.2</td>
<td>.5</td>
<td>4.7</td>
</tr>
<tr>
<td>1981</td>
<td>21.0</td>
<td>19.0</td>
<td>1.9</td>
<td>6.6</td>
</tr>
<tr>
<td>1982</td>
<td>22.8</td>
<td>21.0</td>
<td>1.8</td>
<td>8.4</td>
</tr>
<tr>
<td>1983</td>
<td>24.4</td>
<td>23.1</td>
<td>1.3</td>
<td>9.7</td>
</tr>
<tr>
<td>1984</td>
<td>26.1</td>
<td>25.4</td>
<td>.7</td>
<td>10.4</td>
</tr>
<tr>
<td>1985</td>
<td>32.0</td>
<td>28.0</td>
<td>4.0</td>
<td>14.4</td>
</tr>
<tr>
<td>1986</td>
<td>34.7</td>
<td>30.6</td>
<td>4.1</td>
<td>18.4</td>
</tr>
<tr>
<td>1987</td>
<td>37.1</td>
<td>33.5</td>
<td>3.6</td>
<td>22.1</td>
</tr>
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</table>
TABLE 14.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, UNDER THE COMMITTEE BILL, CALENDAR YEARS 1972-87

[Dollar amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in funds</th>
<th>Funds at end of year</th>
<th>Funds at beginning of year as a percentage of disbursements during the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>$45.6</td>
<td>$43.3</td>
<td>$2.3</td>
<td>$42.8</td>
<td>93</td>
</tr>
<tr>
<td>1973</td>
<td>54.8</td>
<td>53.1</td>
<td>1.6</td>
<td>44.4</td>
<td>80</td>
</tr>
<tr>
<td>1974</td>
<td>62.1</td>
<td>60.6</td>
<td>1.5</td>
<td>45.9</td>
<td>73</td>
</tr>
<tr>
<td>1975</td>
<td>67.6</td>
<td>69.2</td>
<td>-1.5</td>
<td>44.3</td>
<td>66</td>
</tr>
<tr>
<td>1976</td>
<td>75.0</td>
<td>78.2</td>
<td>-3.2</td>
<td>41.1</td>
<td>57</td>
</tr>
</tbody>
</table>

Estimated future experience:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in funds</th>
<th>Funds at end of year</th>
<th>Funds at beginning of year as a percentage of disbursements during the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>82.1</td>
<td>87.6</td>
<td>-5.5</td>
<td>35.6</td>
<td>47</td>
</tr>
<tr>
<td>1978</td>
<td>92.4</td>
<td>97.7</td>
<td>-5.4</td>
<td>30.2</td>
<td>36</td>
</tr>
<tr>
<td>1979</td>
<td>108.0</td>
<td>108.1</td>
<td>-.1</td>
<td>30.1</td>
<td>28</td>
</tr>
<tr>
<td>1980</td>
<td>119.6</td>
<td>118.5</td>
<td>1.0</td>
<td>31.2</td>
<td>25</td>
</tr>
<tr>
<td>1981</td>
<td>136.1</td>
<td>128.8</td>
<td>7.4</td>
<td>38.5</td>
<td>24</td>
</tr>
<tr>
<td>1982</td>
<td>147.1</td>
<td>139.1</td>
<td>8.6</td>
<td>46.5</td>
<td>28</td>
</tr>
<tr>
<td>1983</td>
<td>157.7</td>
<td>150.0</td>
<td>7.7</td>
<td>54.2</td>
<td>31</td>
</tr>
<tr>
<td>1984</td>
<td>168.5</td>
<td>161.9</td>
<td>6.6</td>
<td>60.8</td>
<td>33</td>
</tr>
<tr>
<td>1985</td>
<td>190.7</td>
<td>174.7</td>
<td>16.1</td>
<td>76.9</td>
<td>35</td>
</tr>
<tr>
<td>1986</td>
<td>205.3</td>
<td>188.2</td>
<td>17.1</td>
<td>93.9</td>
<td>41</td>
</tr>
<tr>
<td>1987</td>
<td>219.3</td>
<td>202.6</td>
<td>16.7</td>
<td>110.0</td>
<td>46</td>
</tr>
</tbody>
</table>
3. LONG-RANGE OASDI COST ESTIMATES

Table 15 shows the long-range cost estimates of the OASDI system as modified by the committee bill.

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
<th>Total</th>
<th>Combined employer-employee tax rate in bill</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>9.39</td>
<td>1.50</td>
<td>10.89</td>
<td>9.90</td>
<td>-0.99</td>
</tr>
<tr>
<td>1978</td>
<td>9.39</td>
<td>1.53</td>
<td>10.92</td>
<td>10.10</td>
<td>-0.82</td>
</tr>
<tr>
<td>1979</td>
<td>8.81</td>
<td>1.45</td>
<td>10.27</td>
<td>10.17</td>
<td>-1.00</td>
</tr>
<tr>
<td>1980</td>
<td>8.74</td>
<td>1.48</td>
<td>10.22</td>
<td>10.17</td>
<td>-0.50</td>
</tr>
<tr>
<td>1981</td>
<td>8.68</td>
<td>1.51</td>
<td>10.19</td>
<td>10.70</td>
<td>0.51</td>
</tr>
<tr>
<td>1982</td>
<td>8.73</td>
<td>1.56</td>
<td>10.28</td>
<td>10.70</td>
<td>0.42</td>
</tr>
<tr>
<td>1983</td>
<td>8.77</td>
<td>1.60</td>
<td>10.36</td>
<td>10.70</td>
<td>0.34</td>
</tr>
<tr>
<td>1984</td>
<td>8.85</td>
<td>1.65</td>
<td>10.50</td>
<td>10.70</td>
<td>0.20</td>
</tr>
<tr>
<td>1985</td>
<td>8.82</td>
<td>1.68</td>
<td>10.51</td>
<td>11.30</td>
<td>0.79</td>
</tr>
<tr>
<td>1986</td>
<td>8.89</td>
<td>1.73</td>
<td>10.62</td>
<td>11.30</td>
<td>0.68</td>
</tr>
<tr>
<td>1987</td>
<td>8.88</td>
<td>1.76</td>
<td>10.63</td>
<td>11.30</td>
<td>0.67</td>
</tr>
<tr>
<td>1988</td>
<td>8.93</td>
<td>1.83</td>
<td>10.76</td>
<td>11.30</td>
<td>0.54</td>
</tr>
<tr>
<td>1989</td>
<td>8.95</td>
<td>1.88</td>
<td>10.83</td>
<td>11.30</td>
<td>0.57</td>
</tr>
<tr>
<td>1990</td>
<td>8.97</td>
<td>1.93</td>
<td>10.90</td>
<td>12.20</td>
<td>1.30</td>
</tr>
<tr>
<td>1991</td>
<td>8.99</td>
<td>1.98</td>
<td>10.97</td>
<td>12.20</td>
<td>1.23</td>
</tr>
<tr>
<td>1992</td>
<td>9.02</td>
<td>2.02</td>
<td>11.04</td>
<td>12.20</td>
<td>1.16</td>
</tr>
<tr>
<td>1993</td>
<td>9.05</td>
<td>2.07</td>
<td>11.12</td>
<td>12.20</td>
<td>1.08</td>
</tr>
<tr>
<td>1994</td>
<td>9.09</td>
<td>2.12</td>
<td>11.20</td>
<td>12.20</td>
<td>1.00</td>
</tr>
<tr>
<td>1995</td>
<td>9.12</td>
<td>2.17</td>
<td>11.29</td>
<td>13.40</td>
<td>2.11</td>
</tr>
<tr>
<td>1997</td>
<td>9.15</td>
<td>2.29</td>
<td>11.43</td>
<td>13.40</td>
<td>1.97</td>
</tr>
<tr>
<td>1998</td>
<td>9.17</td>
<td>2.35</td>
<td>11.52</td>
<td>13.40</td>
<td>1.88</td>
</tr>
<tr>
<td>1999</td>
<td>9.19</td>
<td>2.41</td>
<td>11.60</td>
<td>13.40</td>
<td>1.80</td>
</tr>
<tr>
<td>2000</td>
<td>9.21</td>
<td>2.47</td>
<td>11.68</td>
<td>13.40</td>
<td>1.72</td>
</tr>
<tr>
<td>2001</td>
<td>9.23</td>
<td>2.53</td>
<td>11.76</td>
<td>14.60</td>
<td>2.84</td>
</tr>
</tbody>
</table>

See footnotes at end of table.
TABLE 15.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE COMMITTEE BILL, FOR SELECTED YEARS 1977-2055—Continued

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
<th>Total</th>
<th>Combined employer-employee tax rate in bill</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>9.28</td>
<td>2.78</td>
<td>12.06</td>
<td>14.60</td>
<td>2.54</td>
</tr>
<tr>
<td>2010</td>
<td>9.86</td>
<td>3.02</td>
<td>12.88</td>
<td>14.60</td>
<td>1.72</td>
</tr>
<tr>
<td>2015</td>
<td>11.03</td>
<td>3.13</td>
<td>14.16</td>
<td>15.60</td>
<td>1.44</td>
</tr>
<tr>
<td>2020</td>
<td>12.57</td>
<td>3.15</td>
<td>15.72</td>
<td>15.60</td>
<td>—1.2</td>
</tr>
<tr>
<td>2025</td>
<td>14.10</td>
<td>3.04</td>
<td>17.13</td>
<td>15.60</td>
<td>—1.53</td>
</tr>
<tr>
<td>2030</td>
<td>14.96</td>
<td>2.90</td>
<td>17.86</td>
<td>15.60</td>
<td>—2.26</td>
</tr>
<tr>
<td>2035</td>
<td>15.03</td>
<td>2.81</td>
<td>17.85</td>
<td>15.60</td>
<td>—2.25</td>
</tr>
<tr>
<td>2040</td>
<td>14.53</td>
<td>2.83</td>
<td>17.36</td>
<td>15.60</td>
<td>—1.76</td>
</tr>
<tr>
<td>2045</td>
<td>14.04</td>
<td>2.91</td>
<td>16.95</td>
<td>15.60</td>
<td>—1.35</td>
</tr>
<tr>
<td>2050</td>
<td>13.87</td>
<td>2.94</td>
<td>16.81</td>
<td>15.60</td>
<td>—1.21</td>
</tr>
<tr>
<td>2055</td>
<td>13.94</td>
<td>2.94</td>
<td>16.88</td>
<td>15.60</td>
<td>—1.28</td>
</tr>
</tbody>
</table>

25-yr averages:
1977-2001... 9.01    1.91  10.92  11.83  .90
2002-26      11.18   3.00  14.18  15.24   1.06
2027-51      14.49   2.88  17.37  15.60  —1.77

75-yr average: 1977-2051... 11.56  2.60  14.16  14.22 .06

1 Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5 percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
Basic Assumptions for Cost Estimates for Old-Age, Survivors, and Disability Insurance System

1. GENERAL BASIS FOR LONG-RANGE COST ESTIMATES

The long-range estimates for the old-age, survivors, and disability insurance program presented in this report are based on the assumption that average earnings in covered employment will increase after 1982 at an annual rate of 5% percent. Similarly, the assumption has been made that the CPI will increase at an annual rate of 4 percent. Higher increases for both earnings and the CPI are assumed for the early years. These assumptions yield, over the long range, an implied increase in real earnings of 1% percent per year, which is based on the actual average experience of the last 25 years (estimated at about 1.7 percent per year, based on annual averages for the period 1956–76), although recent experience has been much lower (about 1.1 percent in the last 15 years and 0.5 percent in the last 10 years, based on annual averages).

The estimates reflect the effects, under present law and under the system as it would be modified by the committee bill of various changes assumed to occur as a result of the automatic-adjustment provisions. Table 16 summarizes those changes.

2. MEASUREMENT OF COSTS IN RELATION TO TAXABLE PAYROLL

Long-range costs included in this report are expressed as a percentage of taxable payroll. This measure is used because it is directly comparable to the combined employer-employee tax rate. Because of this characteristic the adequacy of any tax schedule can be readily determined and new tax schedules can be readily designed to meet the cost of the program.

It should be observed that the assumptions of constant annual increases in average earnings and in the CPI were not adopted because it was believed that these increases would remain constant in the future. These assumptions are intended to represent average increases over the long-range future, with the increases being higher in some years and lower in others.

The long-range cost estimates are based on assumptions that are intended to represent close to full employment (average unemployment is assumed at 5 percent of the labor force). The aggregate amount of earnings taxable in 1977 under the base of $16,500 is estimated at about $824 billion. Similarly it is estimated that $917 billion of earnings will be taxable in 1978 under the scheduled $17,700 earnings base. The latter amount of total earnings taxable is projected to increase in the future as the covered population grows and as the average taxable earnings increase due to adjustments in the earnings base as well as to increases in average earnings in covered employment.

The long-range cost estimates presented in this report were prepared for a 75-year period.
TABLE 16.—ASSUMED FUTURE CHANGES RESULTING FROM AUTOMATIC-ADJUSTMENT PROVISIONS UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>General benefit increase ¹ (percent)</th>
<th>Taxable earnings base</th>
<th>Annual exempt amount under the retirement test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law ²</td>
<td>Employee and self-employed</td>
<td>Employer</td>
</tr>
<tr>
<td>1977</td>
<td>5.9</td>
<td>$16,500</td>
<td>$16,500</td>
</tr>
<tr>
<td>1978</td>
<td>5.5</td>
<td>17,700</td>
<td>17,700</td>
</tr>
<tr>
<td>1979</td>
<td>5.2</td>
<td>18,900</td>
<td>19,500</td>
</tr>
<tr>
<td>1980</td>
<td>5.0</td>
<td>20,400</td>
<td>21,000</td>
</tr>
<tr>
<td>1981</td>
<td>4.2</td>
<td>21,900</td>
<td>23,100</td>
</tr>
<tr>
<td>1982</td>
<td>4.0</td>
<td>23,400</td>
<td>24,600</td>
</tr>
<tr>
<td>1983</td>
<td>4.0</td>
<td>24,900</td>
<td>26,700</td>
</tr>
<tr>
<td>1984</td>
<td>4.0</td>
<td>26,400</td>
<td>28,200</td>
</tr>
<tr>
<td>1985</td>
<td>4.0</td>
<td>27,900</td>
<td>30,300</td>
</tr>
</tbody>
</table>

¹ Under present law, applies to both persons eligible for benefits at the time of the benefit increase and to persons becoming eligible for benefits thereafter. Under the committee bill, applies only to persons eligible for benefits as of the time of the benefit increase, for years after 1978. Amounts are the same under present law and under the committee bill.

² Amounts are the same for employees and self-employed persons.

³ Increases thereafter according to increases in average wages.

⁴ Remains at $75,000 thereafter until the base for employees and self-employed persons equals or exceeds $75,000, at which time the employer base is increased, if necessary, to equal the base for employees and self-employed persons, with automatic increases thereafter.
Actuarial Cost Estimates for the Hospital Insurance Program

1. EFFECT OF THE BILL ON THE ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE PROGRAM

The only provisions in the committee bill that affect the actuarial balance of the Hospital Insurance program are the change in the earnings base and the modification of the tax schedule, as outlined in the preceding sections. The financing changes alter slightly the actuarial balance of the HI program, from a deficit of —1.16 percent of taxable payroll under present law to a deficit of —1.22 percent under the bill, as shown in table 19. Under both present law and the bill, the Hospital Insurance fund would become exhausted in 1987. The tax schedule under the committee bill as compared with present law is shown in table 17.

TABLE 17.—CONTRIBUTION RATES FOR HOSPITAL INSURANCE UNDER COMMITTEE BILL, AS COMPARED WITH THOSE UNDER PRESENT LAW

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Present law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>1978</td>
<td>1.10</td>
<td>1.00</td>
</tr>
<tr>
<td>1979–80</td>
<td>1.10</td>
<td>1.05</td>
</tr>
<tr>
<td>1981–84</td>
<td>1.35</td>
<td>1.25</td>
</tr>
<tr>
<td>1985</td>
<td>1.35</td>
<td>1.35</td>
</tr>
<tr>
<td>1986 and after</td>
<td>1.50</td>
<td>1.40</td>
</tr>
</tbody>
</table>

2. SHORT-RANGE ESTIMATES OF THE INCOME AND OUTGO OF THE HOSPITAL INSURANCE PROGRAM

Estimates of the cash income and outgo and of the resulting balances in the Hospital Insurance Trust Fund are shown in table 18 for the past as well as for the next 10 calendar years.
<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>$6.4</td>
<td>$6.5</td>
<td>$-0.1</td>
<td>$2.9</td>
<td>47</td>
</tr>
<tr>
<td>1973</td>
<td>10.8</td>
<td>7.3</td>
<td>3.5</td>
<td>6.5</td>
<td>40</td>
</tr>
<tr>
<td>1974</td>
<td>12.0</td>
<td>9.4</td>
<td>2.7</td>
<td>9.1</td>
<td>69</td>
</tr>
<tr>
<td>1975</td>
<td>13.0</td>
<td>11.6</td>
<td>1.4</td>
<td>10.5</td>
<td>79</td>
</tr>
<tr>
<td>1976</td>
<td>13.8</td>
<td>13.7</td>
<td>.1</td>
<td>10.6</td>
<td>77</td>
</tr>
</tbody>
</table>

Estimated future experience:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Disbursements</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>16.1</td>
<td>16.2</td>
<td>.1</td>
<td>10.5</td>
<td>66</td>
</tr>
<tr>
<td>1978</td>
<td>19.2</td>
<td>19.0</td>
<td>.2</td>
<td>10.7</td>
<td>55</td>
</tr>
<tr>
<td>1979</td>
<td>23.4</td>
<td>22.2</td>
<td>1.2</td>
<td>11.9</td>
<td>48</td>
</tr>
<tr>
<td>1980</td>
<td>25.9</td>
<td>25.7</td>
<td>.1</td>
<td>12.0</td>
<td>46</td>
</tr>
<tr>
<td>1981</td>
<td>32.7</td>
<td>29.7</td>
<td>3.0</td>
<td>15.0</td>
<td>40</td>
</tr>
<tr>
<td>1982</td>
<td>35.4</td>
<td>33.9</td>
<td>1.5</td>
<td>16.5</td>
<td>44</td>
</tr>
<tr>
<td>1983</td>
<td>37.8</td>
<td>38.5</td>
<td>.8</td>
<td>15.8</td>
<td>43</td>
</tr>
<tr>
<td>1984</td>
<td>40.0</td>
<td>43.7</td>
<td>.3</td>
<td>12.1</td>
<td>36</td>
</tr>
<tr>
<td>1985</td>
<td>45.6</td>
<td>49.1</td>
<td>.3 .5</td>
<td>8.6</td>
<td>25</td>
</tr>
<tr>
<td>1986</td>
<td>50.2</td>
<td>54.9</td>
<td>.4</td>
<td>3.8</td>
<td>16</td>
</tr>
<tr>
<td>1987</td>
<td>53.0</td>
<td>61.2</td>
<td>.82</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

3. Long-range cost estimates for the hospital insurance program

The adequacy of a schedule of contribution rates to support the hospital insurance system is measured by comparing on a year-to-year basis the tax rates with the corresponding total costs of the program, expressed as percentages of taxable payroll. The total cost of the program in any year essentially is the combined employer-employee contribution rate that will be sufficient to (a) provide the benefit payments and administrative expenses for the year for insured beneficiaries and (b) build the trust fund to the level of a year's disbursements and maintain it at that level. If the tax rate and the total cost (expressed as a percentage of taxable payroll) are exactly equal in each year of the
If all projection assumptions are realized, tax revenues along with interest income will be sufficient to provide for benefits and administrative expenses for insured persons and to build the trust fund gradually to the level of a year's outgo by the end of the period. Financing schedules generally are designed with rate changes occurring only at intervals of several years, rather than with continual year-by-year increases to match exactly with projected cost increases. To the extent that small differences between the yearly costs of the program and the corresponding tax rates occur for short periods of time and are offset by subsequent differences in the reverse direction, adequate financing will have been provided.

Table 19 shows the long-range cost estimates of the HI system as modified by the bill and as compared with the taxes provided. As indicated in this table, the HI tax rates scheduled in the bill would be less than the total costs in nearly every year of the 25-year projection period. Under the proposed financing schedule, the assets in the trust fund as a percentage of a year's outgo decline from a level of 77 percent at the beginning of 1976 to a level of slightly over 40 percent during the early 1980's. The assets in the trust fund decline very rapidly thereafter, with the fund projected to be exhausted completely in 1987. This is true under present law and under the committee bill.

TABLE 19.—CHANGES IN ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE SYSTEM EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE COMMITTEE BILL

<table>
<thead>
<tr>
<th>Item</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial balance under present law</td>
<td>−1.16</td>
</tr>
<tr>
<td>Increase in wage base for employers</td>
<td>+.07</td>
</tr>
<tr>
<td>Increase in earnings base for employees and self-employed persons</td>
<td>+.05</td>
</tr>
<tr>
<td>Revised tax schedule</td>
<td>−.18</td>
</tr>
<tr>
<td>Total effect of changes in bill</td>
<td>−.06</td>
</tr>
<tr>
<td>Actuarial balance under bill</td>
<td>−1.22</td>
</tr>
</tbody>
</table>

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which is described in the 1977 Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund. These assumptions incorporate ultimate annual increases of 5½ percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer “excess wages” as compared with the combined employer-employee rate.
TABLE 20.—ESTIMATED COST OF HOSPITAL INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE COMMITTEE BILL, FOR CALENDAR YEARS 1977-2001

[In percent]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Expenditures under the program</th>
<th>Trust fund building and maintenance</th>
<th>Total cost of the program</th>
<th>Tax rate in bill</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>1.99</td>
<td>0.15</td>
<td>2.14</td>
<td>1.80</td>
<td>-0.34</td>
</tr>
<tr>
<td>1978</td>
<td>2.11</td>
<td>0.15</td>
<td>2.26</td>
<td>2.00</td>
<td>-0.26</td>
</tr>
<tr>
<td>1979</td>
<td>2.10</td>
<td>0.14</td>
<td>2.24</td>
<td>2.10</td>
<td>-0.14</td>
</tr>
<tr>
<td>1980</td>
<td>2.22</td>
<td>0.13</td>
<td>2.35</td>
<td>2.10</td>
<td>-0.25</td>
</tr>
<tr>
<td>1981</td>
<td>2.36</td>
<td>0.12</td>
<td>2.48</td>
<td>2.50</td>
<td>0.02</td>
</tr>
<tr>
<td>1982</td>
<td>2.52</td>
<td>0.12</td>
<td>2.64</td>
<td>2.50</td>
<td>-0.14</td>
</tr>
<tr>
<td>1983</td>
<td>2.68</td>
<td>0.12</td>
<td>2.80</td>
<td>2.50</td>
<td>-0.30</td>
</tr>
<tr>
<td>1984</td>
<td>2.86</td>
<td>0.11</td>
<td>2.97</td>
<td>2.50</td>
<td>-0.47</td>
</tr>
<tr>
<td>1985</td>
<td>2.98</td>
<td>0.11</td>
<td>3.09</td>
<td>2.70</td>
<td>-0.39</td>
</tr>
<tr>
<td>1986</td>
<td>3.13</td>
<td>0.11</td>
<td>3.24</td>
<td>2.80</td>
<td>-0.44</td>
</tr>
<tr>
<td>1987</td>
<td>3.29</td>
<td>0.11</td>
<td>3.40</td>
<td>2.80</td>
<td>-0.60</td>
</tr>
<tr>
<td>1988</td>
<td>3.47</td>
<td>0.11</td>
<td>3.58</td>
<td>2.80</td>
<td>-0.78</td>
</tr>
<tr>
<td>1989</td>
<td>3.67</td>
<td>0.10</td>
<td>3.77</td>
<td>2.80</td>
<td>-0.97</td>
</tr>
<tr>
<td>1990</td>
<td>3.84</td>
<td>0.10</td>
<td>3.94</td>
<td>2.80</td>
<td>-1.14</td>
</tr>
<tr>
<td>1991</td>
<td>4.02</td>
<td>0.10</td>
<td>4.12</td>
<td>2.80</td>
<td>-1.32</td>
</tr>
<tr>
<td>1992</td>
<td>4.20</td>
<td>0.10</td>
<td>4.30</td>
<td>2.80</td>
<td>-1.50</td>
</tr>
<tr>
<td>1993</td>
<td>4.38</td>
<td>0.10</td>
<td>4.48</td>
<td>2.80</td>
<td>-1.68</td>
</tr>
<tr>
<td>1994</td>
<td>4.57</td>
<td>0.10</td>
<td>4.67</td>
<td>2.80</td>
<td>-1.87</td>
</tr>
<tr>
<td>1995</td>
<td>4.75</td>
<td>0.09</td>
<td>4.84</td>
<td>2.80</td>
<td>-2.04</td>
</tr>
<tr>
<td>1996</td>
<td>4.92</td>
<td>0.09</td>
<td>5.01</td>
<td>2.80</td>
<td>-2.21</td>
</tr>
<tr>
<td>1997</td>
<td>5.09</td>
<td>0.09</td>
<td>5.18</td>
<td>2.80</td>
<td>-2.38</td>
</tr>
<tr>
<td>1998</td>
<td>5.28</td>
<td>0.09</td>
<td>5.37</td>
<td>2.80</td>
<td>-2.57</td>
</tr>
<tr>
<td>1999</td>
<td>5.45</td>
<td>0.09</td>
<td>5.54</td>
<td>2.80</td>
<td>-2.74</td>
</tr>
<tr>
<td>2000</td>
<td>5.63</td>
<td>0.09</td>
<td>5.72</td>
<td>2.80</td>
<td>-2.92</td>
</tr>
<tr>
<td>2001</td>
<td>5.80</td>
<td>0.09</td>
<td>5.89</td>
<td>2.80</td>
<td>-3.09</td>
</tr>
</tbody>
</table>

Average \( ^4 \) \ldots \: 3.73 \: 0.11 \: 3.84 \: 2.62 \: -1.22

\( ^1 \) Ratio of benefit payments and administrative expenses for insured beneficiaries to taxable payroll. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages."

\( ^2 \) Allowance for building the trust fund balance to the level of a year's outgo and maintaining it at that level, after accounting for the offsetting effects of interest earnings.

\( ^3 \) Rate for employers and employees, combined.

III. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the following statements are made concerning the regulatory impact of the bill.

The major purpose of the bill, as reported, is to improve the financing of the social security program. While it will result in significant economic impact on nearly all employers and employees, the regulatory impact is expected to be minimal. What is involved is a higher tax liability payable through the same mechanisms as under existing law. The bill, as reported, does, however, include a number of provisions related to the social security program benefit structure in addition to the financing provisions. Some of these, such as the revision of the basic benefit formula, would have regulatory implications primarily for the agency personnel who are responsible for calculating benefit liability. Other provisions, however, do have some relatively slight regulatory impact. A provision offsetting dependent spouses benefits against public retirement pensions based on their own earnings would require affected individuals to provide information about their public pensions which is not required under present law. Some additional paperwork would be required in verifying these pension amounts with the agencies providing them.

A provision modifying the social security retirement test would result in a lessening of regulatory impact in that many individuals who are now required to file annual earnings reports would no longer have to do so.

The bill also contains sections related to welfare programs. The section dealing with the earned income disregard provision would modify and in many cases reduce the allowable deductions under the program. This would involve regulations both implementing the statutory provisions and to some extent interpreting them (for example, the bill provides that child care expenses would be allowed as a deduction only to the extent that the Department specifies as reasonable in regulations). The regulations would have an impact on those recipients who are employed.

The committee does not believe that the other provisions of the bill would have any significant regulatory consequences.

The numbers of persons affected by each of the provisions of the bill, where available, are provided elsewhere in this report.

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made relative to the vote by the committee to report the bill.

The bill was ordered reported by a voice vote.
V. BUDGETARY IMPACT OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970 and sections 308 and 403 of the Congressional Budget Act, the following statements are made relative to the costs and budgetary impact of the bill.

Pursuant to section 302(d) of the Congressional Budget Act of 1974, the Committee on Finance submitted a report (Senate Report 95–457) to the Senate on September 29, 1977, subdividing among programs the allocations of budget authority and outlays designated for the committee in the conference report on the second concurrent resolution on the budget for fiscal year 1978.

The Finance Committee allocations with respect to the programs affected by this bill are reproduced below:

FINANCE COMMITTEE BUDGET ALLOCATIONS FOR FISCAL YEAR 1978
[In billions of dollars]

<table>
<thead>
<tr>
<th>Program</th>
<th>Budget authority</th>
<th>Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Control-able</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>amounts</td>
<td>other</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Social security Assistance programs; AFDC, SSI, etc</td>
<td>89.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Fiscal relief for State and local welfare costs</td>
<td>-0.3</td>
<td>11.6</td>
</tr>
<tr>
<td></td>
<td>+.5</td>
<td>.5</td>
</tr>
</tbody>
</table>

The amendments made by the bill are consistent with the totals shown above for the program of social security. The fiscal relief provision in the bill provides for spending which is less by $0.1 billion than the amount allowed for in the allocation report and the AFDC provisions in the bill have savings of $0.2 billion as compared with savings of $0.3 billion assumed in the allocation report. The committee simultaneously reporting the bill H.R. 7200 which has additional savings in assistance programs. The net impact of the two bills would be well within the amounts assumed in the allocation report issued by the committee.

The committee consulted with the Congressional Budget Office during the course of deliberations on the bill. An estimate of the budgetary impact of the bill prepared by CBO was received by the commit-
tee on November 1, 1977, and this estimate is printed at the end of this section of the report. The committee, however, elects to adopt as its estimates for titles I and II of the bill the estimates prepared by the Office of the Actuary of the Social Security Administration except as noted. The tables below show the estimates for the next 5 fiscal years of the cost and savings and revenue effects of the bill as reported.

The committee notes that the estimated amount of benefit payments in the first table will affect outlays but not budget authority. The revenue estimates shown in the second table will affect budget authority as well as revenues (an increase in revenues results in a corresponding increase in budget authority because permanent law appropriates to the social security trust funds the amount which is collected as social security taxes). The bill has no revenue impact in fiscal year 1978. The committee is aware that the increase in revenues under the social security program could be offset for unified budget purposes by some decrease in general revenues because of the deductibility of employer taxes. However, economists have widely varying opinions as to the extent to which employers absorb such increases in the short run or pass them through to consumers. Accordingly, the committee has not attempted to estimate this secondary impact of the bill.
TABLE 21.—INCREASED REVENUES TO SOCIAL SECURITY TRUST FUNDS UNDER THE COMMITTEE BILL

[In millions]

<table>
<thead>
<tr>
<th>Fund and fiscal year</th>
<th>Increased base for employers</th>
<th>Increased base for employees and self-employed</th>
<th>Reallocation between funds</th>
<th>Increased self-employed rate</th>
<th>Increased tax rates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>1,960</td>
<td>147</td>
<td>1,245</td>
<td>$1,202</td>
<td>4,541</td>
<td>$1,245</td>
</tr>
<tr>
<td>1980</td>
<td>6,022</td>
<td>515</td>
<td>1,114</td>
<td>1,841</td>
<td>9,492</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>6,337</td>
<td>675</td>
<td>2,069</td>
<td>$79</td>
<td>5,716</td>
<td>14,876</td>
</tr>
<tr>
<td>1982</td>
<td>6,525</td>
<td>1,001</td>
<td>2,613</td>
<td>399</td>
<td>7,912</td>
<td>18,450</td>
</tr>
<tr>
<td>1983</td>
<td>6,681</td>
<td>1,143</td>
<td>2,798</td>
<td>428</td>
<td>8,475</td>
<td>19,525</td>
</tr>
<tr>
<td>HI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>436</td>
<td>32</td>
<td>-1,245</td>
<td>-1,232</td>
<td>-764</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>1,338</td>
<td>110</td>
<td>-1,114</td>
<td>-1,114</td>
<td>334</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>1,518</td>
<td>160</td>
<td>-2,069</td>
<td>-2,069</td>
<td>-391</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>1,779</td>
<td>262</td>
<td>-2,613</td>
<td>-2,613</td>
<td>-572</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>1,822</td>
<td>300</td>
<td>-2,798</td>
<td>-2,798</td>
<td>-676</td>
<td></td>
</tr>
<tr>
<td>OASDHI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>2,396</td>
<td>179</td>
<td>1,202</td>
<td>3,777</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>7,360</td>
<td>625</td>
<td>1,841</td>
<td>9,826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>7,855</td>
<td>835</td>
<td>79</td>
<td>5,716</td>
<td>14,485</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>8,304</td>
<td>1,263</td>
<td>399</td>
<td>7,912</td>
<td>17,868</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>8,503</td>
<td>1,443</td>
<td>428</td>
<td>8,475</td>
<td>18,849</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Increases in retirement test exempt amount</td>
<td>$2,293</td>
<td>$2,298</td>
<td>$2,474</td>
<td>$2,577</td>
<td>$2,672</td>
<td></td>
</tr>
<tr>
<td>Increase in benefits of surviving spouses, resulting from deceased worker's delayed retirement credits</td>
<td>$2</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Decoupling based on wage-indexed earnings</td>
<td>-136</td>
<td>-310</td>
<td>-496</td>
<td>-696</td>
<td>-944</td>
<td>-1,202</td>
</tr>
<tr>
<td>Offset to benefits of spouses receiving public retirement pensions</td>
<td>-45</td>
<td>-230</td>
<td>-440</td>
<td>-684</td>
<td>-916</td>
<td>-1,086</td>
</tr>
<tr>
<td>Limit increases in actuarially reduced benefits</td>
<td>-292</td>
<td>-354</td>
<td>-546</td>
<td>-558</td>
<td>-563</td>
<td>-568</td>
</tr>
<tr>
<td>Eliminate retroactive payments of actuarially reduced benefits</td>
<td>(1)</td>
<td>3</td>
<td>10</td>
<td>23</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Increase in contribution and benefit base</td>
<td>-471</td>
<td>1,204</td>
<td>690</td>
<td>168</td>
<td>-577</td>
<td>-1,460</td>
</tr>
</tbody>
</table>

1 The committee has adopted the administration's estimate of the savings from the administration proposal regarding benefits for dependent spouses as the estimated savings from the related committee amendment offsetting government-employee pensions against such pensions.

2 Less than $500,000.
TABLE 23.—COST OF PAYMENT FOR NONPROFIT ORGANIZATIONS AND GOVERNMENTAL ENTITIES

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$0</td>
</tr>
<tr>
<td>1979</td>
<td>83</td>
</tr>
<tr>
<td>1980</td>
<td>312</td>
</tr>
<tr>
<td>1981</td>
<td>319</td>
</tr>
<tr>
<td>1982</td>
<td>314</td>
</tr>
</tbody>
</table>

1 Assumes appropriations action.
TABLE 24.—ESTIMATED ADDITIONAL AMOUNT OF OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1978-83

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases in retirement test exempt amount</td>
<td>$782</td>
<td>$1,991</td>
<td>$2,378</td>
<td>$2,486</td>
<td>$2,597</td>
<td>$2,677</td>
</tr>
<tr>
<td>Increase in benefits of surviving spouses, resulting from deceased worker’s delayed retirement credits</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Decoupling based on wage-indexed earnings</td>
<td>-190</td>
<td>-362</td>
<td>-545</td>
<td>-767</td>
<td>-1,008</td>
<td>-1,289</td>
</tr>
<tr>
<td>Offset to benefits of spouses receiving public retirement pensions</td>
<td>-90</td>
<td>-280</td>
<td>-500</td>
<td>-751</td>
<td>-948</td>
<td>-1,157</td>
</tr>
<tr>
<td>Limit increases in actuarially reduced benefits</td>
<td>-424</td>
<td>-536</td>
<td>-550</td>
<td>-559</td>
<td>-565</td>
<td>-569</td>
</tr>
<tr>
<td>Eliminate retroactive payments of actuarially reduced benefits</td>
<td>(†)</td>
<td>4</td>
<td>11</td>
<td>29</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Increase in contribution and benefit base</td>
<td>81</td>
<td>786</td>
<td>603</td>
<td>-34</td>
<td>-773</td>
<td>-1,780</td>
</tr>
</tbody>
</table>

1 The committee has adopted the administration’s estimate of the savings from the administration proposal regarding benefits for dependent spouses as the estimated savings from the related committee amendment.offsetting government-employee pension against such pensions.

2 Less than $500,000.
TABLE 25.—COMMITTEE ESTIMATES OF THE COST IMPACT OF WELFARE PROVISIONS OF THE BILL

[In millions of dollars]

<table>
<thead>
<tr>
<th>Provision</th>
<th>Cost impact in fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal relief</td>
<td>+400</td>
</tr>
<tr>
<td>Incentive payments for low error rates</td>
<td>(I)</td>
</tr>
<tr>
<td>Access to wage information</td>
<td>(I)</td>
</tr>
<tr>
<td>State demonstration project authority</td>
<td>(I)</td>
</tr>
<tr>
<td>Earned income disregard *</td>
<td>-175</td>
</tr>
</tbody>
</table>

1 No precise estimate of the cost of implementing these provisions is available (except that the demonstration project authority involves no new Federal funding). However, the committee estimates that the net impact of these provisions will be a reduction in welfare costs more than offsetting any implementation costs.
2 Based on Administration estimates adjusted for less than full year impact in 1978.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

The estimate received by the committee from the Congressional Budget Office is reprinted below:


Hon. RUSSELL LONG, Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 5322 which includes the Social Security Amendments of 1977.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ALICE M. RIVIN, Director.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

NOVEMBER 1, 1977.

2. Bill Title: Act to provide duty free treatment for Istle (Provisions related to social security and welfare).
3. Bill Status: Reported by the Senate Committee on Finance, November 1, 1977.

4. Bill Purpose: The primary purposes of this bill are (1) to strengthen the financing of the social security system; (2) to reduce the effect of wage and price fluctuation on the system's benefit structure; (3) to allow higher earnings for social security recipients; (4) to eliminate certain pension related and windfall benefits; (5) to provide fiscal relief to states and to make certain changes in the program of Aid to Families with Dependent Children.


### ESTIMATED CHANGE IN OASDHI REVENUES, TRUST FUND BASIS, FISCAL YEARS 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI</td>
<td>1.3</td>
<td>5.0</td>
<td>10.0</td>
<td>15.8</td>
<td>20.3</td>
<td>21.6</td>
</tr>
<tr>
<td>HI</td>
<td>-1.3</td>
<td>-.6</td>
<td>.4</td>
<td>-.2</td>
<td>-.4</td>
<td>.5</td>
</tr>
<tr>
<td>OASDHI</td>
<td>0</td>
<td>4.4</td>
<td>10.4</td>
<td>15.6</td>
<td>19.9</td>
<td>22.1</td>
</tr>
</tbody>
</table>

### ESTIMATED CHANGE IN BUDGET AUTHORITY FOR OASDHI, FISCAL YEARS 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI</td>
<td>1.5</td>
<td>5.3</td>
<td>10.7</td>
<td>17.7</td>
<td>27.4</td>
<td>34.2</td>
</tr>
<tr>
<td>HI</td>
<td>-1.4</td>
<td>-.7</td>
<td>-.6</td>
<td>-.4</td>
<td>-.6</td>
<td>.7</td>
</tr>
<tr>
<td>OASDHI</td>
<td>.1</td>
<td>4.6</td>
<td>10.1</td>
<td>17.3</td>
<td>26.8</td>
<td>34.9</td>
</tr>
</tbody>
</table>

1 Estimates based on Congressional Budget Office macroeconomic assumptions.

*Estimated change in OASDI outlays, fiscal years 1*

<table>
<thead>
<tr>
<th>OASDI, total:</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>-$0.5</td>
</tr>
<tr>
<td>1979</td>
<td>.2</td>
</tr>
<tr>
<td>1980</td>
<td>-.1</td>
</tr>
<tr>
<td>1981</td>
<td>-.5</td>
</tr>
<tr>
<td>1982</td>
<td>-1.1</td>
</tr>
<tr>
<td>1983</td>
<td>-1.9</td>
</tr>
</tbody>
</table>

1 Estimates based on Congressional Budget Office macroeconomic assumptions.

*Title II.—Miscellaneous (negligible cost).*

*Title III.—Certain provisions relating to fiscal relief and welfare benefits.*
ESTIMATED CHANGE IN OUTLAYS, FISCAL YEARS

[In millions of dollars]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal relief for States with respect to AFDC programs</td>
<td>400.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Improved Administration establishment of quality control system for the AFDC programs</td>
<td>-0.6</td>
<td>0.0</td>
<td>-0.7</td>
<td>-0.7</td>
<td>-0.8</td>
</tr>
<tr>
<td>Access to wage information</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>State demonstration projects</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Earned income disregard</td>
<td>-175.0</td>
<td>-230.0</td>
<td>-241.0</td>
<td>-261.0</td>
<td>-276.0</td>
</tr>
<tr>
<td><strong>Subtotal title III</strong></td>
<td>224.4</td>
<td>-230.6</td>
<td>-241.7</td>
<td>-261.7</td>
<td>-276.8</td>
</tr>
</tbody>
</table>

1 Estimates based on Congressional Budget Office macroeconomic assumptions.

6. Basis for Estimates (major components).

Title I.—Provisions Relating to the Old-Age, Survivors, Disability and Health Insurance Programs.

A. REVENUE ESTIMATES

The table in Part 5 shows the differences in revenues between current law and Sections 101, 102, and 103 of the Finance Committee proposal. Section 101 raises the amount of wages upon which the employer pays social security taxes to $50,000 effective in calendar year 1979. Section 102 raises this base for employees to the sum of what it would be under current law plus increments of $600 each in calendar years 1979, 1981, 1983 and 1985.

Section 103 advances the tax rates for employers and employees beginning in calendar year 1979. There is also a realignment of rates from the hospital insurance portion of the program to the old age, survivors and disability portion. In addition, the historical ratio of self-employed rates to wage earners rates is restored to 1.5.

Budget authority for OASDI under the bill would increase by approximately the same amount as receipts in fiscal year 1978, and by greater amounts in subsequent years because of additional interest generated by the larger trust fund balances. Budget authority for the HI account falls because of reduced revenues and reduced interest.
B. CHANGES AFFECTING OUTLAYS

The table below summarizes the major provisions affecting OASDI outlays:

<table>
<thead>
<tr>
<th>Provision Description</th>
<th>Fiscal years—</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decoupling</td>
<td>-0.02</td>
</tr>
<tr>
<td>Raise exempt amount in earnings test</td>
<td>1.20</td>
</tr>
<tr>
<td>Allow widows to collect increased benefits of husband's delayed retirement.</td>
<td>(0)</td>
</tr>
<tr>
<td>Pension offset to spouse benefit</td>
<td>-0.17</td>
</tr>
<tr>
<td>Limit windfall increases for early retirement.</td>
<td>-0.05</td>
</tr>
<tr>
<td>Limit on retroactive benefits</td>
<td>-0.29</td>
</tr>
<tr>
<td>Total</td>
<td>-0.51</td>
</tr>
</tbody>
</table>

1 Less than $5,000,000.

Section 104.—Stabilization of replacement rates in the old-age, survivors, and disability insurance programs.

This provision changes the procedure for calculating primary insurance amounts for persons becoming eligible for old-age, survivor or disability benefits, starting January 1, 1979.

The new system is "decoupled" in that primary insurance amounts (PIA's) for new beneficiaries will be determined by a different procedure than will be used to index benefits of existing beneficiaries. For the latter group, benefits will in effect be subject to the same automatic adjustments for changes in the Consumer Price Index as under current law.

Under the new procedure the PIA for new beneficiary awards would be calculated as: 92 percent of the first $180 of average indexed monthly earnings (AIME), 33 percent of the next $895 of AIME and 15 percent of AIME over $1,075. The "bend points" in the formula are to be adjusted (i.e., indexed) each year for changes in average wages. As indicated in the bill the adjustments would be based on changes in "the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the calendar year 1977." The precise construction of the average of the total wages is not specified by the bill, but is to be defined in regulations of the Secretary of Health, Education, and Welfare.

Because of the dependence on "wage indexing" in the new procedure, it is difficult to estimate the effects on costs of the new decoupled formula without knowing how "the average of the total wages" would be measured. One interpretation would be that an actual wage index would be constructed in a manner analogous to that of the Consumer Price Index. Such an index would be adjusted for changes in the experience and skill of the work force and would be unaffected by
changes in hours and weeks worked per worker. Another interpretation of the bill would be that total wages would be the sum of wages subject to withholding, as reported to the Internal Revenue Service, and divided by the number of individuals reported on the withholding statements. In this case the change in average wages could be quite unpredictable and would be affected by factors such as changes in hours and weeks worked per individual and by changes in the rate of job turnover (since the number of different employees each wage earner works for would affect the total number of workers as reported by employers on their W-2 forms).

The actuaries of the Social Security Administration have made the above estimates of the effect of decoupling (including the changes in the minimum benefit and the delayed retirement increment). The actuaries' estimates assume that for purposes of implementing the decoupling proposal "average earnings" would increase at a rate consistent with that shown in the 1977 trustees' report. The new benefit formula yields a saving over current law because under the trustees' assumptions of future inflation, the relation between benefits and past earnings would rise faster than under the provisions of the bill.

Section 121.—Change in retirement test.

This section would raise the amount a retiree may earn without losing benefits to $4,500 ($375 per month) in calendar year 1978 and $6,000 ($500 per month) in 1979, with subsequent increases indexed to increases in annual earnings. Under current law, the earnings test is scheduled to be $3,240 and $3,480 in 1978 and 1979, respectively.

For this estimate, 1973 and 1975 actual earnings and benefit distributions were used, projected forward using the current CBO economic assumptions. It is assumed that the relationship between lifetime earnings and earnings in retirement remain the same over time.

These estimates are presented in two parts. The first refers to those individuals already on the social security rolls but receiving reduced benefits. (Persons 65 years and over receiving medicare but losing all retirement benefits are included.) This group could continue to earn the same amounts and receive higher benefits under the new provision. Approximately half of the total cost for this section can be attributed to this group of retirees. (The fiscal year 1979 figures include that part of the calendar year 1978 cost paid retroactively in fiscal year 1979.)

The second group of individuals to be affected are those who are not currently retired but may be induced to file for OASI benefits under this provision of the bill. These people had no reason to file before, since they would have lost all or most of their benefits under the current law earnings test. It is assumed almost all of the working 65-71 year olds have filed for social security for the medicare benefit, even though they might lose all other benefits because of earnings. Therefore, this second group consists of persons aged 62 to 64 years, who are not entitled to medicare but are induced to file for benefits at the reduced benefit for early retirees as a result of the change in the earnings test.

For this second group of individuals, three possible paths of increases in beneficiaries were estimated based on three types of assumptions. The final estimates use the median path. The median path projects 195,000 additional 62-64 year olds (and dependents) would have to be paid benefits for the first time when they sign up.
The following tables summarize the relationships. Table Y shows how the median path would change the percentage of eligibles who are retired (for men) versus the historical flow. There has been a steady 2—3 percent annual increase of this age group onto the rolls, even with major changes in the earnings test, such as in 1972–73. The median path predicts an additional 2—3 percent increase (for men) onto the rolls when the law becomes effective. The high and low paths assume higher or lower increases in this rate of increase. Equivalent paths have also been calculated for women.

**TABLE X.—COST TO CHANGE IN EARNINGS TEST UNDER THREE ALTERNATIVES**

[By fiscal years; in billions of dollars]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total cost, 62 to 71-year-olds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median path</td>
<td>1.20</td>
<td>1.39</td>
<td>1.51</td>
<td>1.63</td>
<td>1.77</td>
</tr>
<tr>
<td>High path</td>
<td>1.49</td>
<td>1.68</td>
<td>1.83</td>
<td>1.97</td>
<td>2.13</td>
</tr>
<tr>
<td>Low path</td>
<td>.96</td>
<td>1.16</td>
<td>1.26</td>
<td>1.36</td>
<td>1.47</td>
</tr>
<tr>
<td><strong>Cost for 62 to 64-year-olds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Already filed</td>
<td>.38</td>
<td>.48</td>
<td>.51</td>
<td>.56</td>
<td>.60</td>
</tr>
<tr>
<td>Induced to file</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median path</td>
<td>.43</td>
<td>.47</td>
<td>.52</td>
<td>.57</td>
<td></td>
</tr>
<tr>
<td>High path</td>
<td>.73</td>
<td>.79</td>
<td>.86</td>
<td>.92</td>
<td></td>
</tr>
<tr>
<td>Low path</td>
<td>.19</td>
<td>.22</td>
<td>.24</td>
<td>.26</td>
<td></td>
</tr>
<tr>
<td><strong>Total cost, 65 to 71-year-olds</strong></td>
<td>.38</td>
<td>.48</td>
<td>.52</td>
<td>.56</td>
<td>.60</td>
</tr>
</tbody>
</table>

1 Includes retroactive to Jan. 1, 1978, for fiscal year 1979.

**TABLE Y.—MEN 62–64, MEDIAN PATH GROWTH ONTO SOCIAL SECURITY ROLES**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Eligible to retire (1977–83 estimated)</th>
<th>Actual number retired (1977–83 estimated)</th>
<th>Percent of eligible who are retired—old law</th>
<th>Total additional beneficiaries under new law</th>
<th>Percent of eligible who are retired under new law</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>2,040</td>
<td>635</td>
<td>31.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>2,053</td>
<td>690</td>
<td>33.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>2,077</td>
<td>753</td>
<td>36.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>2,104</td>
<td>787</td>
<td>37.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>2,108</td>
<td>849</td>
<td>40.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>2,122</td>
<td>897</td>
<td>42.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>2,136</td>
<td>948</td>
<td>44.38</td>
<td>60</td>
<td>1,008</td>
</tr>
<tr>
<td>1979</td>
<td>2,150</td>
<td>1,002</td>
<td>46.60</td>
<td>124</td>
<td>1,126</td>
</tr>
<tr>
<td>1980</td>
<td>2,165</td>
<td>1,059</td>
<td>48.91</td>
<td>128</td>
<td>1,187</td>
</tr>
<tr>
<td>1981</td>
<td>2,179</td>
<td>1,120</td>
<td>51.40</td>
<td>132</td>
<td>1,252</td>
</tr>
<tr>
<td>1982</td>
<td>2,194</td>
<td>1,183</td>
<td>53.92</td>
<td>136</td>
<td>1,319</td>
</tr>
<tr>
<td>1983</td>
<td>2,209</td>
<td>1,250</td>
<td>56.59</td>
<td>140</td>
<td>1,390</td>
</tr>
</tbody>
</table>

1 Includes retroactive to Jan. 1, 1978, for fiscal year 1979.
Section 123.—Pension offset to dependents' benefits.

Under this provision, social security benefits to spouses or surviving spouses would be reduced by the amount of any federal, state or local provision payable to the spouse. The provision would apply to all those filing for spouse benefits after October 31, 1977. Those husbands and widowers, therefore, who had newly become eligible for benefits as a result of the Goldfarb decision would lose their eligibility for these benefits if they had not filed before that time and if they had a sufficiently large governmental pension.

As shown in the summary table, CBO estimates that the pension offset provision would save approximately $166 million in fiscal year 1978. As of August, 1977 about 31,000 husbands and widowers had applied for benefits as a result of the Goldfarb decision. It was estimated that another 10,000 would file before November 1, 1977. That would leave some 110,000 who would have been eligible under the Goldfarb decision but had not filed by November, and an additional 12,000 men estimated to become newly eligible. Assuming that benefits for these husbands and widowers would average $1,215 for the months remaining in fiscal 1978, gives an estimate of $148 million in savings for husbands and widowers for the year, as a result of the provision. To this is added an estimate of 10,000 wives and widows with governmental pensions who would receive reduced (or no) social security benefits as a result of the provision, leading to savings of $18 million in fiscal 1978. Estimates for years after 1979 were made by projecting the group forward with the use of current mortality data and by adding in those estimated to become newly eligible in future years. Benefits were increased based on CBO's current macroeconomic assumptions.

These estimates are based on very limited data on the number of men and women estimated to receive state and local government pensions and civil service pensions and on a more detailed study of the collection of social security benefits by persons with civil service pensions.

Title III.—

Section 301.—Fiscal relief for States with respect to AFDC programs.

This section would provide for $400 million in fiscal relief to states shortly after October 1, 1977. The allocation of the funds to states would be reckoned such that each state's proportion of the $400 million is an average of its proportion of AFDC costs for December 1976 and a proportion based on the revenue sharing formula.

The cost of this provision for fiscal year 1978 is simply the $400 million in payments to states made shortly after October 1, 1977.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$400</td>
</tr>
<tr>
<td>1979</td>
<td>0</td>
</tr>
<tr>
<td>1980</td>
<td>0</td>
</tr>
<tr>
<td>1981</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>0</td>
</tr>
</tbody>
</table>

Section 302.—Improved Administration establishment of quality control system for the aid to families with dependent children programs.
As an incentive to states to reduce errors, this provision would establish a system of monetary rewards for states which reduce their calculated error rates below 4 percent (the further below 4 percent, the greater the reward).

Providing a financial reward for quality control would result in a cost, but this would be offset by the saving which resulted from reduced state overpayments. At this time, very few states, and only two major AFDC states, are within a practical range of reducing their error rate below the 4 percent base level anytime in the near future. Coupled with the fact that the provision provides a relatively small monetary incentive to states, CBO estimates that no major costs or savings will result from this provision.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>-$0.6</td>
</tr>
<tr>
<td>1979</td>
<td>-0.6</td>
</tr>
<tr>
<td>1980</td>
<td>-0.7</td>
</tr>
<tr>
<td>1981</td>
<td>-0.7</td>
</tr>
<tr>
<td>1982</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

Section 303.—Access to wage information.

This provision would make available to states wage information contained in the records of the Social Security Administration and unemployment compensation agencies. Though there would be both costs and potential savings, the magnitude of neither is known. Costs would be incurred for the administrative expense of processing the records. Savings would be incurred if matching the records uncovered illegitimate payments. Savings are particularly illusive because the information from SSA records could be as old as eighteen months so that the data may not be timely enough to be useful to the states.

Section 304.—Earned income disregard.

This provision would do four things to the formula for calculating the amount of income subtracted from the monthly AFDC payment: (1) It would change the way child care expenses are handled. Currently all child care expenses are disregarded in calculating the AFDC benefit. Under this provision income used to calculate the disregard would be reckoned net of child care expenses; (2) It would raise the standard income disregard from $30 to $60 per month for full time workers (part-time workers would remain at $30); (3) The formula for the disregarded proportion of income (net of child care expenses) over $60 ($30 for part-time workers) would be calculated as one-third of net income between $60 and $360 per month and one-fifth of net income over $360 per month; and (4) It would eliminate work expenses as a disregard.

Changes 1 and 3 would have the effect of lowering the proportion of child care expenses which would be disregarded from the full amount to about two-thirds of these expenses.

The overall effect of this provision would be to sharply reduce the share of income working AFDC recipients could keep—from an estimated 71 percent to 53 percent. This effect occurs primarily because of the elimination of the work expense disregard. CBO estimates that
the lowered incentive for persons to work and collect AFDC payments at the same time would result in as many as 100,000 fewer people who work while on AFDC out of approximately 500,000 who currently work while collecting AFDC. This change in the composition of workers on AFDC would be the result of three things: (1) Some would drop off AFDC because their income would be too high for them to qualify for AFDC payments under the new provision; (2) Some would curtail working or quit work entirely because working would no longer pay enough to be financially advantageous; and (3) Some would not go on AFDC because the AFDC-work combination would become less attractive. There are thus mixed effects on AFDC costs resulting from this provision.

Section 305.—State demonstration projects.

This provision would allow States to use what would have been their Federal share of AFDC payments to help pay AFDC recipients who work in public service demonstration projects (on a voluntary basis) instead of collecting AFDC. Additional costs for salaries over and above the AFDC amount would be covered by State revenue sharing funds. It is the legislative intent that no additional State administrative costs will be incurred. Therefore, it is assumed that there will be no significant increase in Federal costs as a result of this provision.

Eliminating the work expense disregard and lowering the proportion of child care costs disregarded would result in lower AFDC costs. However, raising the standard disregard and the fact that some people will choose to work less and collect more AFDC would partially offset the cost saving. The indirect effect of less people on AFDC would, of course, result in some additional savings. CBO estimates that should this provision be adopted, it would result in a net savings of $175 million in fiscal year 1978.

Fiscal year:  
<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$175</td>
</tr>
<tr>
<td>1979</td>
<td>$230</td>
</tr>
<tr>
<td>1980</td>
<td>$241</td>
</tr>
<tr>
<td>1981</td>
<td>$261</td>
</tr>
<tr>
<td>1982</td>
<td>$276</td>
</tr>
</tbody>
</table>

7. Estimate Comparison: None.
8. Previous CBO estimate: None.
10. Estimate Approved by:

JUNE O'NEILL
(For James L. Blum,  
(Assistant Director for Budget Analysis).

VI. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):
SOCIAL SECURITY ACT, AS AMENDED

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

Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund

Section 201. (a) * * *

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such gifts and bequests as may be made as provided in subsection (i) (1), and of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) (A) $\frac{1}{2}$ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and before January 1, 1968, and so reported, and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and before January 1, 1970, and so reported, (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and before January 1, 1973, and so reported, (E) 1.1 per centum of the wages (as so defined) paid after December 31, 1972, and before January 1, 1974, and so reported, (F) 1.15 per centum of the wages (as so defined) paid after December 31, 1973, and before January 1, 1978, and so reported, (G) 1.2 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1981, and so reported, (H) 1.3 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1986 and so reported, (I) 1.4 per centum of the wages (as so defined) paid after December 31, 1985, and before January 1, 2011, and so reported, and (J) 1.7 per centum of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and (G) 1.550 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1986, and so reported, (J) 1.900 per centum of the wages (as so defined) paid after Dec-
December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400 per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) (A) 3% of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1970, (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, and before January 1, 1973, (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1972, and before January 1, 1974, (F) 0.815 of 1 per centum of the amount of self-employment income (as so defined) as reported for any taxable year beginning after December 31, 1973, and before January 1, 1978, (G) 0.850 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1981, (H) 0.920 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1986, (I) 0.990 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1985, and before January 1, 2011, and (J) 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns, (G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and be-
fore January 1, 1981, (I) 1.2375 per centum of the amount of self-
employment income (as so defined) so reported for any taxable
year beginning after December 31, 1980, and before January 1,
1985, (J) 1.425 per centum of the amount of self-employment
income (as so defined) so reported for any taxable year beginning
after December 31, 1980, and before January 1, 1984, (K) 1.575 per
centum of the amount of self-employment income (as so defined) so
reported for any taxable year beginning after December 31, 1990,
and before January 1, 1995, (L) 1.800 per centum of the amount
of self-employment income (as so defined) so reported for any
taxable year beginning after December 31, 1994, and before January
1, 2021, (M) 2.025 per centum of the amount of self-employment
income (as so defined) so reported for any taxable year begin-
ing after December 31, 1994, and before January 1, 2011, and (N)
2.250 per centum of the amount of self-employment income (as
so defined) so reported for any taxable year beginning after De-
cember 31, 2010, which self-employment income shall be certified
by the Secretary of Health, Education, and Welfare on the basis
of the records of self-employment income established and main-
tained by the Secretary of Health, Education, and Welfare in ac-
cordance with such returns.

* * * * * * *

Old-Age and Survivors Insurance Benefit Payments

Old-Age Insurance Benefits

Sec. 202. (a) Every individual who—
(1) is a fully insured individual (as defined in section 214(a)),
(2) has attained age 62, and
(3) has filed application for old-age insurance benefits or was
entitled to disability insurance benefits for the month preceding
the month in which he attained the age of 65,
shall be entitled to an old-age insurance benefit for each month, be-
inning with the first month after August 1950 in which such indi-
vidual becomes so entitled to such insurance benefits and ending with
the month preceding the month in which he dies. Except as provided
in subsection (q) and subsection (w), such individual's old-age insur-
ance benefit for any month shall be equal to his primary insurance
amount (as defined in section 215(a)) for such month.

Wife's Insurance Benefits

(b) (1) The wife (as defined in section 216(b)) and every divorced
wife (as defined in section 216(d)) of an individual entitled to old-age
or disability insurance benefits, if such wife or such divorced wife—
(A) has filed application for wife's insurance benefits,
(B) has attained age 62 or (in the case of a wife) has in her
care (individually or jointly with such individual) at the time of
filing such application a child entitled to a child's insurance bene-
fit on the basis of the wages and self-employment income of such
individual,
(C) in the case of a divorced wife, is not married, and
(D) is not entitled to old-age or disability insurance benefits or
is entitled to old-age or disability insurance benefits based on
a primary insurance amount which is less than one-half of the
primary insurance amount of such individual,
shall (subject to subsection (s)) be entitled to a wife's insurance ben-
fit for each month beginning with the first month in which she becomes
so entitled to such insurance benefits and ending with the month pre-
ceding the first month in which any of the following occurs—

(E) she dies,
(F) such individual dies,
(G) in the case of a wife, they are divorced and either (i) she has
not attained age 62, or (ii) she has attained age 62 but
has not been married to such individual for a period of 20 years
immediately before the date the divorce became effective,
(H) in the case of a divorced wife, she marries a person other
than such individual,
(I) in the case of a wife who has not attained age 62, no child
of such individual is entitled to a child's insurance benefit,
(J) she becomes entitled to an old-age or disability insurance
benefit based on a primary insurance amount which is equal to or
exceeds one-half of the primary insurance amount of such individ-
ual, or
(K) such individual is not entitled to disability insurance bene-
fits and is not entitled to old-age insurance benefits.

(2) Except as provided in subsection (q) and paragraph (4)
of this subsection, such wife's insurance benefit for each month shall be
equal to one-half of the primary insurance amount of her husband
(or, in the case of a divorced wife, her former husband) for such
month.

(3) In the case of any divorced wife who marries—
(A) an individual entitled to benefits under subsection (f) or
(h) of this section, or
(B) an individual who has attained the age of 18 and is entitled
to benefits under subsection (d),
such divorced wife's entitlement to benefits under this subsection shall,
notwithstanding the provisions of paragraph (1) (but subject to sub-
section (s)), not be terminated by reason of such marriage; except
that, in the case of such a marriage to an individual entitled to ben-
efits under subsection (d), the preceding provisions of this paragraph
shall not apply with respect to benefits for months after the last month
for which such individual is entitled to such benefits under subsection
(d) unless he ceases to be so entitled by reason of his death.

(4) (A) The amount of a wife's insurance benefit for each month
as determined after application of the provisions of subsections (g)
and (k) shall be reduced (but not below zero) by an amount equal
to the amount of any monthly benefit payable to such wife (or di-
vorced wife) for such month which is based upon her earnings while
in the service of the Federal Government or any State (or political sub-
division thereof as defined in section 218(5)(2)) if, on the last day she
was employed by such entity, such service did not constitute "employ-
ment" as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which
otherwise meets the requirements of subparagraph (A), but which is
paid on other than a monthly basis, shall be allocated on a basis equiva-
ient to a monthly benefit (as determined by the Secretary) and such
equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term "periodic benefit" includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

Husband’s Insurance Benefits

(c) (1) The husband (as defined in section 216(f)) of an individual entitled to old-age or disability insurance benefits, if such husband—
(A) has filed application for husband’s insurance benefits,
(B) has attained age 62, and
(C) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—
(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or
(ii) if she did not have such a period of disability, at the time she became entitled to such benefits, and
and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and

(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of his wife,
shall be entitled to a husband’s insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced, or he becomes entitled to an old-age or disability insurance benefit, based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of his wife, or his wife is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) The provisions of subparagraph (C) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any husband who—
(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (f) or (h);
(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d); or
(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any) would have been entitled
to a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended.

(2) (A) The amount of a husband's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such husband for such month which is based upon his earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute "employment" as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term "periodic benefit" includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

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

(4) (A) The amount of a husband's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such husband for such month which is based upon his earnings while in the service of any unit of Federal, State, or local government if, on the last day he was employed by such unit, such service did not constitute "employment" as defined in section 9310.

(B) Any benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be recomputed on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A).

* * * *

Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216(c)) and every surviving divorced wife (as defined in section 216(d)) of an individual who died a fully insured individual, if such widow or such surviving divorced wife--

(A) is not married,

(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (5),

(C) (i) has filed application for widow's insurance benefits, or was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month
preceding the month in which he died, and (I) has attained age 65 or (II) is not entitled to benefits under subsection (a) or section 223, or

(ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained age 65, and

(D) is not entitled to old-age insurance benefits or is entitled to old-age insurance benefits each of which is less than the primary insurance amount of such deceased individual, shall be entitled to a widow's insurance benefit for each month, beginning with—

(E) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

(F) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated, and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 65 on or before the last day of such third month).

(2) (A) Except as provided in subsection (q), [paragraph (4)] paragraphs (4) and (8) of this subsection, and subparagraph (B) of this paragraph, such widow's insurance benefit for each month shall be equal to the primary insurance amount (as determined after application of the following sentence) of such deceased individual. If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which he was receiving (or would upon application have received) for the month prior to the month in which he died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w).
(B) If the deceased individual (on the basis of whose wages and self-employment income a widow or surviving divorced wife is entitled to widow's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widow's insurance benefit of such widow or surviving divorced wife for any month shall, if the amount of the widow's insurance benefit of such widow or surviving divorced wife (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

(i) the amount of the old-age insurance benefit to which such deceased individual would have been entitled (after application of subsection (q)) for such month if such individual were still living and section 215(f)(6) were applied, where applicable, and

(ii) 82½ percent of the primary insurance amount of such deceased individual,

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii).

(3) In the case of a widow or surviving divorced wife who marries—

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

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

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

(4) If a widow, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (3)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (2) and subsection (q), such widow's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the husband dies or such marriage is otherwise terminated, shall be equal to one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based;

(5) The period referred to in paragraph (1)(B)(ii), in the case of any widow or surviving divorced wife, is the period beginning with whichever of the following is the latest:

(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased.
and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

(6) The waiting period referred to in paragraph (1) (F), in the case of any widow or surviving divorced wife, is the earliest period of five consecutive calendar months—

(A) throughout which she has been under a disability, and

(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the seventeenth month before the month in which her application is filed, or (ii) the first day of the fifth month before the month in which the period specified in paragraph (5) begins.

(7) In the case of an individual entitled to monthly insurance benefits payable under this section for any month prior to January 1973 whose benefits were not redetermined under section 102(g) of the Social Security Amendments of 1972, such benefits shall not be redetermined pursuant to such section, but shall be increased pursuant to any general benefit increase (as defined in section 215(i)(3)) or any increase in benefits made under or pursuant to section 215(i), including for this purpose the increase provided effective for March 1974, as though such redetermination had been made.

(8) (A) The amount of a widow's insurance benefit for each month as determined (after application of the provisions of subsection (q), paragraph (2)(B), and paragraph (4)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widow (or surviving divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(h)(2)) if, on the last day she was employed by such entity, such service did not constitute "employment" as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term "periodic benefit" includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

Widower's Insurance Benefits

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

(A) has not remarried,

(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (6),

(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died, and (I) has at-
tained age 65 or (II) is not entitled to benefits under subsection (a) or section 223,

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

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

shall be entitled to a widower's insurance benefit for each month, beginning with—

[(F)(E) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or]

[(G)(F) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,]

and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of his deceased wife, or, if he became entitled to such benefits before he attained age 60, the third month following the month in which his disability ceases (unless he attains age 65 on or before the last day of such third month).
(2) The provisions of subparagraph (D) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any individual who—

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

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

(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any), would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended.

(2) (A) The amount of a widower's insurance benefit for each month as determined after application of the provisions of subsection (q), paragraph (3) (B) and paragraph (5) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widower for such month which is based upon his earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b) (2)) if, on the last day he was employed by such entity, such service did not constitute “employment” as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term “periodic benefit” includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

(3) (A) Except as provided in subsection (q), paragraph (5) paragraphs (2) and (6), of this subsection, and subparagraph (B) of this paragraph, such widower's insurance benefit for each month shall be equal to the primary insurance amount (as determined after application of the following sentence) of his deceased wife. If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received) for the month prior to the month in which she died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w).
(B) If the deceased wife (on the basis of whose wages and self-
employment income a widower is entitled to widower's insurance bene-
fits under this subsection) was, at any time, entitled to an old-age
insurance benefit which was reduced by reason of the application of
subsection (q), the widower's insurance benefit of such widower for
any month shall, if the amount of the widower's insurance benefit of
such widower (as determined under subparagraph (A) and after
application of subsection (q)) is greater than—

(i) the amount of the old-age insurance benefit to which such
deadceased wife would have been entitled (after application of sub-
section (q)) for such month if such wife were still living and sec-
tion 215(f) (i) were applied, where appropriate; and

(ii) 82½ percent of the primary insurance amount of such de-
ceased wife;

be reduced to the amount referred to in clause (i), or (if greater) the
amount referred to in clause (ii).

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

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

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

(5) If a widower, after attaining the age of 60, marries an indi-
vidual (other than one described in subparagraph (A) or (B) of
paragraph (4)), such marriage shall, for purposes of paragraph (1),
be deemed not to have occurred; except that, notwithstanding the
provisions of paragraph (3) and subsection (q), such widower's insur-
ance benefit for the month in which such marriage occurs and each
month thereafter prior to the month in which the wife dies or such
marriage is otherwise terminated, shall be equal to one-half of the
primary insurance amount of the deceased individual on whose wages
and self-employment income such benefit is based.

(6) The period referred to in paragraph (1) (B) (ii), in the case
of any widower, is the period beginning with whichever of the follow-
ing is the latest:

(A) the month in which occurred the death of the fully in-
sured individual referred to in paragraph (1) on whose wages
and self-employment income his benefits are or would be based, or

(B) the month in which a previous entitlement to widower's
insurance benefits on the basis of such wages and self-employ-
ment income terminated because his disability had ceased,
and ending with the month before the month in which he attains age
60, or, if earlier, with the close of the eighty-fourth month following
the month with which such period began.

(7) The waiting period referred to in paragraph (1)(G)(F), in
the case of any widower, is the earliest period of five consecutive
calendar months—

(A) throughout which he has been under a disability, and

(B) which begins not earlier than with whichever of the fol-
lowing is the later: (i) the first day of the seventeenth month
before the month in which his application is filed, or (ii) the
first day of the fifth month before the month in which the period
specified in paragraph (6) begins.

(8) In the case of an individual entitled to monthly insurance bene-
fits payable under this section for any month prior to January 1973
whose benefits were not redetermined under section 102(g) of the
Social Security Amendments of 1972, such benefits shall not be re-
determined pursuant to such section, but shall be increased pursuant
to any general benefit increase (as defined in section 215(i)(3)) or any
increase in benefits made under or pursuant to section 215(i), includ-
ing for this purpose the increase provided effective for March 1974,
as though such redetermination had been made.

Mother's Insurance Benefits

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

(A) is not married,

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

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

(D) has filed application for mother's insurance benefits, or was
entitled to wife's insurance benefits on the basis of the wages and
self-employment income of such individual for the month pre-
ceeding the month in which he died,

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

(F) in the case of a surviving divorced mother—

(i) the child referred to in subparagraph (E) is her son,
daughter, or legally adopted child, and

(ii) the benefits referred to in such subparagraph are pay-
able on the basis of such individual's wages and self-employ-
ment income,

shall (subject to subsection (s)) be entitled to a mother's insurance
benefit for each month, beginning with the first month after August
1950 in which she becomes so entitled to such insurance benefits and
ending with the month preceding the first month in which any of the
following occurs: no child of such deceased individual is entitled to a
child's insurance benefit, such widow or surviving divorced mother
becomes entitled to an old-age insurance benefit equal to or exceeding
three-fourths of the primary insurance amount of such deceased in-
dividual, she becomes entitled to a widow's insurance benefit, she re-
maries, or she dies. Entitlement to such benefits shall also end, in the
case of a surviving divorced mother, with the month immediately
preceding the first month in which no son, daughter, or legally adopted
child of such surviving divorced mother is entitled to a child's insurance
benefit on the basis of the wages and self-employment income of such deceased individual.

(2) Except as provided in paragraph (4) of this subsection,
such mother's insurance benefit for each month shall be equal to three-
fourths of the primary insurance amount of such deceased individual.

(3) In the case of a widow or surviving divorced mother who
marries—
(A) an individual entitled to benefits under subsection (a),
(f), or (h), or under section 223(a), or
(B) an individual who has attained the age of eighteen and is
entitled to benefits under subsection (d),
the entitlement of such widow or surviving divorced mother to benefits
under this subsection shall, notwithstanding the provisions of para-
graph (1) but subject to subsection (a), not be terminated by reason
of such marriage; except that, in the case of such a marriage to an
individual entitled to benefits under section 223(a) or subsection (d)
of this section, the preceding provisions of this paragraph shall not
apply with respect to benefits for months after the last month for
which such individual is entitled to such benefits under section 223(a)
or subsection (d) of this section unless
(1) he ceases to be so entitled
by reason of his death, or (ii) in the case of an individual who was
entitled to benefits under section 223(a), he is entitled, for the month
following such last month, to benefits under subsection (a) of this
section.

(4) (A) The amount of a mother's insurance benefit for each month
to which any individual is entitled under this subsection shall be re-
duced (but not below zero) by an amount equal to the amount of any
monthly benefit payable to such individual for such month which is
based upon such individual's earnings while in the service of the Fed-
eral Government or any State (or political subdivision thereof, as de-
fining in section 208(b)(2)) if, on the last day such individual was
employed by such entity, such service did not constitute "employments"
as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which
otherwise meets the requirements of subparagraph (A), but which is
paid on other than a monthly basis, shall be allocated on a basis equiva-

tent to a monthly benefit (as determined by the Secretary) and such
equivalent monthly benefit shall constitute a monthly benefit for pur-
poses of subparagraph (A). For purposes of this subparagraph, the

term "periodic benefit" includes a benefit payable in a lump sum if it
is a commutation of, or a substitute for, periodic payments.

Application for Monthly Insurance Benefits

(j) (1) Subject to the limitations contained in paragraph (4),
an individual who would have been entitled to a benefit under sub-
section (a), (b), (c), (d), (e), (f), (g), or (h) for any month after
August 1950 had he filed application therefor prior to the end of such
month shall be entitled to such benefit for such month if he files appli-
cation therefor prior to the end of the twelfth month immediately
succeeding such month. Any benefit under this title for a month prior
to the month in which application is filed shall be reduced, to any
extent that may be necessary, so that it will not render erroneous any
benefit which, before the filing of such application, the Secretary has
certified for payment for such prior month.

(2) An application for any monthly benefits under this section filed
before the first month in which the applicant satisfies the require-
ments for such benefits shall be deemed a valid application only if the
applicant satisfies the requirements for such benefits before the Secretary makes a final decision on the application. If upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed in such first month.

(3) Notwithstanding the provisions of paragraph (1) an individual may, at his option, waive entitlement to any benefit referred to in paragraph (1) for any one or more consecutive months (beginning with the earliest month for which such individual would otherwise be entitled to such benefit) which occur before the month in which such individual files application for such benefit; and, in such case, such individual shall not be considered as entitled to such benefits for any such month or months before such individual filed such application. An individual shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.

(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsection (a), (b), (c), (e), or (f) for any month prior to the month in which he or she files an application for such benefits if the effect of entitlement to such benefit would be to reduce, pursuant to subsection (g), the amount of the monthly benefit to which such individual would otherwise be entitled for the month in which such application is filed.

(B) (i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (g), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

(ii) If the individual applying for retroactive benefits is a surviving spouse, or surviving divorced spouse who is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviving spouse or disabled surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.

(iv) As used in this subparagraph, the term "retroactive benefits" means a benefit to which an individual becomes entitled for a month prior to the month in which application for such benefit is filed.
Minimum Survivor's Benefit

(m)(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for such month on the basis of such wages and self-employment income, such individual's benefit amount for such month, prior to reduction under subsection (k) (3), shall be not less than the first amount appearing in column IV of the table in (or deemed to be in) section 215(a), except as provided in paragraph (2).

(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of those wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k) (3), shall not be less than that provided by subparagraph (C) (I) or (C) (II) (whichever is greater) of section 15(a) (3). In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 as in effect (without regard to the table contained therein) prior to January 1979, that monthly benefit shall be determined under this section as in effect as prescribed by section 215(a) (5) and increased under subsection (i) (j).

(2) In the case of any such individual who is entitled to a monthly benefit under subsection (e) or (f), such individual's benefit amount, after reduction under subsection (q) (1), shall be not less than—

(A) $84.50, if his first month of entitlement to such benefit is the month in which such individual attained age 62 or a subsequent month, or

(B) $84.50 reduced under subsection (q) (1) as if retirement age as specified in subsection (q) (6) (A) (ii) were age 62 instead of the age specified in subsection (q) (9), if his first month of entitlement to such benefit is before the month in which he attained age 62.

(3) In the case of any individual whose benefit amount was computed (or recomputed) under the provisions of paragraph (2) and such individual was entitled to benefits under subsection (e) or (f) for a month prior to any month after 1972 for which a general benefit increase under this title (as defined in section 215(i) (3)) or a benefit increase under section 215(1) becomes effective, the benefit amount of such individual as computed under paragraph (2) without regard to the reduction specified in subparagraph (B) thereof shall be increased by the percentage increase applicable for such benefit increase, prior to the application of subsection (q) (1) pursuant to paragraph (2) (B) and subsection (q) (4).
Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

(p) In any case in which there is a failure—

(1) to file proof of support under subparagraph (C) of subsection (c), clause (i) or (ii) of subparagraph (D) of subsection (f), (1), or under clause (B) of subsection (h) (1), or under clause (B) of subsection (f) (1) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subparagraph or clause, or

(2) to file, in the case of a death after 1946, application for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

any such proof or application, as the case may be, which is filed after the expiration of such period shall be deemed to have been filed within such period if it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application within such period. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

Reduction of Benefit Amounts for Certain Beneficiaries

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

(A) % of 1 percent of such amount if such benefit is an old-age insurance benefit, $2\frac{1}{2}$ of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit, or $1\frac{1}{4}$ of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by—

(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (6) (A)), if such benefit is for a month before the month in which such individual attains retirement age, or

(ii) if less the number of such months in the adjusted reduction period for such benefit (determined under paragraph (7)), if for a month before the month in which such individual attains age 62, or

(II) for the month in which such individual attains retirement age;

and in the case of a widow or widower whose first month of entitlement to a widow’s or widower’s insurance benefit is a month before the month in which such widow or widower attains age 60, such benefit, reduced pursuant to the preceding provisions of this paragraph (and before the application of the second sentence of paragraph (8)), shall be further reduced by—

(C) $4\frac{1}{2}$ of 1 percent of the amount of such benefit, multiplied by—
(D) (i) the number of months in the additional reduction period for such benefit (determined under paragraph (6) (B)), if such benefit is for a month before the month in which such individual attains age 62, or
(ii) if less, the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains age 62 or any month thereafter.

(2) If an individual is entitled to a disability insurance benefit for a month after a month for which such individual was entitled to an old-age insurance benefit, such disability insurance benefit for each month shall be reduced by the amount such old-age insurance benefit would be reduced under paragraphs (1) and (4) for such months had such individual attained age 65 in the first month for which he most recently became entitled to a disability insurance benefit.

(3) (A) If the first month for which an individual both is entitled to a wife's, husband's, widow's, or widower's insurance benefit and has attained age 62 (in the case of a wife's or husband's insurance benefit) or age 50 (in the case of a widow's or widower's insurance benefit) is a month for which he most recently became entitled to a disability insurance benefit, then in lieu of any reduction under paragraph (1) (but subject to the succeeding paragraphs of this subsection) such wife's, husband's, widow's, or widower's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D).

(B) For any month for which such individual is entitled to an old-age insurance benefit and is not entitled to a disability insurance benefit, such individual's wife's or husband's insurance benefit shall be reduced by the sum of—
(i) the amount by which such old-age insurance benefit is reduced under paragraph (1) for such month, and
(ii) the amount by which such wife's or husband's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's or husband's insurance benefit (before reduction under this subsection) over such old-age insurance benefit (before reduction under this subsection).

(C) For any month for which such individual is entitled to a disability insurance benefit, such individual's wife's, husband's, widow's, or widower's insurance benefit shall be reduced by the sum of—
(i) the amount by which such disability insurance benefit is reduced under paragraph (2) for such month (if such paragraph applied to such benefit), and
(ii) the amount by which such wife's, husband's, widow's, or widower's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's, husband's, widow's, or widower's insurance benefit (before reduction under this subsection) over such disability insurance benefit (before reduction under this subsection).

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

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

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

(ii) the amount equal to the sum of (I) the amount by which such widow’s or widower’s insurance benefit would be reduced under paragraph (1) if the period specified in paragraph (6) (A) ended with the month before the month in which she or he attained age 62 and (II) the amount by which such old-age insurance benefit would be reduced under paragraph (1) if it were equal to the excess of such old-age insurance benefit (before reduction under this subsection) over such widow’s or widower’s insurance benefit (before reduction under this subsection).

(F) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs with or after the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be) entitled to a widow’s or widower’s insurance benefit to which such individual was first entitled for a month before she or he attained retirement age, then such disability insurance benefit for each month shall be reduced by whichever of the following is larger:

(i) the amount by which (but for this subparagraph) such disability insurance benefit would have been reduced under paragraph (2), or

(ii) the amount equal to the sum of (I) the amount by which such widow’s or widower’s insurance benefit would be reduced under paragraph (1) if the period specified in paragraph (6) (A) ended with the month before the month in which she or he attained age 62 and (II) the amount by which such disability insurance benefit would be reduced under paragraph (2) if it were equal to the excess of such disability insurance benefit (before reduction under this subsection) over such widow’s or widower’s insurance benefit (before reduction under this subsection).

(G) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs before the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1)
in the case of a widower, be) entitled to a widow's or widower's insurance benefit, then such disability insurance benefit for each month shall be reduced by the amount such widow's insurance benefit would be reduced under paragraphs (1) and (4) for such month as if the period specified in paragraph (6) (A) (or, if such paragraph does not apply, the period specified in paragraph (6) (B)) ended with the month before the first month for which she or he most recently became entitled to a disability insurance benefit.

(H) Notwithstanding subparagraph (A) of this paragraph, if the first month for which an individual is entitled to a widow's or widower's insurance benefit is a month for which such individual is also entitled to an old-age insurance benefit to which such individual was first entitled for that month or for a month before she or he became entitled to a widow's or widower's benefit, the reduction in such widow's or widower's insurance benefit shall be determined under paragraph (1).

(4) If—

(A) an individual is or was entitled to a benefit subject to reduction under paragraph (1) or (3) of this subsection, and

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

then the amount of the reduction of such benefit for each month shall be computed separately (under paragraph (1) or (3), whichever applies) for the portion of such benefit which constitutes such benefit before any increase described in subparagraph (B), and separately (under paragraph (1) or (3), whichever applies to the benefit being increased) for each such increase. For purposes of determining the amount of the reduction under paragraph (1) or (3) in any such increase, the reduction period and the adjusted reduction period shall be determined as if such increase were a separate benefit to which such individual was entitled for and after the first month for which such increase is effective, then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and from the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3).

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

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

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

(B) Any certificate described in subparagraph (A)(i) shall be effective for purposes of this subsection (and for purposes of preventing deductions under section 203(c) (2))—
(i) for the month in which it is filed and for any month thereafter, and
(ii) for months, in the period designated by the woman filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

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

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

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

(6) For the purposes of this subsection—

(A) the “reduction period” for an individual’s old-age, wife’s, husband’s, widow’s, or widower’s insurance benefit is the period—

(i) beginning—

(I) in the case of an old-age or husband’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

(II) in the case of a wife’s insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

(III) in the case of a widow’s or widower’s insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

(B) the “additional reduction period” for an individual’s widow’s, or widower’s insurance benefit is the period—

(i) beginning with the first day of the first month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

(ii) ending with the last day of the month before the month in which such individual attains age 60.

(7) For purposes of this subsection the “adjusted reduction period” for an individual’s old-age, wife’s, husband’s, widow’s, or widower’s insurance benefit is the reduction period prescribed in paragraph (6) (A) for such benefit, and the “additional adjusted reduction period” for an individual’s, widow’s, or widower’s, insurance benefit is the additional reduction period prescribed by paragraph (6) (B) for such benefit, excluding from each such period—
(A) any month in which such benefit was subject to deductions under section 203(b), 203(c)(1), 203(d)(1), or 222(b),
(B) in the case of wife's insurance benefits, any month in which she had in her care (individually or jointly with the person on whose wages and self-employment income such benefit is based) a child of such person entitled to child's insurance benefits,
(C) in the case of wife's or husband's insurance benefits, any month for which such individual was not entitled to such benefits because the spouse on whose wages and self-employment income such benefits were based ceased to be under a disability,
(D) in the case of widow's insurance benefits, any month in which the reduction in the amount of such benefit was determined under paragraph (5)(D),
(E) in the case of widow's or widower's insurance benefits, any month before the month in which she or he attained age 62, and also for any later month before the month in which he attained retirement age, for which she or he was not entitled to such benefit because of the occurrence of an event that terminated her or his entitlement to such benefits, and
(F) in the case of old-age insurance benefits, any month for which such individual was entitled to a disability insurance benefit.

(8) This subsection shall be applied after reduction under section 203(a) and after application of section 215(g). If the amount of any reduction computed under paragraph (1), (2), or (3) is not a multiple of $0.10, it shall be reduced to the next lower multiple of $0.10.

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

(10) For purposes of applying paragraph (4), to monthly benefits payable for any month after December 1977, to an individual who was entitled to a monthly benefit as reduced under paragraph (1) or (3) prior to January 1978, the amount of reduction of such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based and for all subsequent months (and similarly for all subsequent increases) shall be increased by the percentage increase in such primary insurance amount (such increase being made in accordance with the provisions of paragraph (8)). In the case of an individual whose reduced benefit under this section is increased as a result of the use of an adjusted reduction period or an additional adjusted reduction period (in accordance with paragraphs (1) and (3) of this section), then for the first month for which such increase is effective and for all subsequent months, the amounts of such reduction (after the application of the previous sentence, if applicable) shall be reduced—

(A) in the case of old-age, wife's, and husband's insurance benefits, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period to (ii) the number of months in the reduction period,

(B) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months
in the reduction period beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent, and

(C) in the case of widow’s and widower’s insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 19/40 of 1 percent, plus the number of months in adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent, such decrease being made in accordance with the provisions of paragraph (8).

(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, the preceding paragraph of this subsection shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (5).

* * *

Increase in Old-Age Insurance Benefit Amounts on Account of Delayed Retirement

(w) (1) If the first month for which an old-age insurance benefit becomes payable to an individual is not earlier than the month in which such individual attains age 65 (or his benefit payable at such age is not reduced under subsection (q)), the amount of the old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a) (3) as in effect in December 1978 or section 215(a) (1) (C) (III) as in effect thereafter) which is payable without regard to this subsection to such individual shall be increased by—

(A) one-twelfth of 1 percent of such amount, multiplied by

(B) the number (if any) of the increment months for such individual.

(2) For purposes of this subsection, the number of increment months for any individual shall be a number equal to the total number of the months—

(A) which have elapsed after the month before the month in which such individual attained age 65 or (if later) December 1970 and prior to the month in which such individual attained age 72,

(B) with respect to which—
(i) such individual was a fully insured individual (as defined in section 214(a)), and
(ii) such individual either was not entitled to an old-age insurance benefit or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit.

(3) For purposes of applying the provisions of paragraph (1), a determination shall be made under paragraph (2) for each year, beginning with 1972, of the total number of an individual's increment months through the year for which the determination is made and the total so determined shall be applicable to such individual's old-age insurance benefits beginning with benefits for January of the year following the year for which such determination is made; except that the total number applicable in the case of an individual who attains age 72 after 1972 shall be determined through the month before the month in which he attains such age and shall be applicable to his old-age insurance benefit beginning with the month in which he attains such age.

(4) This subsection shall be applied after reduction under section 203(a).

(5) If an individual's primary insurance amount is determined under paragraph (3) of section 215(a) as in effect in December 1978, or section 215(a)(1)(C)(III) as in effect thereafter, and, as a result of this subsection, he would be entitled to a higher old-age insurance benefit if his primary insurance amount were determined under section 215(a) (whether before, in, or after, December 1978) without regard to such paragraph, such individual's old-age insurance benefit based upon his primary insurance amount determined under such paragraph shall be increased by an amount equal to the difference between such benefit and the benefit to which he would be entitled if his primary insurance amount were determined under such section without regard to such paragraph.

Reduction of Insurance Benefits

Maximum Benefits

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

[(1) when any of such individuals so entitled would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or] (a)(1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a)(1) or (4), or 215(d), as in effect after December 1978, the total monthly benefits to which
beneficiaries may be entitled under section 202 or 223 for a month on
the basis of the wages and self-employment income of that insured
individual shall, except as provided by paragraph (3) (but prior to
any increases resulting from the application of paragraph (2) (A)
(ii) (III) of section 215 (i)) be reduced so as not to exceed—

(A) 150 percent of the individual's primary insurance amount
up to the amount that is established with respect to this subpara-
graph by paragraph (2),

(B) 272 percent of the individual's primary insurance amount
that exceeds the amount to which subparagraph (A) applies but
does not exceed an amount established with respect to this sub-
paragraph by paragraph (2),

(C) 134 percent of the individual's primary insurance amount
that exceeds the amount to which subparagraph (B) applies but
does not exceed an amount established with respect to this sub-
paragraph by paragraph (2), and

(D) 175 percent of the individual's primary insurance amount
that exceeds the amount established by paragraph (2) with respect
to subparagraph (C).

Any such amount that is not a multiple of 50.10 shall be increased to
the next higher multiple of 0.10.

(2) (A) For individuals who become eligible for old-age or disability
insurance benefits or who die in the calendar year 1979 the amounts
established with respect to subparagraphs (A), (B), and (C) of para-
graph (1) are $236, $342, and $449, respectively (not counting as the
year of death or eligibility for purposes of this paragraph the year of
the individual's death or eligibility if the individual was entitled to a
disability insurance benefit for any of the 12 months immediately
preceding the month of such death or eligibility, but counting instead,
the year of eligibility for such disability insurance benefit).

(B) For individuals who become eligible for such benefits or who
die in a calendar year after 1979 the amount established with respect
to each of those subparagraphs shall equal the product of the corre-
sponding amount established for 1979 by subparagraph (A) of this
paragraph and the quotient obtained under subparagraph (B) (ii) of
section 215 (a) (1). Such product shall be rounded in like manner as is
prescribed by section 215 (a) (1) (B) (iii).

(C) In each calendar year after 1978 the Secretary shall publish in
the Federal Register, on or before November 1, the formula applicable
under this subsection to individuals who become eligible for old-age
insurance benefits, become disabled, or die in the following calendar
year.

(3) (A) When an individual to whom this subsection applies would
(but for the provisions of section 202 (k) (2) (A)) be entitled to child's
insurance benefits for a month on the basis of the wages and self-em-
ployment income of one or more other individuals, the total of bene-
fits shall not be reduced under this subsection to less than the smaller of—

(i) the sum of the maximum amounts of benefits payable on
the basis of the wages and self-employment income of all of those
individuals, or

(ii) an amount equal to the product of 1.75 and the primary
insurance amount that would be computed under section 215
(a) (1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base applicable to employees and the self-employed determined for that year under section 300.

(2) When two or more persons were entitled (without the application of section 202(j)(1) and section 223(b) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

[(A)] (i) the amount determined under this subsection without regard to this subparagraph,
[(B)] (ii) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or
[(C)] (iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of $0.10 being rounded to the next higher multiple of $0.10);

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) or (C), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of subparagraph (B) or (C) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for the last month for which subparagraph (B) or (C) was applicable.

[(3) when] (C) When any of such individuals is entitled to monthly benefits as a divorced wife under section 202(b) or as a
surviving divorced wife under section 202(e) for any month, the
benefit to which she is entitled on the basis of the wages and self-
employment income of such insured individual for such month shall
be determined without regard to this subsection, and the benefits
of all other individuals who are entitled for such month to monthly
benefits under section 202 on the wages and self-employment income
of such insured individual shall be determined as if no such divorced
wife or surviving divorced wife were entitled to benefits for such
month.

In any case in which benefits are reduced pursuant to the preceding
provisions of this subsection, such reduction shall be made after any
deductions under this section and after any deductions under section
222(b). Whenever a reduction is made under this subsection in the
total of monthly benefits to which individuals are entitled for any
month on the basis of the wages and self-employment income of an
insured individual, each such benefit other than the old-age or dis-
ability insurance benefit shall be proportionately decreased; except
that if such total of benefits for such month includes any benefit or
benefits under section 202(d) which are payable solely by reason
of section 216(h)(3), the reduction shall be first applied to reduce
(proportionately where there is more than one benefit so payable)
the benefits so payable (but not below zero).

(4) In any case in which benefits are reduced pursuant to the pre-
ceding provisions of this subsection, the reduction shall be made after
any deductions under this section and after any deductions under sec-
tion 222(b). Whenever a reduction is made under this subsection in the
total of monthly benefits to which individuals are entitled for any
month on the basis of the wages and self-employment income of an
insured individual, each such benefit other than the old-age or dis-
ability insurance benefit shall be proportionately decreased.

(4) notwithstanding

(5) Notwithstanding any other provision
of law, when—

(A) two or more persons are entitled to monthly benefits for a
particular month on the basis of the wages and self-employment
income of an insured individual and (for such particular month)
the provisions of this subsection [and section 202(q)] are appli-
cable to such monthly benefits, and

(B) such individual’s primary insurance amount is increased
for the following month under any provision of this title,
then the total of monthly benefits for all persons on the basis of such
wages and self-employment income for such particular month, as
determined under the provisions of this subsection, shall for purposes
determined of determining the total monthly benefits for all persons on the basis
of such wages and self-employment income for months subsequent to
such particular month to be considered to have been increased by the
smallest amount that would have been required in order to assure that
the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be
less (after the application of the other provisions of this subsection
and section 202(q)) than the total of monthly benefits (after the
application of the other provisions of this subsection and section 202
(q)) payable on the basis of such wages and self-employment income
for such particular month. 
(5) Whenever the monthly benefits of such individuals are based on
an insured individual's primary insurance amount which is determined
under section 215(a)(3) and such primary insurance amount does not
appear in column IV of the table in (or deemed to be in) section
215(a), the applicable maximum amount in column V of such table
shall be the amount in such column that appears on the line on which
the next higher primary insurance amount appears in column IV, or,
if larger, the largest amount determined for such persons under this
subsection for any month prior to October 1972.1*

(6) In the case of any individual who is entitled for any month to
benefits based upon the primary insurance amounts of two or more in-
sured individuals, one or more of which primary insurance amounts
were determined under section 215(a) or 215(d) as in effect (without
regard to the table contained therein) prior to January 1979 and one
or more of which primary insurance amounts were determined under
section 215(a)(1) or (4), or 215(d), as in effect after December 1978,
the total benefits payable to that individual and all other individuals
entitled to benefits for that month based upon those primary insurance
amounts shall be reduced to an amount equal to the product of 1.75
and the primary insurance amount that would be computed under
section 215(a)(1) for that month with respect to average indexed
monthly earnings equal to one-twelfth of the contribution and benefit
base determined under section 230 for the year in which that month
occurs.

(7) Subject to the preceding paragraph, this subsection, as in effect
in December 1978, shall remain in effect with respect to a primary in-
surance amount computed under section 215(a) or (d), as in effect
(without regard to the table contained therein) in December 1978,
except that a primary insurance amount so computed with respect to
an individual who first becomes eligible for an old-age or disability
insurance benefit (as defined in section 215(a)(2)(A)) or dies, after
December 1978, shall, instead, be governed by this section, as in effect
after December 1978.

(8) when—
(A) one or more persons were entitled (without the applica-
tion of section 202(j)(1) and section 223(b)) to monthly benefits
under section 202 or 223 for December 1977 on the basis of the
wages and self-employment income of an individual;
(B) the benefit of at least one such person for January 1978 is
increased by reason of the amendments made by section 109
of the Social Security Amendments of 1977; and
(C) the total amount of benefits to which all such persons are
entitled under such section 202 are reduced under the provisions
of this subsection (or would be so reduced except for the first
sentence of section 203(a)(4)),
then the amount of the benefit to which each such person is entitled
for months after December 1977 shall be increased (after such reduc-
tions are made under this subsection) to the amount such benefit would
have been if the benefit of the person or persons referred to in subpara-
graph (B) had not been so increased.

*Paragraph (5) is retained with respect to an individual who became eligible for a
monthly benefit (as defined in section 215(a)(2)(A)) or died prior to 1979.
(f) For purposes of subsection (b)—

(1) The amount of an individual’s excess earnings (as defined in paragraph (3)) shall be charged to months as follows: There shall be charged to the first month of such taxable year an amount of his excess earnings equal to the sum of the payments to which he and all other persons are entitled for such month under section 202 on the basis of his wages and self-employment income (or the total of his excess earnings if such excess earnings are less than such sum), and the balance, if any, of such excess earnings shall be charged to each succeeding month in such year to the extent, in the case of each such month, of the sum of the payments to which such individual and all other persons are entitled for such month under section 202 on the basis of his wages and self-employment income, until the total of such excess has been so charged. Where an individual is entitled to benefits under section 202(a) and other persons are entitled to benefits under section 202(b), (c), or (d) on the basis of the wages and self-employment income of such individual, the excess earnings of such individual for any taxable year shall be charged in accordance with the provisions of this subsection before the excess earnings of such persons for a taxable year are charged to months in such individual’s taxable year. Notwithstanding the preceding provisions of this paragraph, but subject to section 202(s), no part of the excess earnings of an individual shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which such individual was age seventy-two or over, (C) in which such individual, if a child entitled to child’s insurance benefits, has attained the age of 18, (D) for which such individual is entitled to widow’s insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60) or widower’s insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 60), or (E) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5) of this subsection) of more than $200 or the exempt amount as determined under paragraph (8).

(2) As used in paragraph (1), the term “first month of such taxable year” means the earliest month in such year to which the charging of excess earnings described in such paragraph is not prohibited by the application of clauses (A), (B), (C), (D), and (E) thereof.

(3) For purposes of paragraph (1) and subsection (h), an individual’s excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of $200 or the exempt amount as determined under paragraph (8), multiplied by the number of months in such year, except that, in determining an individual’s excess earnings for the taxable year in which he attains age 72, there shall be excluded any earnings of such individual for the month in which he attains such age and any subsequent month (with any net earnings or net loss from
self-employment in such year being prorated in an equitable manner under regulations of the Secretary). The excess earnings as derived under the preceding sentence, if not a multiple of 1, shall be reduced to the next lower multiple of $1.

(4) For purposes of clause (E) of paragraph (1)—

(A) An individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (5) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

(B) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (5) of this subsection) of more than $200 or the exempt amount as determined under paragraph (8) until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

(5) (A) An individual's earnings for a taxable year shall be (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

(B) For purposes of this section—

(i) an individual's net earnings from self-employment for any taxable year shall be determined as provided in section 211, except that paragraphs (1), (4), and (5) of section 211 (c) shall not apply and the gross income shall be computed by excluding the amounts provided by subparagraph (D), and

(ii) an individual's net loss from self-employment for any taxable year is the excess of the deductions (plus his distributive share of loss described in sections 702(a)(9) of the Internal Revenue Code of 1954) taken into account under clause (i) over the gross income (plus his distributive share of income so described) taken into account under clause (i).

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (g)(2), (g)(3), (h)(2), and (j) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee or performed outside the United States in the active military or naval service of the United States, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.
(D) In the case of an individual—
   (i) who has attained the age of 65 on or before the last day
       of the taxable year, and
   (ii) who shows to the satisfaction of the Secretary that he
       is receiving royalties attributable to a copyright or patent
       obtained before the taxable year in which he attained the age
       of 65 and that the property to which the copyright or patent
       relates was created by his own personal efforts,

there shall be excluded from gross income any such royalties.

(6) For purposes of this subsection, wages (determined as pro-
vided in paragraph (5)(C)) which, according to reports received
by the Secretary, are paid to an individual during a taxable year
shall be presumed to have been paid to him for services performed
in such year until it is shown to the satisfaction of the Secretary
that they were paid for services performed in another taxable
year. If such reports with respect to an individual show his wages
for a calendar year, such individual's taxable year shall be pre-
sumed to be a calendar year for purposes of this subsection until
it is shown to the satisfaction of the Secretary that his taxable
year is not a calendar year.

(7) Where an individual's excess earnings are charged to a
month and the excess earnings so charged are less than the total of
the payments (without regard to such charging) to which all per-
sons are entitled under section 202 for such month on the basis
of his wages and self-employment income, the difference between
such total and the excess so charged to such month shall be paid
(if it is otherwise payable under this title) to such individual and
other persons in the proportion that the benefit to which each of
them is entitled (without regard to such charging, without the
application of section 202(k)(3), and prior to the application of
section 203(a)) bears to the total of the benefits to which all of
them are entitled.

(8) (A) Whenever the Secretary pursuant to section 215(i)
increases benefits effective with the month of June following a
cost-of-living computation quarter, he shall also determine and
publish in the Federal Register on or before November 1 of the
calendar year in which such quarter occurs a new exempt amount
which shall be effective (unless such new exempt amount is pre-
vented from becoming effective by subparagraph (C) of this para-
graph) with respect to any individual's taxable year which ends
after the calendar year in which such benefit increase is effective
(or, in the case of an individual who dies during the calendar year
after the calendar year in which the benefit increase is effective,
with respect to such individual's taxable year which ends, upon
his death, during such year).

(B) Except as provided in subparagraph (D), the ex-
empt amount for each month of a particular taxable year shall
be whichever of the following is the larger—
   (i) the exempt amount which was in effect with respect to
       months in the taxable year in which the determination under
       subparagraph (A) was made, or
(f) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year preceding the calendar year in which the determination under subparagraph (A) was made to (II) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year 1973, or, if later, the calendar year preceding the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting in such an increase was made under subparagraph (A), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case. For purposes of this clause (ii), the average of the wages for the calendar year 1978 (or any prior calendar year) shall, in the case of determinations made under subparagraph (A) prior to December 31, 1979, be deemed to be an amount equal to 400 percent of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

Whenever the Secretary determines that the exempt amount is to be increased in any year under this paragraph, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance within 30 days after the close of the base quarter (as defined in section 215(i)(1)(A)) in such year of the estimated amount of such increase, indicating the new exempt amount, the actuarial estimates of the effect of the increase, and the actuarial assumptions and methodology used in preparing such estimates.

(C) Notwithstanding the determination of a new exempt amount by the Secretary under subparagraph (A) (and notwithstanding any publication thereof under such subparagraph or any notification thereof under the last sentence of subparagraph (B)), such new exempt amount shall not take effect pursuant thereto if during the calendar year in which such determination is made a law increasing the exempt amount is enacted.

(D) Notwithstanding any other provision of this subsection, the exempt amount—

(i) shall be $875 for each month of any taxable year ending after 1977 and before 1979, and

(ii) shall be $500 for each month of any taxable year ending after 1978 and before 1980.

* * * * *

Report of Earnings to Secretary

(h) (1) (A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (5) of subsection (f), in excess of the product of [§200 or] the exempt amount as determined under subsection (f) (8) times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of
his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individuals attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection. The Secretary may grant a reasonable extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months.

**Computation of Primary Insurance Amount**

Sec. 215. For the purposes of this title—

(a) The primary insurance amount of an insured individual shall be determined as follows:

(1) Subject to the conditions specified in subsections (b), (c), and (d) of this section and except as provided in paragraphs (2) and (3) of this subsection, such primary insurance amount shall be whichever of the following amounts is the largest:

(A) the amount in column IV of the following table (or, if larger, the amount in column IV of the latest table deemed to be such table under subsection (i) (2) (D)) on the line on which in column III of such table appears his average monthly wage (as determined under subsection (b));

(B) the amount in column IV of such table on the line on which in column II appears his primary insurance amount (as determined under subsection (c)); or

(C) the amount in column IV of such table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)).

(2) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, such primary insurance amount shall be—

(A) the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table (whether enacted by another law or deemed to be such table under subsection (i) (2) (D)) and in the following month became entitled to an old-age insurance benefit or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsec-
tion (c)) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term "primary insurance amount" with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined); or

(B) an amount equal to the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (8).

(B) Such primary insurance amount shall be an amount equal to $9.00 multiplied by the individual's years of coverage in excess of 10 in any case in which such amount is higher than the individual's primary insurance amount as determined under paragraph (1) or (2).

(For purposes of paragraph (3), an individual's "years of coverage" is the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding any fraction) determined by dividing the total of the wages credited to him (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 229) for years after 1936 and before 1951 by $900, plus (ii) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (C)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.)
<table>
<thead>
<tr>
<th>(I)</th>
<th>(II)</th>
<th>(III)</th>
<th>(IV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Primary insurance amount as determined under sub. (a))</td>
<td>(Average monthly wages)</td>
<td>(Primary insurance amount)</td>
<td>(Primary insurance benefit)</td>
</tr>
<tr>
<td>At least—</td>
<td>But not more than—</td>
<td>At least—</td>
<td>But not more than—</td>
</tr>
</tbody>
</table>

The following table shows how to determine the primary insurance amount and maximum family benefits for 1971.

### Table for Determining Primary Insurance Amount and Maximum Family Benefits

#### Header
- **Primary Insurance Amount**: The amount determined under sub. (a).
- **Average Monthly Wages**: The average monthly wages.
- **Primary Insurance Amount**: The amount determined under sub. (a).
- **Primary Insurance Benefit**: The amount of insurance benefit.

#### Table
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<th>(IV)</th>
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<tbody>
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### Notes
- The amount determined under sub. (a) is not more than the greater of the average monthly wages or 109.10.
- The amount of insurance benefit is determined by the amount determined under sub. (a) and the earnings.
- The maximum family benefit is the greater of the amount determined under sub. (a) and the earnings.
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<tr>
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<td>(Primary insurance benefit under 1950 Act, or continued)</td>
<td>Primary insurance benefits effective for June 1950</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maintenance family benefit)</td>
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<td>If an individual's primary insurance benefit is determined under above, (II) is—</td>
<td>On his primary insurance amount or determined under above, (II) is—</td>
<td>On his average monthly wage determed under above, (II) is—</td>
<td>The amount referred to in the preceding paragraph (e) shall be—</td>
<td>And the maximum amount of benefit payable as provided in (e) shall be—</td>
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Note: The amounts are in dollars and cents.
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<tr>
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<th>(ii)</th>
<th>(iii)</th>
<th>(iv)</th>
<th>(v)</th>
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<tbody>
<tr>
<td>(Primary insurance benefit under this Act, as modified)</td>
<td>(Primary insurance amount)</td>
<td>(Average monthly wage)</td>
<td>(Primary insurance amount)</td>
<td>(Maximum benefit)</td>
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<td>Or his primary insurance amount is determined under column (ii) is—</td>
<td>Or his average monthly wage is determined under column (iii) is—</td>
<td>The amount indicated by the preceding column (iv) shall be—</td>
<td>And the maximum amount of benefits payable is provided in sec. 203(a) of this Act, or his wages and earnings shall be—</td>
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<td>(I) (Primary Insurance amount under 1990 Act, as revised)</td>
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<td>Or his primary insurance amount as determined under clause (a)</td>
<td>Or his average monthly wage</td>
<td>The amount referred to in the preceding paragraph of this subsection shall be</td>
<td>And the maximum amount of benefits payable (as provided in sec. 304(a)) on the basis of his monthly wage and self-employment income shall be</td>
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(a) (1) (A) The primary insurance amount of an individual (except as otherwise provided in this section) is equal to the sum of—

(i) 92 per centum of the individual's average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of this clause by subparagraph (B),

(ii) 33 per centum of the portion of the individual's average indexed monthly earnings which exceeds the amount established for purposes of clause (i) but does not exceed the amount established for purposes of this clause by subparagraph (B), and

(iii) 16 per centum of the individual's average indexed monthly earnings to the extent that they exceed the amount established for purposes of clause (ii), rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

(B) (i) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in the calendar year 1979, the amounts established with respect to subparagraph (A) (i) and (A) (ii) are $180 and $1,075, respectively.

(ii) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in a calendar year after 1979, each of the amounts established with respect to subparagraphs (A) (i) and (A) (ii) shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph, and the quotient obtained by dividing—

(I) the average of the wages (as defined in section 210(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year preceding the calendar year for which the determination is made, by

(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the calendar year 1977.

(iii) The amounts established under clause (ii) shall be rounded to the nearest $1.00, except that an amount that is a multiple of $0.50 but not a multiple of $1.00 shall be rounded to the next higher $1.00.

(C) (i) No primary insurance amount computed under subparagraph (A) may be less than the greater of—

(1) the amount in the first line of column IV in the table of benefits contained (or deemed to be contained) in this subsection as in effect in December 1978,

(2) the amount determined under subsection (i) (except subclause (III) of this clause) with respect to this subparagraph, or

(3) an amount equal to $9 multiplied by the individual's years of coverage in excess of 10.

(ii) For purposes of the preceding clause, the term "years of coverage" means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b)
$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b)(2)(B)(ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 317, and compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self-employment income under subsection (b)(3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes entitled to a disability insurance benefit or dies, in the following year, and the average wages (as described by subclause (I) of subparagraph (B)(ii)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average wages (as so described) for each year after calendar year 1950.

(2) (A) A year shall not be counted as a year of an individual’s death or eligibility for purposes of this subsection or subsection (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual’s eligibility for the disability insurance benefit to which he was entitled in such 12-month period).

(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—

(i) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by each general benefit increase (as defined in subsection (i)(3)) and each increase provided under subsection (i)(2) that would have applied to that primary insurance amount had the individual remained entitled to that disability insurance benefit until the month in which he became entitled, reentitled, or died, or

(ii) the amount computed under paragraph (1)(C).

(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual’s disability (whether because of that individual’s subsequent entitlement to old-age insurance benefits, or to a disability insurance benefit based upon a subsequent period of disability, or death), the primary insurance amount so computed may in no case be less than the primary insurance amount on the basis of which he most recently received a disability insurance benefit.
(3)(A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

(i) an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that month—

(I) becomes eligible for that benefit,
(II) becomes eligible for a disability insurance benefit, or
(III) dies, and

(ii) an individual described in clause (i) who was eligible for a disability insurance benefit for a month prior to January 1979 (except to the extent that paragraph (4) otherwise provides).

(B) For the purposes of this title, an individual is deemed to be eligible for an old-age insurance benefit beginning in the month in which he attains age 62, or for a disability insurance benefit for months beginning in the month in which a period of disability began as described in section 216(i) (2) (C), unless less than 12 months have elapsed since the termination of a prior period of disability in which case the month of eligibility with respect to the prior period of disability shall be considered the month of eligibility.

(4) Paragraph (1) does not apply to the computation or recomputation of a primary insurance amount for—

(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which there occurs the event described in clause (i) (I), (i) (II), or (i) (III) of paragraph (3) (A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

(B) (i) an individual who had wages or self-employment income credited for a year before 1979 and who was not eligible for an old-age or disability insurance benefit, or did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual’s primary insurance amount would be greater if computed or recomputed—

(I) under section 215 (a), as in effect in December 1978, in the case of an individual who becomes eligible for an old-age insurance benefit prior to 1984, or

(II) as provided by section 215 (d), in the case of an individual to whom such section applies.

(ii) For purposes of determining under clause (i) which amount is the greater—

(I) the table of benefits in effect in December 1978 shall apply without regard to any increase in that table which becomes effective (in accordance with subsection (i) (4)) for years after 1978 except as provided in subsection (i) (2) (A) (iii), and

(II) the individual’s average monthly wage shall be computed as provided by subsection (b) (4).

(5) With respect to computing the primary insurance amount, after December 1978, of an individual to whom paragraph (1) does not apply (except in the case of an individual described in paragraph (4) (B)), this section as in effect in December 1978 remains in effect.
Average Monthly Wage

The amount of an individual’s average indexed monthly earnings is equal to the quotient obtained by dividing—

(A) the total (after adjustment under paragraph (3) of this subsection) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

(B) the number of months in such years.

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

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

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

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

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

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

For purposes of paragraph (2), the number of an individual’s elapsed years is the number of calendar years after 1950 (or, if later, the year in which he attained age 21) and before the year in which he died, or if it occurred earlier but after 1960, the year in which he attained age 62. For purposes of the preceding sentence, any calendar year any part of which was included in a period of disability shall not be included in such number of calendar years.

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

(A) who becomes entitled to benefits under section 202(a) or section 223 in or after the month in which a new table that appears in (or is deemed by subsection (i)(2)(D) to appear in) section (a) becomes effective; or

(B) who dies in or after the month in which such table becomes effective without being entitled to benefits under section 202(a) or section 223; or

(C) whose primary insurance amount is required to be recomputed under subsection (f) (2).
number of an individual's benefit computation years may not be less than two.

(B) For purposes of this subsection—

(i) the term "benefit computation years" means, in the case of any individual those computation base years, equal in number to the number determined under subparagraph (A) of this paragraph, for which the total of the individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

(ii) the term "computation base years" means, in the case of any individual the calendar years after 1950 and prior to the earlier of—

(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement;

(II) in the case of an individual who has died, the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

(iii) the term "number of elapsed years" means, in the case of any individual except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92-603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 65; except that such term excludes any calendar year any part of which is included in a period of disability.

(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) is deemed equal to the product of—

(i) the wages and self-employment income credited to such year, and

(ii) the quotient obtained by dividing—

(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such death or eligibility) but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period) by

(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the computation base year for which the determination is made.
Wages paid in or self-employment income credited to an individual's computation base year—
(i) which occurs after the second calendar year specified in subparagraph (A)(ii)(I), where applicable, or
(ii) in a year which under subsection (f)(2)(C) is considered to be the last year of the period specified in subsection (b)(2)(B)(ii),
are available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

In determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a)(4)(B), this subsection as in effect in December 1978 remains in effect, except that paragraph (2)(C)(b) as then in effect is deemed to provide that "computation base years" include only calendar years in the period after 1950 (or 1936, if applicable and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a)(3)(B) of this section as in effect in January 1979) for an old-age or disability insurance benefit, or died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year.

(5) [Repealed].

Primary Insurance Amount Under Prior Provisions

(c)(1) For the purpose of column II of the latest table that appears in (or is deemed to appear in) subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the month in which the latest such table became effective.

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

This subsection, as in effect in December 1978, shall remain in effect with respect to an individual to whom subsection (a)(1) does not apply by reason of the individual's eligibility for an old-age insurance or disability insurance benefit, or the individual's death, prior to 1979.

Primary Insurance Benefit Under 1939 Act

(d)(1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2)(C) and (3) of such subsection, 1936 shall be used instead of 1950.

(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—
(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

(d)(1) For the purpose of column 1 of the table appearing subsection (a) of this section, as that subsection was in effect in December 1977, an individual's primary insurance benefit shall be computed as follows:

(A) The individual's average monthly wage shall be determined as provided in subsection (b) of this section, as in effect in December 1977 (but without regard to paragraph (a) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect), 1936 shall be used instead of 1950.

(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2) (as so in effect), the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the "division") elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual's death. The quotient so obtained is deemed to be the individual's wages credited for each of the years included in the divisor except:

(i) if the quotient exceeds $3,000, only $3,000 is deemed to be the individual's wages for each of the years included in the divisor, and the remainder of the individual's total wages prior to 1951 (I) if less than $3,000, is deemed credited to the year immediately preceding the earliest year used in the divisor, or (II) if $3,000 or more, is deemed credited, in $3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than $3,000 credited to the year prior to the earliest year to which a full $3,000 increment was credited; and

(ii) no more than $42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.

(C) For the purposes of subparagraph (B), "total wages prior to 1951" with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pur-
suitant to this title, and (iv) wages deemed paid prior to 1951 to such individual under section 231.

[D] The individual's primary insurance benefits shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage.

(D) The individual's primary insurance benefits shall be 46 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 10 per centum of the next $200 of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by $1,850 (disregarding any fraction).

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

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

(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

(C) (i) who becomes entitled to benefits under section 202(a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

(ii) who dies after such date without being entitled to benefits under section 202(a) or 223, or

(iii) whose primary insurance amount is required to be recomputed under section 215(f) (2) or (6), or section 231.

(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable in the case of an individual—

[A] who attained age 21 after 1936 and prior to 1951, or

[B] who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220.

(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age insurance or disability insurance benefits or die prior to 1978.

Certain Wages and Self-Employment Income Not To Be Counted

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

(1) in computing an individual's average monthly wage, average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage, there shall not be counted the excess over $3,600 in the case of any calendar year after 1950 and before 1955, the excess over $4,200 in the case of any calendar year after 1954 and before 1959,
the excess over $4,800 in the case of any calendar year after 1958
and before 1966, the excess over $6,600 in the case of any calendar
year after 1965 and before 1968, the excess over $7,800 in the case
of any calendar year after 1967 and before 1972, the excess over
$9,000 in the case of any calendar year after 1971 and before 1973,
the excess over $10,800 in the case of any calendar year after 1972
and before 1974, the excess over $13,200 in the case of any calendar
year after 1973 and before 1975, and the excess over an amount
equal to the contribution and benefit base (as determined under
section 210) in the case of any calendar year after 1974 with re-
spect to which such contribution and benefit base is effective (be-
fore the application, in the case of average indexed monthly earn-
ings, of subsection (b) (3) (A)) of (A) the wages paid to him in
such year, plus (B) the self-employment income credited to
such year (as determined under section 212); and
(2) if an individual's [average monthly wage] average in-
dexed monthly earnings or, in the case of an individual whose
primary insurance amount is computed under section 215(a) as
in effect prior to January 1979, average monthly wage, computed
under subsection (b) or for the purposes of subsection (d) is not
a multiple of $1, it shall be reduced to the next lower multiple
of $1.

Recomputation of Benefits

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

(2) If an individual has wages or self-employment income for a
year after 1965 for any part of which he is entitled to old-age insurance
benefits, the Secretary shall, at such time or times and within such
period as he may by regulations prescribe, recompute such individual's
primary insurance amount with respect to each such year. Such recom-
putation shall be made as provided in subsections (a) (1) (A) and
(C) and (a) (3) as though the year with respect to which such recom-
putation is made is the last year of the period specified in subsection
(b) (2) (C). A recomputation under this paragraph with respect to any
year shall be effective—

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

(B) in the case of an individual who died in such year, for
monthly benefits beginning with benefits for the month in which
he died.

(2) A) If an individual has wages or self-employment income
for a year after 1978 for any part of which he is entitled to old-age
or disability insurance benefits, the Secretary shall, at such time or
times and within such period as he may by regulation prescribe, recom-
pute the individual's primary insurance amount for that year.

(B) For the purpose of applying subparagraph (A) of subsection
(a) (1) to the average indexed monthly earnings of an individual to
whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by clauses (i) and (ii) of subparagraph (B) of that subsection, the amounts that were (or, in the case of an individual described in subsection (a)(4)(B), would have been) used in the computation of the individual's primary insurance amount prior to the application of this subsection.

(C) A recomputation under this paragraph shall be made as provided in subsection (a)(1) as though the year with respect to which it is made is the last year of the period specified in subsection (b)(2) (B)(ii), and subsection (b)(3)(A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.

(D) A recomputation under this paragraph with respect to any year shall be effective—

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

(ii) in the case of an individual who died in that year, for monthly benefits beginning with benefits for the month in which he died.

(E) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202(i)(1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed by such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b)(4)(A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation.

Sec. 215 (f)(3) is repealed.
(4) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount. A recomputation is effective under this subsection only if it results in a primary insurance amount that is at least $1.00 higher than the previous primary insurance amount.

In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died.

Upon the death after 1967 of an individual entitled to benefits under section 202(a) or section 223, if any person is entitled to monthly benefits or a lump-sum death payment, on the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if the decedent during his lifetime was paid compensation which was treated under section 205(a) as remuneration for employment.

This subsection, as in effect in December 1978, shall continue to apply to the recomputation of a primary insurance amount computed under subsection (a) or (d) as in effect (without regard to the table contained in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing the primary insurance amount under subsection (a) or (d) (as thus in effect) with respect to an individual to whom those subsections apply by reason of paragraph (B) of subsection (a) (4) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age insurance or disability insurance benefit or died, or for any year thereafter.

Rounding of Benefits

The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 or 223 which (after reduction under section 203(a) and deductions under section 203(b)) is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

(1) Notwithstanding the provisions of subchapter III of chapter 83 of title 5, United States Code, remuneration paid for services to which the provisions of section 210(1) (1) of this Act are applicable and which is performed by an individual as a commissioned officer of the Reserve Corps of the Public Health Service prior to July 1, 1960, shall not be included in computing entitlement to or the amount of any monthly benefit under this title, on the basis of his wages and self-employment income, for any month after June 1960 and prior to the first month with respect to which the Civil Service Commission certifies to the Secretary that, by reason of a waiver filed as provided in paragraph (2), no further annuity will be paid to him, his wife, and
his children, or, if he has died, to his widow and children, under sub-
chapter III of chapter 83 of title 5, United States Code, on the basis of
such service.

(2) In the case of a monthly benefit for a month prior to that in
which the individual, on whose wages and self-employment income
such benefit is based, dies, the waiver must be filed by such individual;
and such waiver shall be irrevocable and shall constitute a waiver on
behalf of himself, his wife, and his children. If such individual did not
file such a waiver before he died, then in the case of a benefit for the
month in which he died or any month thereafter, such waiver must be
filed by his widow, if any, and by or on behalf of all his children, if
any; and such waivers shall be irrevocable. Such a waiver by a child
shall be filed by his legal guardian or guardians, or, in the absence
thereof, by the person (or persons) who has the child in his care.

Cost-of-Living Increases in Benefits

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

(A) the term "base quarter" means (i) the calendar quarter
ending on March 31 in each year after 1974, or (ii) any other cal-
endar quarter in which occurs the effective month of a general
benefit increase under this title;

(B) the term "cost-of-living computation quarter" means a base
quarter, as defined in subparagraph (A) (i), in which the Con-
sumer Price Index prepared by the Department of Labor exceeds,
by not less than 3 per centum, such Index in the later of (i) the
last prior cost-of-living computation quarter which was estab-
lished under this subparagraph, or (ii) the most recent calendar
quarter in which occurred the effective month of a general benefit
increase under this title; except that there shall be no cost-of-
living computation quarter in any calendar year if in the year
prior to such year a law has been enacted providing a general
benefit increase under this title or if in such prior year such a
general benefit increase becomes effective; and

(C) the Consumer Price Index for a base quarter, a cost-of-
living computation quarter, or any other calendar quarter shall
be the arithmetical mean of such index for the 3 months in such
quarter.

(2) (A) (i) The Secretary shall determine each year beginning with
1975 (subject to the limitation in paragraph (1) (B) whether the base
quarter (as defined in paragraph (1) (A) (i)) in such year is a cost-of-
living computation quarter.

[(ii)] If the Secretary determines that the base quarter in any year
is a cost-of-living computation quarter, he shall, effective with the
month of June of such year as provided in subparagraph (B), increase
the benefit amount of each individual who for such month is entitled
to benefits under section 227 or 228, and the primary insurance amou-
nt of each other individual under this title (but not including a primary
insurance amount determined under subsection (a) (3) of this section),
by an amount derived by multiplying each such amount (including
each such individual's primary insurance amount or benefit amount
under section 227 or 228 as previously increased under this subpara-
graph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B). Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

(I) the benefit amount of each individual who for that month is entitled to benefits under section 227 or 228,

(II) the primary insurance amount of each other individual on which benefit entitlement is based under this title, and

(III) the total monthly benefits based on each primary insurance amount and permitted under section 203 (which shall be increased, unless otherwise so increased under another provision of this title, at the same time as the primary insurance amount on which they are based) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203 (a) (6) and (7) as in effect after December 1978.

but shall not increase a primary insurance amount that is computed under subparagraph (C) (i) (III) of subsection (a) (1) or a primary insurance amount that was computed prior to January 1979 under subsection (a) (3) as then in effect. The increase shall be derived by multiplying each of the amounts described in clauses (I), (II), and (III) (including each of those primary insurance amounts or benefit amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds the Index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B). Any amount so increased that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(iii) In the case of an individual who becomes eligible for an old-age insurance or disability insurance benefit, or dies prior to becoming so eligible, in a year in which there occurs an increase provided in clause (ii), the individual's primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title) by the amount of that increase and subsequent applicable increases, but only with respect to benefits payable for months after May of that year.

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after May of the calen-
the year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after May of such calendar year.

(C) (i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter, the Secretary shall (within 5 days after such publication) report the amount of such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination within 30 days after the close of such quarter, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register within 45 days after the close of such quarter, a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be the amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have been most recently revised by another law or pursuant to this paragraph); and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

(i) The headings of the table shall be the same as the headings in the table immediately prior to its revision, except that the parenthetical phrase at the beginning of column II shall reflect the year in which the primary insurance amounts set forth in column IV of the table immediately prior to its revision were effective.

(ii) The amounts on each line of column I and column III, except as otherwise provided by clause (v) of this subparagraph, shall be the same as the amounts appearing in each such column in the table immediately prior to its revision.

(iii) The amount on each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table immediately prior to its revision.

(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A) (ii) of this paragraph. The amount on each line of column V shall be increased, if necessary, so that such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV.
Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(v) If the contribution and benefit base (determined under section 230) for the calendar year in which the table of benefits is revised is lower than such base for the following calendar year, columns III, IV, and V of such table shall be extended. The amounts on each additional line of column III shall be the amounts on the preceding line increased by $5 until in the last such line of column III the second figure is equal to one-twelfth of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised. The amount on each additional line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column is equal to the last line of such column as determined under clause (iv) plus 20 percent of one-twelfth of the excess of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised (as determined under section 230) over such base for the calendar year in which the table of benefits is revised. The amount in each additional line of column V shall be equal to 1.75 times the amount on the same line of column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10. He shall also publish in the Federal Register at that time a revision of the amount referred to in subparagraph (C) (i) (I) of subsection (a) (1) and that shall be the increased amount determined for purposes of such subparagraph (C) (i) (II) under this subsection.

(3) As used in this subsection, the term “general benefit increase under this title” means an increase (other than an increase under this subsection) in all primary insurance amounts on which monthly insurance benefits under this title are based.

(4) This subsection, as in effect in December 1978, shall continue to apply to subsections (a) and (d), as then in effect, with respect to computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4) (B) of that subsection, but the application of this subsection in such cases shall be modified by the application of subclause (I) of clause (ii) of such paragraph (4) (B)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4) (B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2) (D) of this subsection, as then in effect.

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Benefits in Case of Veterans

Sec. 217. (a) (1) * * *
(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active mili-
tary or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215(c) as in effect in December 1978. Notwithstanding section 215(d) as in effect in December 1978, the primary insurance benefit (for purposes of section 215(c) as in effect in December 1978) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209(e)(2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application;
(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;
(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or
(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

Reduction of Benefits Based on Disability on Account of Receipt of Workmen's Compensation

Sec. 224. (a) If for any month prior to the month in which an individual attains the age of 62—

(1) such individual is entitled to benefits under section 223, and
(2) such individual is entitled for such month, under a workmen's compensation law or plan of the United States or a State to periodic benefits for a total or partial disability (whether or not permanent), and the Secretary has, in a prior month, received notice of such entitlement for such month.

the total of this benefits under section 223 for such month and of any benefits under section 202 for such month based on his wages and self-employment income shall be reduced (but not below zero) by the amount by which the sum of—

(3) such total of benefits under sections 223 and 202 for such month, and
(4) such periodic benefits payable (and actually paid) for such month to such individual under the workmen's compensation law or plan,

exceeds the higher of—

(5) 80 per centum of his "average current earnings", or
(6) the total of such individual's disability insurance benefits under section 223 for such month and of any monthly insurance benefits under section 202 for such month based on his wages and self-employment income, prior to reduction under this section.

In no case shall the reduction in the total of such benefits under sections 223 and 202 for a month (in a continuous period of months) reduce such total below the sum of—
(7) the total of the benefits under sections 223 and 202, after reduction under this section, with respect to all persons entitled to benefits on the basis of such individual's wages and self-employment income for such month which were determined for such individual and such persons for the first month for which reduction under this section was made (or which would have been so determined if all of them had been so entitled in such first month), and

(8) any increase in such benefits with respect to such individual and such persons, before reduction under this section, which is made effective for months after the first month for which reduction under this section is made.

For purposes of clause (5), an individual's average current earnings means the largest of (A) the average monthly wage (determined under section 215(b) as in effect prior to January 1979) used for purposes of computing his benefits under section 223, (B) one-sixtieth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the five consecutive calendar years after 1950 for which such wages and self-employment income were highest, or (C) one-twelfth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the calendar year in which he had the highest such wages and income during the period consisting of the calendar year in which he became disabled (as defined in section 223(d)) and the five years preceding that year. In any case where an individual's wages and self-employment income reported to the Secretary for a calendar year reach the limitations specified in sections 209(a) and 211(b)(1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clauses (B) and (C) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations.

* * * * * * * * *

Entitlement to Hospital Insurance Benefits

Sec. 226.

(a) * * *

(h) (1) For purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of widows and widowers described in paragraph (2)(A)(iii) thereof—

(A) the term "age 60" in sections 202(e)(1)(B)(ii), 202(e)(5), 202(f)(1)(B)(ii), and 202(f)(6) shall be deemed to read "age 65"; and

(B) the phrase "before she attained age 60" in the matter following subparagraph (F) of section 202(e)(1) and the phrase "before he attained age 60" in the matter following subparagraph [(G)(F)] of section 202(f)(1) shall each be deemed to read "based on a disability".

* * * * * * * * *
(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (A), the entitlement of such individual to widow's or widower's insurance benefits under section 202 (e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202 (j) (4).

* * * * *

Adjustment of the Contribution and Benefit Base

Sec. 230. (a) Whenever the Secretary pursuant to section 215 (i) increases benefits effective with the June following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

(b) The amount of such contribution and benefit base shall (subject to subsections (c) and (d)) be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

(2) the ratio of (A) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year preceding the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made to (B) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year 1973 or, if later, the calendar year preceding the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),

with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case. For purposes of this subsection, the average of the wages for the calendar year 1978 (or any prior calendar year) shall, in the case of determinations made under subsection (a) prior to December 31, 1979, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the "contribution and benefit base" with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1973 and prior to the calendar year with
the June of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be $13,200 or (if applicable) such other amount as may be specified in a law enacted subsequent to the law which added this section.

For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3281(b) of such Code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be $50,000 with respect to remuneration paid during calendar years 1979 through 1984, and with respect to calendar years after 1984 $75,000 or (if higher) the contribution and benefit base as determined under this section without regard to the provisions of this sentence.

(d) Except as otherwise provided by the last sentence of subsection (c) and except for purposes of determining employer tax liability under section 3281(a) of the Internal Revenue Code of 1954, for calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined under subsection (b) but as augmented for each such year (and carried forward thereafter) by $600; and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year.

(e) For purposes of subsection (b), the term "wages" for years after 1976 shall have the meaning assigned to such term by section 3101(a) of the Internal Revenue Code of 1954 and section 3121(a) of such Code (but without regard to the operation of section 230 of the Social Security Act as specified therein) to the extent that they are excluded from such section 3101(a). For years before 1977, the term "wages" shall be determined under regulations to be promulgated by the Secretary.

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INTERNATIONAL AGREEMENTS

Purpose of Agreement

Sec. 233. (a) The President is authorized (subject to the succeeding provisions of this section) to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

Definitions

(b) For the purposes of this section—

(1) the term "social security system" means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic bene-
fits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

(2) the term "period of coverage" means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

Credititing Periods of Coverage; Conditions of Payment of Benefits

(c) (1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

(2) Any such agreement may provide that—

(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(f), receive such benefits while he resides in a foreign country which is a party to such agreement; and

(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount, which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a) (1) (F) (I) or (II) in the case of an individual becoming eligible for such benefit on or after that date.
Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

(4) Any such agreement may contain other provisions, which are not inconsistent with the other provisions of this title and which the President deems appropriate to carry out the purposes of this section.

Regulations

(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

Reports to Congress; Effective Date of Agreements

(e) (f) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.

(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of the period, following the date on which the agreement is transmitted in accordance with paragraph (1), during which each House of the Congress has been in session on each of 90 days; except that such agreement shall not become effective if, during such period, either House of the Congress adopts a resolution of disapproval of the agreement.

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must—

(1) * * *

(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any child care expenses reasonably attributable to the earning of any such income;

(8) provide that, in making the determination under clause (7), the State agency—
(A) shall with respect to any month disregard—

(i) all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3)); and

(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income; except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B) of—

(C) any one of the person specified in clause (ii) of subparagraph (A) if such person—

(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or
(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

(D) any of such persons specified in clause (ii) of subparagraph (A) if with respect to such month the income of the persons so specified (within the meaning of clause (7)) was in excess of their need as determined by the State agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of for four months preceding such month, the needs of such person were met by the furnishing of aid under the plan;

* * * * * * *

(27) provide, that the State has in effect a plan approved under part D and operate a child support program in conformity with such plan; [and]

(28) provide that, in determining the amount of aid to which an eligible family is entitled, any portion of the amounts collected in any particular month as child support pursuant to a plan approved under part D, and retained by the State under section 437, which (under the State plan approved under this part as in effect both during July 1975 and during that particular month) would not have caused a reduction in the amount of aid paid to the family if such amounts had been paid directly to the family, shall be added to the amount of aid otherwise payable to such family under the State plan approved under this part [ ]; and

(29) Effective October 1, 1979, provide that wage information available from the Social Security Administration under the provisions of section 411 of this Act, and available (under the provisions of section 3304(a)(16) of the Federal Unemployment Tax Act) from agencies administering State unemployment compensation laws, shall be requested and utilized to the extent permitted under the provisions of such sections; except that the State shall not be required to request such information from the Social Security Administration where such information is available from the agency administering the State unemployment compensation laws.

* * * * * * *

Payment to States

Sec. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to families with dependent children under the State plan
(including expenditures for premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of aid to families with dependent children for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to families with dependent children in the form of medical or any other type of remedial care, plus (iii) the number of individuals, not counted under clause (i) or (ii), with respect to whom payments described in section 406(b) (2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $82 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to families with dependent children under the State plan (including expenditures for premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof) not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan—

(A) 75 per centum of so much of such expenditures as are for the training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision and
(B) one-half of the remainder of such expenditures, except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a)(1) of this Act other than services the provision of which is required by section 402(a)(19) to be included in the plan of the States; and

(4) [Repealed].

(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

The number of individuals with respect to whom payments described in section 406(b)(2) are made for any month, who may be included as recipients of aid to families with dependent children for purposes of paragraph (1) or (2), may not exceed 10 per centum of the number of other recipients of aid to families with dependent children for such month. In computing such 10 percent, there shall not be taken into account individuals with respect to whom such payments are made for any month in accordance with section 402(a)(19)(F) or section 402(a)(26).

In the case of calendar quarters beginning after September 30, 1977 and prior to April 1, 1978, the amount to be paid to each State (as determined under the preceding provi§ons of this subsection or section 1118, as the case may be) shall be increased in accordance with the provisions of subsection (i) of this section.

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

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

(2) The Secretary of Health, Education, and Welfare shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health, Education, and Welfare, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health, Education, and Welfare, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to families with 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 Secretary of Health, Education, and Welfare for such prior quarter.

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

(c) Notwithstanding any other provision of this Act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under part C, is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

(d)(1) Notwithstanding subparagraph (A) of subsection (a)(3) the rate specified in such subparagraph shall be 90 per centum (rather than 75 per centum) with respect to social and supportive service provided pursuant to section 402(a)(19)(G).

(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than $750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.

(e) [Repealed]

(f) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum (calculated without regard to any reduction under section 403(g)) of such amount if such State—

(1) in the immediately preceding fiscal year failed to carry out the provisions of section 402(a)(15)(B) as pertain to requiring the offering and arrangement for provision of family planning services; or

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of aid to families with dependent children under the plan of the State approved under this part.

(g) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1974, be reduced by 1 per centum (calculated without regard to any reduction under section 403(f)) of such amount if such State fails to—
(1) inform all families in the State receiving aid to families with dependent children under the plan of the State approved under this part of the availability of child health screening services under the plan of such State approved under title XIX,

(2) provide or arrange for the provision of such screening services in all cases where they are requested, or

(3) arrange for (directly or through referral to appropriate agencies, organizations, or individuals) corrective treatment the need for which is disclosed by such child health screening services.

(h) Notwithstanding any other provision of this Act, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters beginning after December 31, 1976, be reduced by 5 per centum of such amount if such State is found by the Secretary as the result of the annual audit to have failed to have an effective program meeting the requirements of section 402(a)(27) in any fiscal year beginning after September 30, 1976 (but, in the case of the fiscal year beginning October 1, 1976, only considering the second, third, and fourth quarters thereof).

(i) In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State, which has a State plan approved under this part, shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

(A) an amount which bears the same ratio to $100,000,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

(B) (i) in the case of Puerto Rico, Guam and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

(ii) in the case of any other State, an amount which bears the same ratio to $100,000,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State, under section 106 of the State and Local Fiscal Assistance Act of 1975 for the most recent entitlement period for which allocations have been made under such section prior to the date of enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period.

(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan, approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 90 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this sub-
section for calendar quarters prior to April 1, 1978 shall be made in a
single installment, which shall be payable as shortly after October 1,
1977 as is administratively feasible.

Incentive Adjustments in Federal Financial Participation

(i) If the dollar error rate of excess payments of aid furnished by
a State under its State plan, approved under this part, with respect
to any six-month period, as based on samples and evaluations thereof
is—

(1) at least 4 per centum, the amount of the Federal financial
participation in the expenditures made by the State in carrying
out such plan during such period shall be determined without
regard to the provisions of this subsection; or

(2) less than 4 per centum, the amount of the Federal financial
participation in the expenditures made by the State in carrying
out such plan during such period shall be the amount determined
without regard to this subsection, plus, of the amount by which
such expenditures are less than they would have been if the errone-
ous excess payments of aid had been at a rate of 4 per centum—

(A) 10 per centum of the Federal share of such amount, in
case such rate is not less than 3.5 per centum,

(B) 20 per centum of the Federal share of such amount, in
case such rate is at least 3.0 per centum but less than 3.5 per
centum,

(C) 30 per centum of the Federal share of such amount, in
case such rate is at least 2.5 per centum but less than 3.0 per
centum,

(D) 40 per centum of the Federal share of such amount, in
case such rate is at least 2.0 per centum but less than 2.5 per
centum,

(E) 50 per centum of the Federal share of such amount, in
case such rate is less than 2.0 per centum.

* * * * *

Access To Wage Information

Sec. 411. (a) Notwithstanding any other provision of law, the
Secretary shall make available to States and political subdivisions
thereof wage information contained in the records of the Social Secu-
rity Administration which is necessary (as determined by the Secre-
tary in regulations) for purposes of determining an individual's
eligibility for aid or services, or the amount of such aid or services,
under a State plan for aid and services to needy families with children,
approved under this part, and which is specifically requested by such
State or political subdivision for such purposes.

(b) The Secretary shall establish such safeguards as are necessary
(as determined by the Secretary under regulations) to insure that
information made available under the provisions of this section is used
only for the purposes authorized by this section.

* * * * *
TITLE VII—ADMINISTRATION

Delivery of Benefit Checks

Sec. 708. Notwithstanding any other provision of this Act, when the normal day for delivery of benefit checks under title II or XVI of this Act would, but for the provisions of this section, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such normal delivery day which is not a Saturday, Sunday, or legal public holiday, without regard to whether the delivery of such checks is made in the same calendar month in which such normal day for delivery would occur.

TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

PART A—GENERAL PROVISIONS

Demonstration Projects

Sec. 1115. (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, VI, X, XIV, XVI, XIX, or XX, or part A of title IV, in a State or States—

[(a)] (1) the Secretary may waive compliance with any of the requirements of section 2, 402, 602, 1002, 1402, 1602, 1902, 2002, 2003, or 2004, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

[(b)] (2) costs of such project which would not otherwise be included as expenditures under section 3, 403, 603, 1003, 1403, 1603, 1903, or 2002, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, or expenditures with respect to which payment shall be made under section 2002, as may be appropriate.

In addition, not to exceed $4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such project as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.
(b)(1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

(A) provide that not more than one such project be conducted on a statewide basis;

(B) provide that in making arrangements for public service employment—

(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

(ii) such project will not result in the displacement of employed workers,

(iii) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

(iv) appropriate workmen's compensation protection is provided to all participants;

(C) provide that participation in any such project by any individual receiving aid to families with dependent children be voluntary.

(2) Any State which establishes and conducts demonstration projects under this subsection, may, subject to paragraph (3), with respect to any such project—

(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program);

(B) subject to paragraph (4) to cover the costs of such projects such funds as are appropriated for payment to any such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such demonstration projects are conducted; and

(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which such demonstration projects are conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

(3) (A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit
an application to the Secretary in such form and containing such in-
formation as the Secretary may require. Such State shall be author-
ized to proceed with such project (i) when said application has been
approved by the Secretary, or (ii) 45 days after the date on which
such application is submitted unless the Secretary, during such 45 day
period, disapproves such application.

(B) Notwithstanding the provisions of paragraph (2)(A), the
Secretary may review any waiver made by a State under such para-
graph. Upon a finding that any such waiver is inconsistent with the
purposes of this subsection and the purposes of part A of title IV,
the Secretary may disapprove such waiver. The demonstration project
under which any such disapproved waiver was made by such State
shall be terminated not later than the last day of the month following
the month in which such waiver was disapproved.

(4) Any amount payable to a State under section 403(a) on be-
half of an individual participating in a project under this section
shall not be increased by reason of the participation of such individual
in any demonstration project conducted under this subsection over
the amount which would be payable if such individual were receiving
aid to families with dependent children and not participating in such
project.

(5) Participation in a project established under this section shall
not be considered to constitute employment for purposes of any find-
ing with respect to 'unemployment' as that term is used in section 407.

(6) Any demonstration project established and conducted pursuant
to the provisions of this subsection shall be conducted for not longer
than two years. All demonstration projects established and conducted
pursuant to the provisions of this subsection shall be terminated not
later than September 30, 1980.

* * *

Payments to Certain Public and Nonprofit Employers

Sec. 1132. (a) The Secretary shall, in the case of any State having
an agreement under section 218 of the Social Security Act, or any or-
ganization described in section 501(c)(3), which is exempt from tax
under section 501(a) for the taxable year, pay to each such State or
organization (subject to the availability of funds appropriated under
the provisions of subsection (c)) an amount determined under sub-
section (b). In order to receive a payment under this section, a State
or organization shall file a claim with respect to the taxable year in
such form, manner, and at the time prescribed by the Secretary by
regulations. The Secretary shall certify to the Secretary of the Treas-
ury the name and address of each State or organization eligible
to receive such payment, the amount of such payment, and the
time at which such payment should be made, and the Secretary of the
Treasury, through the Fiscal Service of the Treasury Department,
shall make payments in accordance with the certification of the Secre-
tary.
(b) (1) The amount payable to a State under subsection (a) for the taxable year shall (subject to the provisions of subsection (c)) be equal to 50 percent of that portion of the amount paid by such State under the provisions of section 218(e)(1)(A) with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) during the taxable year, which amount—

(A) was paid as the amount equivalent to the taxes which would be imposed by section 3111 of the Internal Revenue Code of 1954 if the services of employees covered by such State's agreement under section 218 constituted employment as defined in section 3121 of such code and

(B) was paid with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

(2) The amount payable under subsection (a) to an organization described in section 501(c)(3) of such Code, which is exempt from tax under section 501(a) of such Code for the taxable year, shall be equal to 50 percent of that portion of the taxes paid by such organization under section 3111 of such Code, which taxes—

(A) were paid with respect to remuneration paid to individuals as employees of such organization during the taxable year, and

(B) were paid with respect to remuneration paid to individuals as employees of such organization which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

(c) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section. If the sums appropriated for any fiscal year for making payments under this section are insufficient to pay in full the total amounts which States and organizations are authorized to receive under this section during such fiscal year, the maximum amounts which all such States and organizations may receive under this section during such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the preceding sentence is applicable, such reduced amounts shall be increased on the same basis as they were reduced.

(d) Any State receiving a payment under the provisions of this section shall agree to pay (and any such payment shall be made on the condition that such State pay) to any political division thereof a percentage of such payment which percentage shall be equal to the percentage of the amount paid by such State under section 218(e)(1)(A) for which such State was reimbursed by such political subdivision.
TITLE XVIII—HEALTH INSURANCE FOR THE AGED AND DISABLED

Amounts of Premiums

Sec. 1839. (a) * * *
(c)(1) * * *
(3) The Secretary shall, during December of 1972 and of each year thereafter, determine and promulgate the monthly premium applicable for the individuals enrolled under this part for the 12-month period commencing July 1 in the succeeding year. The monthly premium shall be equal to the smaller of—

(A) the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1) of this subsection, for that 12-month period, or

(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of $900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount in increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1.

SELECTED PROVISIONS OF THE INTERNAL REVENUE CODE OF 1954

26 U.S.C. 1—

SUBTITLE A—INCOME TAXES

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

SEC. 1401. RATE OF TAX

(a) Old-Age, Survivors, and Disability Insurance.—In addition to other taxes, there shall be imposed for each taxable year, on the
self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;

(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 8.00 percent of the amount of the self-employment income for such taxable year;

(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.50 percent of the amount of the self-employment income for such taxable year;

(6) in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax shall be equal to 10.05 percent of the amount of the self-employment income for such taxable year;

(b) Hospital Insurance.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.10 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year;

(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.50 percent of the self-employment income for such taxable year;

(8) in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 10.05 percent of the amount of the self-employment income for such taxable year; and

(9) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.70 percent of the amount of the self-employment income for such taxable year.
to 1.00 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;

(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;

(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year.

(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 133 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

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SUBTITLE C—EMPLOYMENT TAXES

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

SUBCHAPTER A—TAX ON EMPLOYEES

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SEC. 3101. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b)):

(1) with respect to wages received during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

(2) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent.

(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.085 percent;
(4) with respect to wages received during the calendar years
1981 through 1984, the rate shall be 5.35 percent;
(5) with respect to wages received during the calendar years
1985 through 1989, the rate shall be 5.65 percent;
(6) with respect to wages received during the calendar years
1990 through 1994, the rate shall be 6.10 percent;
(7) with respect to wages received during the calendar years
1995 through 2000, the rate shall be 6.70 percent;
(8) with respect to wages received during the calendar years
2001 through 2010, the rate shall be 7.30 percent; and
(9) with respect to wages received after December 31, 2010, the
rate shall be 7.80 percent.

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the
preceding subsection, there is hereby imposed on the income of every
individual a tax equal to the following percentages of the wages (as
defined in section 3121(a)) received by him with respect to employ-
ment (as defined in section 3121(b))—

(1) with respect to wages received during the calendar years
1974 through 1977, the rate shall be 0.90 percent;
(2) with respect to wages received during the calendar years
1978 through 1980, the rate shall be 1.10 percent;
(3) with respect to wages received during the calendar years
1981 through 1985, the rate shall be 1.35 percent; and
(4) with respect to wages received after December 31, 1985,
the rate shall be 1.50 percent.

(5) with respect to wages received during the calendar year
1978, the rate shall be 1.00 percent;
(6) with respect to wages received during the calendar years
1979 and 1980, the rate shall be 1.05 percent;
(7) with respect to wages received during the calendar years
1981 through 1984, the rate shall be 1.25 percent;
(8) with respect to wages received during the calendar year
1985, the rate shall be 1.35 percent; and
(9) with respect to wages received after December 31, 1985,
the rate shall be 1.40 percent.

(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNAT-
IONAL AGREEMENTS.—During any period in which there is in effect an
agreement entered into pursuant to section 223 of the Social Security
Act with any foreign country, wages received by or paid to an
individual shall be exempt from the taxes imposed by this section to the
extent that such wages are subject under such agreement to taxes or
contributions for similar purposes under the social security system of
such foreign country.

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SUBCHAPTER B—TAX ON EMPLOYERS

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SEC. 3111. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition
to other taxes, there is hereby imposed on every employer an excise
tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

(2) with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent.

(1) with respect to wages paid during the calendar year 1974 through 1977, the rate shall be 4.95 percent; and

(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

(5) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

(6) with respect to wages paid during the calendar year 1990 through 1994, the rate shall be 6.10 percent;

(7) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

(9) with respect to wages paid after December 31, 2010, the rate shall be 7.80 percent.

(b) Hospital Insurance.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

(4) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent.

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent; and

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

(4) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent.

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and

(6) with respect to wages paid after December 31, 1985, the rate shall be 1.40 percent.

(c) Relief From Taxes in Cases Covered by Certain International Agreements.—During any period in which there is in effect an
agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

SUBCHAPTER C—GENERAL PROVISIONS

SEC. 3121. DEFINITIONS.

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS

(1) Waiver of exemption by organization.—(A) An organization described in section 501(c)(3) which is exempt from income tax under section 501(a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee (if any) who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter.

(B) The certificate shall be in effect (for purposes of subsection (b)(8)(B) and for purposes of section 210(a)(8)(B) of the Social Security Act) for the period beginning with whichever of the following may be designated by the organization:

(i) the first day of the calendar quarter in which the certificate is filed,

(ii) the first day of the calendar quarter succeeding such quarter, or

(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that, such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

(C) In the case of service performed by an employee whose name appears on a supplemental list filed after the first month following the calendar quarter in which the certificate is filed, the certificate shall be in effect (for purposes of subsection (b)(8)(B) and for purposes of section 210(a)(8)(B) of the Social Security Act) only with respect to service performed by such individual for the period begin-
ning with the first day of the calendar quarter in which such supplemental list is filed.

(D) The period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this chapter.

(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof, and the other group shall consist of all remaining employees. An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.

(F) If a certificate filed pursuant to this paragraph is effective for one or more calendar quarters prior to the quarter in which the certificate is filed, then—

(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return or pay tax), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

(2) TERMINATION OF WAIVER PERIOD BY SECRETARY.—If the Secretary finds that any organization which filed a certificate pursuant to this subsection or the corresponding subsection of prior law has failed to comply substantially with the requirements applicable with respect to the taxes imposed by this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements applicable with respect to the taxes imposed by this chapter, the Secretary shall give such organization not less than 60 days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to orga-
nization without the prior concurrence of the Secretary of Health, Education, and Welfare.

(3) No Renewal of Waiver.—In the event the period covered by a certificate filed pursuant to this subsection or the corresponding subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(4) Constructive Filing of Certificate Where No Refund or Credit of Taxes Has Been Made.—(A) In any case where—

"(i) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) has not filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) as of the date of the enactment of this paragraph [or any subsequent date] (or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph) but

(ii) the taxes imposed by sections 3101 and 3111 have been paid with respect to the remuneration paid by such organization to its employees, as though such a certificate had been filed, during any period (subject to subparagraph (B)(i)) of not less than three consecutive calendar quarters,

such organization shall be deemed (except as provided in subparagraph (B) of this paragraph) for purposes of subsection (b)(1)(B) and section 2101(a)(1)(B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) on the first day of the period described in clause (ii) of this subparagraph effective (subject to subparagraph (C)) on the first day of the calendar quarter in which such period began, and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee with respect to whom the taxes described in such subparagraph were paid (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate).

(B) Subparagraph (A) shall not apply with respect to any organization if—

(i) the period referred to in clause (ii) of such subparagraph (in the case of that organization) terminated before the end of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph, or

(ii) a refund or credit of any part of the taxes which were paid as described in clause (ii) of such subparagraph with respect to remuneration for services performed on or after the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of enactment of this paragraph (other than a refund or credit which would have been allowed if a valid waiver certificate filed under paragraph (1) had been in effect) has been obtained by the organization or its employees prior to September 9, 1976.
(C) In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A) (ii)) terminated prior to October 1, 1976, or

(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began,

(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals who became its employees after the close of the calendar quarter in which the period referred to in clause (i) began,

which remain unpaid on the date of the enactment of this subparagraph, or which were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph, shall not be due or payable (or, if paid, shall be refunded); and the certificate which such organization is deemed under this paragraph to have filed shall not apply to any service with respect to the remuneration for which the taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages subject to the taxes imposed by sections 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (A) (ii)) during which the taxes imposed by such sections were paid by such organization.

(5) CONSTRUCTIVE FILING OF CERTIFICATE WHERE REFUND OR CREDIT HAS BEEN MADE AND NEW CERTIFICATE IS NOT FILED.—In any case where—

(A) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) would be deemed under paragraph (4) of this subsection to have filed a valid waiver certificate under paragraph (1) if it were not excluded from such paragraph (4) (pursuant to subparagraph (B) (ii) thereof) because a refund or credit of all or a part of the taxes described in paragraph (4) (A) (ii) was obtained prior to September 9, 1976; and

(B) such organization has not, prior to the expiration of 180 days after the date of the enactment of this paragraph, prior to January 1, 1978, filed a valid waiver certificate under paragraph (1) which is effective for a period beginning on or before the first
day of the first calendar quarter with respect to which such refund or credit was made (or, if later, with the first day of the earliest calendar quarter for which such certificate may be in effect under paragraph (1) (B) (iii)) and which is accompanied by the list described in paragraph (1) (A), such organization shall be deemed, for purposes of subsection (b) (8) (B) and section 210(a) (8) (B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection on the 181st day after the date of the enactment of this paragraph, January 1, 1978, effective for the period beginning on the first day of the first calendar quarter with respect to which the refund or credit referred to in subparagraph (A) of this paragraph was made (or, if later, with the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c) (1) (B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph), and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee described in subparagraph (A) of paragraph (4) including any employee with respect to whom taxes were refunded or credited as described in subparagraph (A) of this paragraph (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate). A certificate which is deemed to have been filed by an organization on such 181st day shall supersede any certificate which may have been actually filed by such organization prior to that day except to the extent prescribed by the Secretary or his delegate.

(6) Application of Certain Provisions to Cases of Constructive Filing.—All of the provisions of this subsection (other than subparagraphs (B), (F'), and (H) of paragraph (1)), including the provisions requiring payment of taxes under sections 3101 and 3111 with respect to the services involved (except as provided in paragraph (4) (c)), shall apply with respect to any certificate which is deemed to have been filed by an organization on any day under paragraph (4) or (5), in the same way they would apply if the certificate had been actually filed by such organization prior to that day except to the extent prescribed by the Secretary or his delegate.

(A) the provisions relating to the filing of supplemental lists of concurred employees in the third sentence of paragraph (1) (A), and in paragraph (1) (C), shall apply to the extent prescribed by the Secretary;

(B) the provisions of paragraph (1) (E) shall not apply unless the taxes described in paragraph (4) (A) (ii) were paid by the organization as though a separate certificate had been filed with respect to one or both of the groups to which such provisions relate; and

(C) the action of the organization in obtaining the refund or credit described in paragraph (5) (A) shall not be considered a termination of such organization's coverage period for purposes of paragraph (3). Any organization which is deemed to have filed a waiver certificate under paragraph (4) or (5) shall be considered for purposes of section 3102(b) to have been required to deduct the taxes imposed by section 3101 with respect to the services involved.
(7) Both employee and employer taxes payable by organization for retroactive period in cases of constructive filing.—Notwithstanding any other provision of this chapter, in any case where an organization described in paragraph (5) (A) has not filed a valid waiver certificate under paragraph (1) [prior to the expiration of 180 days after the date of the enactment of this paragraph] prior to January 1, 1978, and is accordingly deemed under paragraph (5) to have filed such a certificate on [the 181st day after such date] January 1, 1978, the taxes due under section 3101, with respect to services constituting employment by reason of such certificate for any period [prior to the first day of the calendar quarter in which such 181st day occurs] prior to that date (along with the taxes due under section 3111 with respect to such services and the amount of any interest paid in connection with the refund or credit described in paragraph (5) (A)) shall be paid by such organization from its own funds and without any deduction from the wages of the individuals who performed such services; and those individuals shall have no liability for the payment of such taxes.

(8) Extended period for payment of taxes for retroactive coverage.—Notwithstanding any other provision of this title, in any case where an organization described in paragraph (5) (A) files a valid waiver certificate under paragraph (1) by the end of the 180-day period following the date of the enactment of this paragraph as described in paragraph (5) (B), or (not having filed such a certificate within that period) is deemed under paragraph (5) to have filed such a certificate on the 181st day following that date, the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary or his delegate, rather than in a lump sum.

(8,1) Extended period for payment of taxes for retroactive coverage.—Notwithstanding any other provision of this title, in any case where—

(A) an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4) (A) (ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remain payable notwithstanding paragraph (4) (C), or

(B) an organization described in paragraph (5) (A) files a valid waiver certificate under paragraph (1) by December 31, 1977, as described in paragraph (5) (B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on January 1, 1978, or

(C) an individual files a request under section 3 of Public Law 94–563, or under section 3 of the Act which added paragraph (4) (C) of this subsection, to have service treated as constituting remuneration for employment (as defined in section 3121 (b) and in section 210 (a) of the Social Security Act),
the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.

...*

(s) Concurrent Employment by Two or More Employers.—For purposes of sections 3102, 3111 and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

SEC. 3304. APPROVAL OF STATE LAWS.

(a) Requirements.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

* *

(10) Wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof, when such information is specifically requested by such State or political subdivision for such purpose, and

(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to ensure that such information is used only for the purposes for which it is made available.

(7) all the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

(b) Notification.—The Secretary of Labor shall, upon approving such law, notify the governor of the State of his approval.

* *

SEC. 3305. DEFINITIONS.

* *

(p) Concurrent Employment by Two or More Employers.—For purposes of sections 3301, 3302 and 3306(b)(1), if two or more cor-
porations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.

SUBTITLE F—PROCEDURE AND ADMINISTRATION
CHAPTER 61. INFORMATION AND RETURNS
SUBCHAPTER A. RETURNS AND RECORDS

PART III. INFORMATION RETURNS

SUBPART C. INFORMATION REGARDING WAGES PAID EMPLOYEES

SEC. 6051. RECEIPTS FOR EMPLOYEES.
(a) REQUIREMENT.—Every person required to deduct and withhold from an employee a tax under section 3101 or 3402 or who would have been required to deduct and withhold a tax under section 3402 (determined without regard to subsection (n)) if the employee had claimed no more than one withholding exemption, or every employer engaged in a trade or business who pays remuneration for services performed by an employee, including the cash value of such remuneration paid in any medium other than cash, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following:

1. the name of such person,
2. the name of the employee (and his social security account number if wages as defined in section 3121(a) have been paid),
3. the total amount of wages as defined in section 3401(a),
4. the total amount deducted and withheld as tax under section 3402,
5. the total amount of wages as defined in section 3121(a), and
6. the total amount deducted and withheld as tax under section 3101.

In the case of compensation paid for service as a member of a uniformed service, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i)(2). In the case of compensation paid for service as a volunteer or volunteer leader within the meaning of the Peace
Corps Act, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i)(3).

In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a). The amounts required to be shown by paragraph (6) shall not include wages which are exempted pursuant to sections 3101(c) and 3111(c) from the taxes imposed by sections 3101 and 3111.

**Excerpts from Public Law 92–603 (Social Security Amendments Act of 1972)**

**Age-62 Computation Point for Men**

(j) (1) The amendments made by this section (except the amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act) shall apply only in the case of a man who attains (or would attain) age 62 after December 1974. The amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act, shall apply only with respect to payments after 1974.

(2) In the case of a man who attains age 62 prior to 1975, the number of his elapsed years for purposes of section 215(b)(3)(B) of the Social Security Act shall be equal to (A) the number determined under such section as in effect on September 1, 1972, or (B) if less, the number determined as though he attained age 65 in 1975, except that monthly benefits under title II of the Social Security Act for months prior to January 1973 payable on the basis of his wages and self-employment income shall be determined as though this section had not been enacted.

**Excerpts From Public Law 94–563**

Sec. 3. In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121(k)(5) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k)(1) of such Code, at any time prior to the period for which such certificate is effective;

(2) the taxes imposed by sections 3101 and 3111 of such Code were paid with respect to remuneration paid for such service, but such service (or any part thereof) does not constitute employ-
ment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the applicable taxes so paid were refunded or credited (otherwise than through a refund or credit which would have been allowed if a valid waiver certificate field under section 3121(k)(1) of such Code had been in effect) prior to September 9, 1976; and

(3) any portion of such service (with respect to which taxes were paid and refunded or credited as described in paragraph (2)) would constitute employment (as so defined) if the organization had actually filed under section 3121(k)(1) of such Code a valid waiver certificate effective as provided in section 3121(k)(5)(B) thereof (with such individual's signature appearing on the accompanying list),

the remuneration paid for the portion of such service described in paragraph (3) shall, upon the request of such individual (filed on or before April 15, 1980, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full repayment of the taxes which were paid under section 3101 of such Code with respect to such remuneration and so refunded or credited (or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code, be deemed to constitute remuneration for employment as so defined.

In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for repayment of any taxes which it paid under section 3111 of such Code with respect to such remuneration and which were refunded or credited to it.

Approved October 19, 1976.
VII. MINORITY VIEWS OF SENATORS CARL T. CURTIS, CLIFFORD P. HANSEN, ROBERT DOLE, AND PAUL LAXALT

The social security system is in financial trouble because for years the Congress has permitted benefit liberalizations to outpace revenues. Other demographic and economic factors joined to place the system in financial peril, so that virtually all agree that action must be taken to restore its fiscal health.

However, action should not be precipitate or foolhardy. It should not be disruptive of sharing relationships which have existed since the inception of the program. It should not fall heavily and inequitably upon certain sectors of the economy. It should not attempt to mask the real cost of making the system whole.

Most regrettably, the provisions of the bill reported by the Senate Finance Committee—which were approved by a single vote margin in the committee—violate all of these principles. It is a completely unacceptable way to resolve the problems of social security, and its current approach should be rejected by the Senate.

The keystone of the approach in the measure is a unilateral increase in the wage base on which contributions are calculated, for the employer only, to $50,000 in 1979 and to $75,000 in 1985. In a sharp break with precedent and tradition, the bill delivers massive financial blows to the very sector of the economy which is charged with the responsibility of providing sufficient jobs and capital formation in a critical period in our Nation's history.

Specifically, to date, employers and employees have shared equally in the costs of funding social security; present requirements are that each contribute 5.85 percent of the first $16,500 earned by the employee. Under the measure reported by the committee, only modest wage base increases—four $600 increments in 1979, 1981, 1983, and 1985—will be experienced by the employee. The employer, however, will have to pay social security taxes on the first $50,000 of individual covered wages, between 1979 and 1985, and that figure will be increased to $75,000 in 1985.

The sharp impact upon firms, particularly those employing individuals in critically needed higher income specialties, could not be more obvious.

The cost in additional OASDHI taxes, over present law, of the wage base increases contained in the committee bill is as follows:

(169)
In other words, in 1979, the employer sector will sustain an increase of $2.4 billion in social security contributions because of the wage base increase alone (compared with $179 million by employees). By 1983, increases required by the rise in the base will have grown to $8.5 billion for employers versus $1.4 billion for employees.

The total amount of additional OASDI and HI taxes paid by employers and employees under the committee bill is as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Employers</th>
<th></th>
<th>Employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Amount</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>$8.3</td>
<td>$7.1</td>
<td>85</td>
<td>$1.2</td>
</tr>
<tr>
<td>1980</td>
<td>10.0</td>
<td>8.6</td>
<td>86</td>
<td>1.4</td>
</tr>
<tr>
<td>1981</td>
<td>16.2</td>
<td>11.8</td>
<td>73</td>
<td>4.3</td>
</tr>
<tr>
<td>1982</td>
<td>17.2</td>
<td>12.4</td>
<td>72</td>
<td>4.8</td>
</tr>
<tr>
<td>1983</td>
<td>18.3</td>
<td>12.9</td>
<td>70</td>
<td>5.5</td>
</tr>
<tr>
<td>5-yr average</td>
<td>14.0</td>
<td>10.6</td>
<td>76</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Rather than the historic 50 percent-50 percent sharing ratio, the two sectors will stand in a 76 percent-24 percent relationship over the next 5 years. By 1985, when the ceiling on the employer wage base is increased to $75,000, the disparity should become even more pronounced.

In a survey conducted by the Chamber of Commerce of the United States, on a similar plan, over two-thirds of the respondents estimated an increase of over 10 percent in their social security tax. Twenty-seven percent estimated an increase of over 20 percent, and 15 percent said that their taxes would rise by more than 30 percent. Seventy-nine respondents forecasted an increase of over 100 percent in their social security taxes.

Additionally, these increases fall with a significant amount of disparity and inequity, depending upon the type of firm and the wage levels of their particular employees. Another survey, conducted by the minority, of 65 firms, colleges, and universities, found the following projected increased costs:

1 A number of the estimates on the economic effect of the provisions of the committee bill are based upon the earlier level of $100,000 for the employer portion of the wage base, except where specifically otherwise stated. As noted in the text, however, the difference in economic effect—because most of the jobs affected are grouped between the currently scheduled $18,900 and $50,000, not above it—is negligible.
A major private university in the State of New York: $1.3 million.
A leading national rubber company: $6 million.
A major trunk airline, based in the Southeast: $11 million.
A Nebraska-based major construction company: $2.8 million.
A Midwestern State university: $1.4 million.
A textile company in the South: $2 million.
A leading manufacturer of copymaking equipment, headquartered in Connecticut: $27 million.
Two Texas-based national oil companies: $9.1 million and $20 million, respectively.
Two Oregon educational facilities: $2 million and $693,000, respectively.

These are simply representative of the deleterious effect the type of provisions contained in the committee bill will have upon major segments of the American economy.

And it is foolish to believe that American taxpayers will not, ultimately, be paying the resultant cost. They will pay it through increased prices, reduced wages and/or employee benefits, more limited employment opportunities, and delays in planned expansion. Sixty-eight percent of those participating in the chamber survey indicated they would be forced to increase prices to meet the increase in their social security taxes. Over half said they would have to hold down increases in wages and/or employee benefits.

Econometric models run on the earlier Finance Committee plan, raising the employer portion of the wage base to $100,000, revealed that real GNP would be cut by $12.8 billion in 1980 and by $38.5 billion in 1985. Real disposable income would be down, in 1980, by $12.3 billion, and in 1985, by $38.4 billion. The effect on employment was forecast at 400,000 fewer jobs in 1980 and 1,200,000 fewer jobs in 1985. Investment would be down by $5 billion in 1980 and by $16.2 billion in 1985. There is little reason to believe that the economic effects of the committee-approved plan will be any less serious: for increasing the wage base to $50,000 in 1979 and $75,000 in 1985 should cover most, if not all, employee salary levels. In 1979, under the provisions adopted in the committee bill, we estimate that the $5 billion in higher tax collections from wages between the currently scheduled $18,900 and $50,000 will cost $3 billion in reduced business investment, 200,000 fewer jobs, an increase in wage costs of 0.5 percent, and an increase in consumer prices of 0.4 percent. To maintain that the approved levels are any improvement over the original proposal of an employer wage base level of $100,000 is specious.

Surely, the wage base provisions of the committee bill continue to be an inequitable and undesirable solution to the social security problem.

It is equally fallacious to contend, as proponents of the bill do, that the break in this historic equal sharing relationship between employer and employee is only temporary, and that “the wage base for the employee is only temporary, and that “the wage base for the employee will catch up to that of the employer in 2002.” Once the break has been made, it will be difficult if not impossible for future Congresses to resist the same illusory expediency that led to the current action, and in the event the bill is adopted in its current form, it is most like that parity never again will be restored.
Employees in the affected industries will not gain a corresponding increase in their benefits, as has been the case in the past when wage bases have been increased. Only modifications in the employee portion of the wage base cause corresponding increases in benefits; those located in industries who are forced to pay the disproportionate share of social security financing under the committee mechanism will derive no benefit at all from the added contribution made in their behalf.

Finally, increasing the taxable wage base narrows, in a most undesirable fashion, the role of private retirement savings efforts. This poses a threat to the long-range future of private pension systems, and therefore is a threat to a major source of equity capital for the future.

Rather than the kind of gimmickry represented in the committee bill, the social security system can and should be financed by straightforward methods which are simple, easy to understand, and are acceptable to both beneficiaries and contributors as necessary and desirable to restore the fiscal solvency of social security. Through either a very small tax rate increase alone (e.g., 0.2 percent in 1979 and 0.3 percent in 1980), followed by rate increases no larger than those already contained in the committee bill for the years from 1985–2011 (and incorporating the other major provisions, such as decoupling), both the short-range and the long-range problems of the trust funds could be completely resolved. Alternatively, the tax rate increase could be slightly smaller in the initial years (e.g., 0.25 percent in 1979, with no increase in 1980), and very slight—and equal—increases in the wage base for both employers and employees could be included (e.g., the four $600 increments that are in the committee bill presently for employees alone), and the result would be virtually the same: fiscal soundness for the trust funds.

It should be possible, after the months and years of detailed consideration of the issue of social security financing, to develop and propose to the American people a solution which is based upon the fundamental principles of:

- retaining the historic equal sharing relationship between employer and employee in the funding of the program, and
- establishing a method of financing that does not attempt to hide the true costs of social security.

It is most unfortunate that the bill reported from the committee adheres to neither of these essential precepts. Were the alternatives which were available to the committee so onerous, or so difficult to implement, that they were not realistic or viable, we could understand the action which was taken. The fact is, however, that numerous alternatives were presented which would have been realistic and practical and could be implemented without undue hardship. Adoption of any one of these rather than the ill-conceived plan contained in the committee bill—ininitely would better serve the needs of the social security system and the American people.

Carl T. Curtis. 
Clifford P. Hansen. 
Robert Dole. 
Paul Laxalt.

*The level of increased taxes by the average social security wage base earner in 1979 would be only $23 under the first plan and $29 under the second—surely affordable levels.*
VIII. ADDITIONAL VIEWS OF SENATORS ROBERT DOLE AND WILLIAM V. ROTH, JR.

There is no question that the social security trust funds, after years of legislative liberalizations without accompanying revenue measures, is in need of corrective action to make it fiscally sound. We question, however, whether those who now must bear the burden of financing social security—the working men and women of America—should be asked to assume such massive burdens that the legislation currently under consideration would impose.

These social security taxpayers recognize the necessity of continuing to make the system sound for the currently retired. They also look with concern to the day when they, too, will begin receipt of Social Security. They also look with mounting concern at the escalating demands government is imposing upon their paychecks, for they must—rightly—be concerned with cash flow in a time of increasing financial difficulty for so many.

We believe:

- that the social security system should be operated as carefully, and as soundly, as any private system;
- that constantly increasing tax demands, either through the tax rate or the wage base, is not the answer;
- that we must look to the beneficiary composition, the benefit structure, and the relationship between Social Security and other public and private programs to assess the most rational way of bringing fiscal sanity to this program; and
- that the Congress should not move into hasty enactment of tax or wage base increases until the kind of careful analysis described is completed.

In the minds of many, social security is synonymous with planning safely for retirement. In the minds of others, it is a program that has grown out of control, threatening their very ability to meet its mounting drain upon their take-home pay. For many in the latter group, social security taxes may consume more of their income than direct taxes on that income itself.

We owe it to both of these groups to do a thorough and complete job of reforming the social security system. We do not believe that either the Committee bill, or the House-passed legislation, accomplishes this critical goal. Much more creative thinking needs to go into the range of alternatives which are possible in this important area.

Bob Dole.

William V. Roth, Jr.
IX. ADDITIONAL VIEWS OF SENATOR JOHN C. DANFORTH

I have voted to report H.R. 5322 to the floor despite my serious concerns about the method of social security financing approved by the committee. There is no question that over $70 billion must be raised in the next 5 years if the social security trust funds are to be put on a sound financial basis. For this reason, I have voted to report the bill on the theory that almost any method of raising the revenue is better than no method at all. However, for the reasons set forth in these separate views, I do not believe the program contained in this bill is well conceived.

The financing proposals in this bill coupled with the already scheduled increases will cause social security taxes to rise drastically in the next few years. The State and local governments and nonprofit organizations alone will experience a tax increase of 227 percent in the next 10 years. H.R. 5322 provides some limited fiscal relief for these entities, but, as I set forth below, it is ill-designed relief, arbitrarily excluding many organizations from its scope, and is much too limited.

I. INCREASING THE EMPLOYER’S WAGE BASE TO $50,000 IN 1979 AND $75,000 IN 1985 INTRODUCES ARBITRARY AND CAPRICIOUS DISTINCTIONS AMONG EMPLOYERS AND FAILS TO TAX ON THE BASIS OF ABILITY TO PAY

Heretofore, the social security tax has been imposed one-half on the employer and one-half on the employee up to a specified wage base, currently at $16,500. The tax collected has had a direct relationship to the benefits to which the employee has been entitled.

Under the committee proposal to increase the employer’s wage base, the employer will have an additional tax burden which in no way increases the benefits of his employees. The additional tax, then, is not a social security contribution geared to social security benefits, but a general tax.

I oppose pegging this general tax to salary levels without regard to profits, because it produces arbitrary and capricious results. The proposal penalizes the employer who has a generous and liberal wage policy and rewards his competitor who has resisted wage increases. The employer with the liberal wage policy now will have to bear a substantial additional tax burden from which his less generous competitor is exempt. In this regard, it should be noted that we are not talking about salaries of top executives, but salaries above the wage base—$16,500—the salary of plumbers in St. Louis, Mo.

Two manufacturing firms in Louisiana illustrate the problem. Each has over 100 employees. As a result of this provision, the tax liability of one will be increased 98.7 percent; the other only 42 percent. It would

(174)
be difficult to convince the first employer that his tax increase is not excessive or that he is receiving equal tax treatment.

Further, differing wage structures in various regions in the country and from industry to industry will produce inequitable results under the proposal. Employers who have older, more experienced workers, and employers who are engaged in labor-intensive enterprises will have to bear more than their fair share of the tax burden. Employers in capital-intensive enterprises and those who have younger, less skilled or part-time workers will bear a smaller burden. I know of no public policy which would justify differences in tax treatment on these grounds.

I recognize that the American public will have to bear a substantial financial burden in providing the $70 billion shortfall in social security. However, there is something fundamentally wrong where the method chosen to raise the funds causes tax increases of more than 100 percent on some employers and no or very little tax increase on many others. Thus, a manufacturer in Nebraska reports that he will have a 118-percent increase as a direct result of the proposed base increase. Similarly, a Colorado wholesaler calculates a tax increase of 118 percent. In contrast, a Georgia construction company calculates that its increase will be only 0.006 percent as a result of this proposal.

These widely varying tax increases are wholly unrelated to profits. An employer with a tax increase of over 100 percent may be operating at a loss whereas an employer with little or no tax increase may be enjoying substantial profits. I suggest that where the tax bears no relationship to either the employee's benefits or the employer's profits, then the tax could just as well be imposed on the basis of typewriters, trucks, or inventory.

I also oppose the proposal because of the effect it has on low-income workers and the economy in general. There appears to be an implicit assumption underlying this bill that where the tax is imposed directly on the employer and does not decrease the take-home pay of the worker, the worker wholly escapes the economic burden of the tax. This view is fallacious.

The Joint Economic Committee, in its 1977 Midyear Review of the Economy, dated September 26, 1977, makes clear that a higher employer payroll tax will be shifted backward in the form of lower wages or forward in the form of higher prices, or both. Moreover, as the Joint Economic Committee points out, this shift has a very serious effect on inflation and unemployment. The committee's overall conclusion is that increasing the employer's social security tax by raising the wage base will ultimately reduce the level of both production and employment.

II. Raising the Tax and Base on Employees Is Regressive Taxation and Has Its Greatest Impact on Low- and Middle-Income Wage Earners; and Will Compel States, Local Governments, and Nonprofit Organizations To Withdraw From Social Security

The social security tax is a regressive tax. According to the administration, at present more than half of all taxpayers pay more in social
security tax than in Federal income tax. In 1976, payroll taxes represented 32 percent of total Federal receipts. Yet, at a time when we are talking about substantially reducing the Federal income tax rates, our most progressive tax, the committee has proposed increasing the present social security tax rate by 20 percent in the next 8 years as well as increasing the base against which the taxes are assessed.

These rate and base increases emphasize and increase the unfair and regressive aspects of the present social security tax. Although an increase in the base does not increase the taxes paid by those below the base, it substantially increases the tax paid by those slightly above the base, currently at $16,500. For example, the effect of the committee's action with respect to base increases alone on persons earning only $2,400 above the current base will be to increase their taxes by 15 percent by 1985. Therefore, in combination with the rate increases, these persons face social security tax increases of 35 percent.

I also oppose this proposal because of the heavy burden on State and local governments. By 1987—only 10 years from now—this group of employers will suffer social security tax increases of over 200 percent. Most of the increase will result from rate increases. Less than 7 percent of the increase results from lifting the wage base on employers. Thus, most of the increase will be borne without the benefit of the committee's fiscal relief provision. New Haven, Conn., estimates an increase of $40,000 in its social security tax by 1979 alone, an increase of almost 20 percent. The entire amount results from the rate increases. Similarly, Savannah, Ga., will have to pay an additional $48,500 in social security taxes in 1979 over what it is now paying. Only a very small portion of the increase results from the increase in the employer wage base; it is almost entirely a result of the rate increases.

Nonprofit organizations as a group also will have substantial increases under this proposal. This group's liability under social security will also increase over 200 percent by 1987. The Salvation Army in the Greater Washington, D.C., area, covering Virginia, one-half of West Virginia and parts of Maryland, calculates it will have to pay social security taxes of almost $86,000 in 1979 as a result of the committee's proposals, an increase of almost $13,000. All but $15 of that $13,000 increase is a result of the rate increases. Similarly, the Washington, D.C., Campfire Girls calculates it will have an increase of 40 percent in its social security taxes in 1979, all of it attributable to the rate increases. These organizations are not in a position to absorb tax increases of this magnitude.

III. **WAGE INDEXING IS MORE EXPENSIVE THAN PRICE INDEXING AND EXCLUDES CURRENT RETIREES FROM SHARING IN AMERICA'S ECONOMIC GROWTH**

I support the concept of providing an adjustment in the amount of social security benefits to provide constant dollars to recipients. The committee has proposed achieving this result by indexing social security on the basis of wage increases.

I oppose this method of indexing because it is very expensive and because it draws invidious and unjustified distinctions between retirees of today and retirees 20 years from today. Thus, under wage indexing,
a worker who retires today will receive a smaller benefit in real dollars than a worker with an identical wage history who retires 20 years from now even though both may be alive and drawing benefits. Under wage indexing, the current retiree is excluded from sharing in the real growth of our Nation's productivity.

I favor price indexing. It protects workers against the erosion of benefits as a result of inflation. At the same time, while wage indexing only cuts the long-range deficit in half, price indexing reduces the deficit totally, placing the system in long-range actuarial balance. In this way, it makes unnecessary additional rate increases of 1.45 percent which will be required if wage indexing is adopted. Finally, it provides Congress with the flexibility to make appropriate adjustments in the level of benefits which will benefit not only present workers, but also those who have already retired.

IV. ALTERNATIVE METHODS ARE AVAILABLE FOR FINANCING SOCIAL SECURITY

My comments so far have been essentially negative. I have said what I do not think should be done. I believe the following proposals, together with price indexing, offer a more equitable and rational solution to the short- and long-range deficits of social security.

A. FEDERAL EMPLOYEES SHOULD BE COVERED BY SOCIAL SECURITY

Bringing Federal employees under social security would substantially contribute to meeting the $70 billion shortfall. The Social Security Administration has estimated that $33.7 billion would be raised for social security in the first 5 years Federal employees were covered. This is because in the first few years of coverage, many more employees would be paying into social security than would be drawing out benefits. Moreover, the Social Security Administration has estimated that bringing in Federal employees would reduce the long-range social security deficit in part as a result of eliminating the abuse known as double-dipping (the process which permits retired Federal employees to supplement their civil service pensions by working just enough years to qualify for the minimum social security benefit).

It is essential that Federal employees who are brought under social security not receive reduced benefits and not have to pay higher contributions. This result can be achieved by integrating the Federal retirement systems with social security, in the manner of many private pension plans. Indeed, I would only propose coverage of Federal employees if their aggregate benefits were not reduced and their aggregate contributions were no higher. This can be accomplished because the liabilities of the civil service retirement trust fund will be decreasing as social security benefits accrue.

Moreover, if Federal employees were brought under social security, their benefits would be slightly improved. Social security insures that employees and their families have adequate income not only at retirement but also in the event of disability or death. Although the civil service retirement system provides coverage in the event of disability or death, the coverage is not as complete as the social security coverage.
For example, civil service coverage does not begin until a worker has had 5 years of employment with the Government. In contrast, under social security, younger workers need less than 5 years of employment for coverage. Even after an employee has completed 5 years of service and becomes eligible for protection, many more years of service are required before survivorship protection for families and disability protection for a worker with dependents reaches the level provided under social security.

Inclusion of Federal employees under social security is consistent with the original intent of social security and has been recommended by every social security advisory group since 1938. With social security coverage, Federal employees will be no worse off than now and the system will come closer to its intended role as a universal floor of protection for all working Americans.

B. A SURCHARGE SHOULD BE IMPOSED ON CORPORATE AND PERSONAL INCOME TAXES

In my judgment, a surcharge on the corporate and personal income tax is the fairest and most equitable method of meeting the remainder of the social security deficit. This is a difficult recommendation for me to make because I am convinced that taxes are too high and impose too much of a burden on individuals and the economy.

I am committed to reducing taxes. I think it is the most important objective of “tax reform.” Nevertheless, failure to insure the financial viability of the social security system is unthinkable. Therefore, the only question is who should bear the cost of providing the necessary revenue.

It is my view that the cost should be spread equitably throughout society rather than borne most heavily by only certain employers (raising the employers’ base) or by low- and middle-income employees (raising the rate or the base on employees). The most equitable method of spreading the increased burden throughout society and yet retaining the identifiable character of a separate social security tax is a surcharge on the income tax.

A surtax is similar to the use of general revenues, but it has several advantages over the use of Treasury funds. It raises real dollars rather than simply increasing the deficit. It preserves the direct linkage between the individual and social security contributions. By retaining a link between the cost of social security and the benefits, there is no open invitation to “raid the Treasury” irresponsibly. Furthermore, a surtax encourages persons who are not covered under social security, like employees of some State and local governments, to join the system since they would already be contributing to it.

These three proposals taken together—inclusion of Federal employees, a 3-percent corporate and personal income tax and price indexing—leave the cash programs of social security in short-range and long-range actuarial balance. They are the most rational, fairest, and most equitable solution to the unpleasant and difficult task of raising $70 billion.
V. If Payroll Taxes Are Used To Finance Some or All of the Social Security Deficit, Meaningful Fiscal Relief for State and Local Governments and Nonprofit Organizations Must Be Included

The committee's social security tax proposals, together with already scheduled increases, will cause the social security taxes of State and local governments and nonprofit organizations to more than double in 5 years and to more than triple in 10 years—from an aggregate tax of $6.6 billion to a tax of $21.6 billion.

The financial crisis which confronts our cities and other governmental agencies is widespread and extremely serious. All too often we have witnessed the curtailment of essential municipal and educational services or strikes for higher wages by teachers, firefighters, and other governmental workers. The next tax proposal will only make the financial plight of our local governmental agencies worse.

In 1976, Toledo, Ohio, was forced to shut its schools for the month of December because of the city's financial condition. Similarly, Detroit laid off or eliminated positions for over 4,100 employees, reduced salaries by 8 percent in each department, cut funds for welfare services and prison care, and still projected a large 1976 deficit. On March 9, 1976, the New York Times began a story with the following disturbing lead:

"The City of Buffalo, which had been expected to run out of cash tomorrow, arranged to borrow $2 million today. . . . The loan will enable the city government and its Board of Education to meet their cash needs until Friday. . . ."

Many nonprofit organizations are facing similar financial crunches. The Young Women's Christian Association of the National Capital Area has sustained deficits averaging $50,000 in each of the last 7 years on an annual budget of $2 million. Colleges are struggling against ever increasing operating costs. Often tuition has been raised to the point where it is out of the financial reach of many students.

In this period of severe financial crisis for many nonprofit organizations, social security taxes will be raised by spectacular amounts. Two years from now, the American Cancer Society in Michigan, for example, will have an increase of over 25 percent in its social security tax liability under the committee's proposal. The University of Alabama in Tuscaloosa in 1981 will be paying $864,000 more than it paid last year, an increase of 50 percent. Similarly Hampshire College in Amherst, Mass., in 1981 will be paying $107,287 more or an increase of 61 percent.

These organizations have little or no capability of passing on the increased cost. Moreover, unlike private, profitmaking employers, the additional social security tax payments will not be reflected in lower income taxes. As a result, these public and nonprofit employers will have to bear 100 percent of the increased liability themselves. They must either curtail their activities or raise more money, either through more contributions in the case of nonprofits or more local taxes in the case of public employers, to meet the full increased liability. In contrast, profitmaking employers will bear only a portion of the increase, the rest being an offset against Federal and State income tax liabilities.
which would otherwise be payable. Every increase profitmaking employ-
ers have in social security taxes translates into an operating cost of only a portion of the increase.

The committee has recognized the need for some tax relief for these employers as well as the basic inequity in tax treatment between these employers and for-profit employers. The committee has agreed to a refundable tax credit for these employers—a refund of a portion of their social security taxes from general revenues—but has adopted a clumsy mechanism which produces unfair and arbitrary results.

In order to receive a refund, an employer must pay its employees above the wage base. In 1979, the wage base will be close to $20,000 and will be over $30,000 by 1985.

As I have shown above, the bulk of the increase in the liability for this group of employers results from rate increases, not base increases.

Therefore, the refund in the committee proposal is of some help to well-endowed foundations and other employers with highly paid professional employees, but the vast majority of charitable employers will receive almost no benefit at all. In 1979, for example, the Salvation Army, covering Virginia, half of West Virginia, Washington, D.C., and part of Maryland, will pay social security taxes of almost $86,000—an increase of $13,000 over its present liability—and will receive a refund of $7,67. The Campfire Girls will receive nothing, because the organization will not be paying anyone over $19,500 in 1979, notwithstanding a tax increase of 40 percent. New Haven, Conn., will have to pay an additional $40,000 in social security tax but will receive no refund.

Moreover, even those employers who are benefited will only be benefited for a few years. The committee’s proposal is designed to phase out just as the increases are beginning to really rise. As the future rate increases become effective and the employee wage base rises, the refund disappears. In 1987, for example, the costs to these employers will be up 227 percent; the refund will represent only 6 percent of this total.

These employers, unlike most, may under law voluntarily withdraw from social security, and they have been withdrawing at an accelerating rate. If New York City employees alone were to withdraw from social security, the trust funds would lose $3.1 billion in the next 4 years; 219 governmental units representing 81,534 employees have notices to withdraw currently pending before the Social Security Administration. If enough public and nonprofit employers withdrew, the tax increases could backfire, causing the trust funds to lose more revenue than they gained.

I agree with the majority of the committee that some sort of tax relief is needed for this group of employers. But the relief should be based on total liability, not on how much they pay their employees. It should be a permanent and stable refund, not a decreasing amount each year.

At a time when we are trebling the social security tax of these employers, I believe we should cushion the increase in some meaningful way. At a time when profitmaking employers will offset $23 billion in Federal income tax otherwise payable, I believe we can refund the public and nonprofit employers $1 billion, the approximate cost of a flat 10-percent refund of total social security tax liability.

JOHN C. DANFORTH.
AN ACT

To provide duty-free treatment for istle.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 That (a) subpart G of part 15 of schedule 1 of the Tariff
4 Schedules of the United States (19 U.S.C. 1202) is amended
5 by striking out—

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6 and inserting in lieu thereof the following:

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(b) Item 003.90 of the Appendix to such Schedule is

repealed.
2

SEC. 2. The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

SHORT TITLE; REFERENCE TO ACT

SECTION 1. (a) This Act (together with the following table of contents) may be cited as the “Social Security Amendments of 1977”.

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TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

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Sec. 102. Increase in contribution and benefit base for employees.
Sec. 103. Employment tax increase; increase in self-employment tax; reallocation among trust funds.
Sec. 104. Computation of primary insurance amount.
Sec. 105. Maximum benefits.
Sec. 106. Payments to certain public and nonprofit employers.
Sec. 107. Conforming changes.
Sec. 108. Effective date provisions.

PART B—GENERAL PROVISIONS

Sec. 121. Liberalization of earnings test.
Sec. 122. Widow’s and widower’s insurance benefits in cases of delayed retirement.
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Sec. 124. Employees of members of related groups of corporations.
Sec. 125. Limitation on retroactive benefits.
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Sec. 128. International agreements with respect to social security benefits.
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TITLE II—MISCELLANEOUS

Sec. 201. Studies and reports.
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TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

Sec. 301. Fiscal relief for States and political subdivisions thereof with respect to costs of welfare programs.
Sec. 302. Incentive adjustments for quality control in Federal financial participation in aid to families with dependent children programs.
Sec. 303. Access to wage information.
Sec. 304. State demonstration projects.
Sec. 305. Earned income disregard.

(b) Whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision without specification of Act, the reference is to a section or other provision of the Social Security Act.

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

APPLICATION OF EMPLOYER EXCISE TAX TO WAGES IN EXCESS OF CONTRIBUTION AND BENEFIT BASE

Sec. 101. (a) Section 230(c) is amended by adding at the end the following sentence: "For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3221(b) of such Code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be $50,000 with respect to remuneration paid during calendar years 1979 through
1984, and with respect to calendar years after 1984 $75,000 or (if higher) the contribution and benefit base as determined under this section without regard to the provisions of this sentence.”.

(b) Section 230(b) is amended by striking out “shall be” in the matter preceding paragraph (1) and inserting in lieu thereof “shall (subject to subsections (c) and (d)) be”.

INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES

Sec. 102. Section 230 is amended by adding at the end the following new subsection:

“(d) Except as otherwise provided by the last sentence of subsection (c) and except for purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954, for calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined under subsection (b) but as augmented for each such year (and carried forward thereafter) by $600; and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year.”.
EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS

Sec. 103. (a) Tax on Employees.—

(1) Old-age, survivors, and disability insurance.—Paragraphs (1) and (2) of section 3101 (a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

"(6) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.10 percent;"
“(7) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

“(8) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

“(9) with respect to wages received after December 31, 2010, the rate shall be 7.80 percent.”.

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

“(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;

“(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

“(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

“(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and

“(6) with respect to wages received after December 31, 1985, the rate shall be 1.40 percent.”,
(b) Tax on Employers.—

(1) Old-age, survivors, and disability insurance.—Paragraphs (1) and (2) of section 3111 (a) of the Code are amended to read as follows:

“(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

“(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

“(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

“(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

“(5) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

“(6) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.10 percent;

“(7) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

“(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

“(9) with respect to wages paid after December 31, 2010, the rate shall be 7.80 percent.”.
(2) 

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

"(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages paid after December 31, 1985, the rate shall be 1.40 percent.".

(c) TAX ON SELF-EMPLOYMENT INCOME.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the
tax shall be equal to 7.00 percent of the amount of the
self-employment income for such taxable year;

“(2) in the case of any taxable year beginning
after December 31, 1977 and before January 1, 1979,
the tax shall be equal to 7.10 percent of the amount of
the self-employment income for such taxable year;

“(3) in the case of any taxable year beginning
after December 31, 1978 and before January 1, 1981,
the tax shall be equal to 7.05 percent of the amount of
the self-employment income for such taxable year;

“(4) in the case of any taxable year beginning
after December 31, 1980, and before January 1, 1985,
the tax shall be equal to 8.00 percent of the amount of
the self-employment income for such taxable year;

“(5) in the case of any taxable year beginning
after December 31, 1984, and before January 1, 1990,
the tax shall be equal to 8.50 percent of the amount of
the self-employment income for such taxable year;

“(6) in the case of any taxable year beginning after
December 31, 1989, and before January 1, 1995, the
tax shall be equal to 9.15 percent of the amount of the
self-employment income for such taxable year;

“(7) in the case of any taxable year beginning after
December 31, 1994, and before January 1, 2001, the tax
shall be equal to 10.05 percent of the amount of the self-
employment income for such taxable year;

“(8) in the case of any taxable year beginning after
December 31, 2000, and before January 1, 2011, the tax
shall be equal to 10.95 percent of the amount of the self-
employment income for such taxable year; and

“(9) in the case of any taxable year beginning after
December 31, 2010, the tax shall be equal to 11.70 per-
cent of the amount of the self-employment income for such
taxable year.”.

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the
Code are amended to read as follows:

“(2) in the case of any taxable year beginning
after December 31, 1977, and before January 1, 1979,
the tax shall be equal to 1.00 percent of the amount of
the self-employment income for such taxable year;

“(3) in the case of any taxable year beginning after
December 31, 1978, and before January 1, 1981, the
tax shall be equal to 1.05 percent of the amount of
the self-employment income for such taxable year;

“(4) in the case of any taxable year beginning after
December 31, 1980, and before January 1, 1985, the
tax shall be equal to 1.25 percent of the amount of the
self-employment income for such taxable year;
“(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

“(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year.”.

(d) ALLOCATION TO DISABILITY INSURANCE TRUST FUND.—

(1) ALLOCATION OF WAGES.—Section 201(b)(1) of the Social Security Act is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: “(G) 1.550 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.900 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400...
per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and”.

(2) ALLOCATION OF SELF-EMPLOYMENT INCOME.—Section 201(b)(2) is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: “(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.425 per centum of the amount
of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1990, and before January 1, 1995, (L) 1.800 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (M) 2.025 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2011, and (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.”.

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 104. (a) Section 215(a) is amended to read as follows:

“(a)(1)(A) The primary insurance amount of an indi-
individual (except as otherwise provided in this section) is equal
to the sum of—

“(i) 92 per centum of the individual’s average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of this clause by subparagraph (B),

“(ii) 33 per centum of the portion of the individual’s average indexed monthly earnings which exceeds the amount established for purposes of clause (i) but does not exceed the amount established for purposes of this clause by subparagraph (B), and

“(iii) 16 per centum of the individual’s average indexed monthly earnings to the extent that they exceed the amount established for purposes of clause (ii), rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

“(B)(i) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in the calendar year 1979, the amounts established with respect to subparagraphs (A)(i) and (A)(ii) are $180 and $1,075, respectively.

“(ii) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in a calendar year after 1979, each of the amounts established with respect to subparagraphs
(A)(i) and (A)(ii) shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph, and the quotient obtained by dividing—

“(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year preceding the calendar year for which the determination is made, by

“(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the calendar year 1977.

“(iii) The amounts established under clause (ii) shall be rounded to the nearest $1.00, except that an amount that is a multiple of $0.50 but not a multiple of $1.00 shall be rounded to the next higher $1.00.

“(C)(i) No primary insurance amount computed under subparagraph (A) may be less than the greatest of—

“(I) the amount in the first line of column IV in the table of benefits contained (or deemed to be contained) in this subsection as in effect in December 1978,

“(II) the amount determined under subsection (i) (except subclause (III) of this clause) with respect to this subparagraph, or

“(III) an amount equal to $9 multiplied by the individual’s years of coverage in excess of 10.
“(ii) For purposes of the preceding clause, the term ‘years of coverage’ means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) $900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2)(B)(ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, and compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

“(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this para-
graph and for adjusting wages and self-employment income under subsection (b)(3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average wages (as described by subclause (I) of subparagraph (B)(ii)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average wages (as so described) for each year after calendar year 1950.

“(2) (A) A year shall not be counted as a year of an individual’s death or eligibility for purposes of this subsection or subsection (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual’s eligibility for the disability insurance benefit to which he was entitled in such 12-month period).

“(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—
"(i) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by each general benefit increase (as defined in subsection (i)(3)) and each increase provided under subsection (i)(2) that would have applied to that primary insurance amount had the individual remained entitled to that disability insurance benefit until the month in which he became entitled, reentitled, or died, or

"(ii) the amount computed under paragraph (1) (C).

"(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual’s disability (whether because of that individual’s subsequent entitlement to old-age insurance benefits, or to a disability insurance benefit based upon a subsequent period of disability, or death), the primary insurance amount so computed may in no case be less than the primary insurance amount on the basis of which he most recently received a disability insurance benefit.

"(3)(A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—
“(i) an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

“(I) becomes eligible for that benefit,

“(II) becomes eligible for a disability insurance benefit, or

“(III) dies, and

“(ii) an individual described in clause (i) who was eligible for a disability insurance benefit for a month prior to January 1979, (except to the extent that paragraph (4)(A) otherwise provides).

“(B) For the purposes of this title, an individual is deemed to be eligible for an old-age insurance benefit beginning in the month in which he attains age 62, or for a disability insurance benefit for months beginning in the month in which a period of disability began as described in section 216(i)(2)(C), unless less than 12 months have elapsed since the termination of a prior period of disability in which case the month of eligibility with respect to the prior period of disability shall be considered the month of eligibility.

“(4) Paragraph (1) does not apply to the computation or recomputation of a primary insurance amount for—

“(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which there occurs
the event described in clause (i)(I), (i)(II), or (i)(III) of paragraph (3)(A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

"(B)(i) an individual who had wages or self-employment income credited for a year before 1979 and who was not eligible for an old-age or disability insurance benefit, or did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual’s primary insurance amount would be greater if computed or recomputed—

"(I) under section 215(a), as in effect in December 1978, in the case of an individual who becomes eligible for an old-age insurance benefit prior to 1984, or

"(II) as provided by section 215(d), in the case of an individual to whom such section applies.

"(ii) For purposes of determining under clause (i) which amount is the greater—

"(I) the table of benefits in effect in December 1978 shall apply without regard to any increase in that table which becomes effective (in accordance with subsection (i)(4)) for years after 1978 except as provided in subsection (i)(2)(A)(iii), and
“(II) the individual’s average monthly wage shall be computed as provided by subsection (b)(4).

“(5) With respect to computing the primary insurance amount, after December 1978, of an individual to whom paragraph (1) does not apply (except in the case of an individual described in paragraph (4)(B)), this section as in effect in December 1978 remains in effect.”.

(b) Section 215(b) (except the caption thereof) is amended to read as follows:

“(b)(1) The amount of an individual’s average indexed monthly earnings is equal to the quotient obtained by dividing—

“(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

“(B) the number of months in those years.

“(2)(A) The number of an individual’s benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual’s benefit computation years may not be less than two.

“(B) For purposes of this subsection—

“(i) the term ‘benefit computation years’ means, in the case of any individual, those computation base years, equal in number to the number determined under sub-
paragraph (A) of this paragraph, for which the total of the individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

"(ii) the term 'computation base years' means, in the case of any individual, the calendar years after 1950 and prior to the earlier of—

"(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement;

"(II) in the case of an individual who has died, the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92–603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

"(3)(A) Except as provided by subparagraph (B),
the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) is deemed equal to the product of—

“(i) the wages and self-employment income credited to such year, and

“(ii) the quotient obtained by dividing—

“(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such death or eligibility but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period), by

“(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the
Treasury for the computation base year for which
the determination is made.

"(B) Wages paid in or self-employment income credited
to an individual's computation base year—

"(i) which occurs after the second calendar year
specifed in subparagraph (A)(ii)(I), where applicable,
or

"(ii) in a year which under subsection (f)(2)(C)
is considered to be the last year of the period specified
in subsection (b)(2)(B)(ii),

are available for use in determining an individual's benefit
computation years, but without applying subparagraph (A)
of this paragraph.

"(4) In determining the average monthly wage of an
individual whose primary insurance amount is computed
(after 1978) under section 215(a) or 215(d) as in effect
(except with respect to the table contained therein) in Decem-
ber 1978, by reason of subsection (a)(4)(B), this subsection
as in effect in December 1978 remains in effect, except that
paragraph (2)(C) (as then in effect) is deemed to provide
that 'computation base years' include only calendar years in
the period after 1950 (or 1936, if applicable) and prior to
the year in which occurred the first month for which the indi-
vidual was eligible (as defined in subsection (a)(3)(B) of
this section as in effect in January 1979) for an old-age or
disability insurance benefit, or died. Any calendar year all of
which is included in a period of disability shall not be in-
cluded as a computation base year.”.

(c) Section 215(c) (except the caption thereto) is
amended to read as follows:

“(c) This subsection, as in effect in December 1978,
shall remain in effect with respect to an individual to whom
subsection (a)(1) does not apply by reason of the indi-
vidual’s eligibility for an old-age insurance or disability in-
surance benefit, or the individual’s death, prior to 1979.”.

(d)(1) The matter in section 215(d) which precedes
subparagraph (C) of paragraph (1) is amended to read as
follows:

“(d)(1) For the purpose of column I of the table
appearing in subsection (a) of this section, as that sub-
section was in effect in December 1977, an individual’s pri-
mary insurance benefit shall be computed as follows:

“(A) The individual’s average monthly wage shall
be determined as provided in subsection (b) of this sec-
tion, as in effect in December 1977 (but without regard
to paragraph (4) thereof), except that for purposes of
paragraphs (2)(C) and (3) of that subsection (as so:
in effect), 1936 shall be used instead of 1950.

“(B) For purposes of subparagraphs (B) and (C).
of subsection (b)(2) (as so in effect), the total wages
prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the 'divisor') elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual's death. The quotient so obtained is deemed to be the individual's wages credited for each of the years included in the divisor except—

"(i) if the quotient exceeds $3,000, only $3,000 is deemed to be the individual's wages for each of the years included in the divisor, and the remainder of the individual's total wages prior to 1951 (I) if less than $3,000, is deemed credited to the year immediately preceding the earliest year used in the divisor, or (II) if $3,000 or more, is deemed credited, in $3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than $3,000 credited to the year prior to the earliest year to which a full $3,000 increment was credited; and

"(ii) no more than $42,000 may be taken
into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.”.

(2) Section 215(d)(1)(D) is amended to read as follows:

“(D) The individual’s primary insurance benefits shall be 40 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 10 per centum of the next $200 of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual’s total wages prior to 1951 divided by $1,650 (disregarding any fraction).”.

(3) Section 215(d)(3) is amended (A) by striking subparagraphs (A) and (B), and (B) by striking the dash after “individual” and inserting instead the text of the stricken subparagraph (B).

(4) Section 215(d) is amended by adding at the end the following new paragraph:

“(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age insurance or disability insurance benefits or die prior to 1978.”.

(e) Section 215(e) is amended—

(1) by striking out “average monthly wage” each
time it appears and inserting instead “average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage,” and

(2) by inserting immediately before “of (A)” in paragraph (1) the following: “(before the application, in the case of average indexed monthly earnings, of subsection (b)(3)(A))”.

(f)(1) Section 215(f)(2) is amended to read as follows:

“(2)(A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual’s primary insurance amount for that year.

“(B) For the purpose of applying subparagraph (A) of subsection (a)(1) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by clauses (i) and (ii) of subparagraph (B) of that subsection, the amounts that were (or, in the case of an individual described in subsection (a)(4)(B), would have been) used in
the computation of the individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation under this paragraph shall be made as provided in subsection (a)(1) as though the year with respect to which it is made is the last year of the period specified in subsection (b)(2)(B)(ii), and subsection (b)(3)(A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with respect to any year shall be effective—

"(i) in the case of an individual who did not die in that year, for monthly benefits beginning with benefits for January of the following year; or

"(ii) in the case of an individual who died in that year, for monthly benefits beginning with benefits for the month in which he died."

(2) Section 215(f)(3) is repealed.

(3) Section 215(f)(4) is amended to read as follows:

"(4) A recomputation is effective under this subsection only if it results in a primary insurance amount that is at least $1.00 higher than the previous primary insurance amount."

(4) There is added at the end of section 215(f) the following new paragraph:
“(7) This subsection, as in effect in December 1978, shall continue to apply to the recomputation of a primary insurance amount computed under subsection (a) or (d) as in effect (without regard to the table contained in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing the primary insurance amount under subsection (a) or (d) (as thus in effect) with respect to an individual to whom those subsections apply by reason of paragraph (B) of subsection (a)(4) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age insurance or disability insurance benefit or died, or for any year thereafter.”.

(g)(1) Section 215(i)(2)(A)(ii) is amended to read as follows:

“(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

“(I) the benefit amount of each individual who for that month is entitled to benefits under section 227 or 228,

“(II) the primary insurance amount of each other:
individual on which benefit entitlement is based under this title, and

"(III) the total monthly benefits based on each primary insurance amount and permitted under section 203 (which shall be increased, unless otherwise so increased under another provision of this title, at the same time as the primary insurance amount on which they are based) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203(a) (6) and (7) as in effect after December 1978,

but shall not increase a primary insurance amount that is computed under subparagraph (C)(i)(III) of subsection (a)(1) or a primary insurance amount that was computed prior to January 1979 under subsection (a)(3) as then in effect. The increase shall be derived by multiplying each of the amounts described in clauses (I), (II), and (III) (including each of those primary insurance amounts or benefit amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter ex-
ceeds that Index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any amount so increased that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.”.

(2) Section 215(i)(2)(A) is amended by adding at the end the following new clause:

“(iii) In the case of an individual who becomes eligible for an old-age insurance or disability insurance benefit, or dies prior to becoming so eligible, in a year in which there occurs an increase provided in clause (ii), the individual’s primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title) by the amount of that increase and subsequent applicable increases, but only with respect to benefits payable for months after May of that year.”.

(3) Section 215(i)(2)(D) is amended by striking out all that follows the first sentence, and by inserting instead the following: “He shall also publish in the Federal Register at that time a revision of the amount referred to in subparagraph (C)(i)(I) of subsection (a)(1) and that shall be the amount determined for purposes of such subparagraph (C) (i)(II) under this subsection.”.
(4) There is added at the end of section 215(i) the following new paragraph:

"(4) This subsection, as in effect in December 1978, shall continue to apply to subsections (a) and (d), as then in effect, with respect to computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4)(B) of that subsection, but the application of this subsection in such cases shall be modified by the application of subclause (I) of clause (ii) of such paragraph (4)(B)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4)(B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2)(D) of this subsection, as then in effect."

(h)(1) Section 230 of the Social Security Act is amended by adding after subsection (d) (as added by section 102 of this Act) the following new subsection:

"(e) For purposes of subsection (b), the term 'wages' for years after 1976 shall have the meaning assigned to such term by section 3401(a) of the Internal Revenue Code of
1954 and section 3121(a) of such Code (but without regard to the operation of section 230 of the Social Security Act as specified therein) to the extent that they are excluded from such section 3401(a). For years before 1977, the term 'wages' shall be determined under regulations to be promulgated by the Secretary.

(2) The amendment made by paragraph (1) shall be applicable to determinations of the Secretary of Health, Education, and Welfare, under section 230 of the Social Security Act effective in the case of calendar years after 1978.

MAXIMUM BENEFITS

Sec. 105. (a) The matter in section 203(a) preceding paragraph (2) thereof is amended to read as follows:

"(a)(1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of that insured individual shall, except as provided by paragraph (3), (but prior to any increases resulting from the application of paragraph (2)(A)(ii)(III) of section 215(i)) be reduced so as not to exceed—

"(A) 150 percent of the individual's primary in-
surance amount up to the amount that is established with respect to this subparagraph by paragraph (2),

"(B) 272 percent of the individual's primary insurance amount that exceeds the amount to which subparagraph (A) applies but does not exceed an amount established with respect to this subparagraph by paragraph (2),

"(C) 134 percent of the individual's primary insurance amount that exceeds the amount to which subparagraph (B) applies but does not exceed an amount established with respect to this subparagraph by paragraph (2), and

"(D) 175 percent of the individual's primary insurance amount that exceeds the amount established by paragraph (2) with respect to subparagraph (C).

Any such amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(2)(A) For individuals who become eligible for old-age or disability insurance benefits or who die in the calendar year 1979 the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) are $236, $342, and $449, respectively (not counting as the year of death or eligibility for purposes of this paragraph the year of the individual's death or eligibility if the individual was entitled to a disability insurance benefit for any of the twelve
months immediately preceding the month of such death or eligibility, but counting instead, the year of eligibility for such disability insurance benefit).

"(B) For individuals who become eligible for such benefits or who die in a calendar year after 1979 the amount established with respect to each of those subparagraphs shall equal the product of the corresponding amount established for 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B)(ii) of section 215(a)(1). Such product shall be rounded in like manner as is prescribed by section 215(a)(1)(B)(iii).

"(C) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula applicable under this subsection to individuals who become eligible for old-age insurance benefits, become disabled, or die in the following calendar year.

"(3)(A) When an individual to whom this subsection applies would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits for a month on the basis of the wages and self-employment income of one or more other individuals, the total of benefits shall not be reduced under this subsection to less than the smaller of—

"(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all of those individuals, or
“(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base applicable to employees and the self-employed determined for that year under section 230.”.

(b) Paragraph (2) of section 203(a) (prior to the amendment made by subsection (a) of this section) is redesignated as subparagraph (B) (of paragraph (3)); its three lettered subparagraphs are respectively redesignated as clauses (i), (ii), and (iii), the word “paragraph” in the redesignated clause (i) is stricken and the word “subparagraph” is inserted in lieu thereof, its initial word is stricken and “When” inserted instead, and “, or” as it appears at the end thereof is stricken and a period inserted instead.

(c) The matter following clause (iii) of the redesignated subparagraph (B) is amended to read as follows: “but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k)(2) (A) was applicable in the case of any such benefit for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and
after the month in which section 202(k)(2)(A) ceases to
apply, as though subparagraph (A) of this paragraph had
not been applicable to such total of benefits for the last month
for which clause (ii) or (iii) was applicable.

(d) Paragraph (3) of section 203(a) (prior to the
amendments made by the preceding provisions of this sec-
tion) is redesignated as subparagraph (C) (of paragraph
(3)), and its initial word is stricken and “When” inserted
instead.

(e) The matter in section 203(a) that follows para-
graph (3) (prior to the amendments made by the preceding
provisions of this section) and precedes paragraph (4)
(prior to the amendments made by the preceding provisions
of this section) is stricken and there is inserted instead the
following:

“(4) In any case in which benefits are reduced pursuant
to the preceding provisions of this subsection, the reduction
shall be made after any deductions under this section and
after any deductions under section 222(b). Whenever a re-
duction is made under this subsection in the total of monthly
benefits to which individuals are entitled for any month on
the basis of the wages and self-employment income of an
insured individual, each such benefit other than the old-age
or disability insurance benefit shall be proportionately de-
creased.”.
(e) Paragraph (4) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is redesignated as paragraph (5), its initial word is stricken and "Notwithstanding" inserted instead, and "or" at the end thereof is stricken and a period inserted instead. Subparagraph (A) of such paragraph (4) is amended by striking out "and section 202(q)" therein. The matter following subparagraph (B) of such paragraph and preceding the next numbered paragraph is a portion of the redesignated paragraph (5), and shall be indented accordingly.

(f) Paragraph (5) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is repealed, except with respect to an individual who became eligible for a monthly benefit (as defined in section 215(a)(2)(A)) or died prior to 1979.

(g) Following paragraph (5) of section 203(a) (as amended by this section) there are added the following new paragraphs:

"(6) In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were deter-
mined under section 215(a) (1) or (4), or 215(d), as in effect after December 1978, the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined under section 230 for the year in which that month occurs.

“(7) Subject to the preceding paragraph, this subsection, as in effect in December 1978, shall remain in effect with respect to a primary insurance amount computed under section 215 (a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an individual who first becomes eligible for an old-age or disability insurance benefit (as defined in section 215(a) (2)(A)) or dies, after December 1978, shall, instead, be governed by this section, as in effect after December 1978.”.

PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT EMPLOYERS

Sec. 106. (a) Part A of title XI of the Social Security Act is amended by adding at the end thereof the following new section:
"PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT EMPLOYERS"

"Sec. 1132. (a) The Secretary shall, in the case of any State having an agreement under section 218 of the Social Security Act, or any organization described in section 501(c)(3), which is exempt from tax under section 501(a) for the taxable year, pay to each such State or organization (subject to the availability of funds appropriated under the provisions of subsection (c)) an amount determined under subsection (b). In order to receive a payment under this section, a State or organization shall file a claim with respect to the taxable year in such form, manner, and at the time prescribed by the Secretary by regulations. The Secretary shall certify to the Secretary of the Treasury the name and address of each State or organization eligible to receive such payment, the amount of such payment, and the time at which such payment should be made, and the Secretary of the Treasury, through the Fiscal Service of the Treasury Department, shall make payments in accordance with the certification of the Secretary.

"(b)(1) The amount payable to a State under subsection (a) for the taxable year shall (subject to the provisions of subsection (c)) be equal to 50 percent of that portion of the amount paid by such State under the provisions of section 218(e)(1)(A) with respect to remuneration paid to indi-
"(A) was paid as the amount equivalent to the taxes which would be imposed by section 3111 of the Internal Revenue Code of 1954 if the services of employees covered by such State's agreement under section 218 constituted employment as defined in section 3121 of such Code, and

"(B) was paid with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

"(2) The amount payable under subsection (a) to an organization described in section 501(c)(3) of such Code, which is exempt from tax under section 501(a) of such Code for the taxable year, shall be equal to 50 percent of that portion of the taxes paid by such organization under section 3111 of such Code, which taxes—

"(A) were paid with respect to remuneration paid to individuals as employees of such organization during the taxable year, and

"(B) were paid with respect to remuneration paid..."
to individuals as employees of such organization which
remuneration was in excess (with respect to any in-
dividual during the taxable year) of the contribution and
benefit base applicable with respect to such taxable year,
under the provisions of section 230 as such section applies
to employees.

"(c) There are authorized to be appropriated such sums
as are necessary to carry out the provisions of this section. If
the sums appropriated for any fiscal year for making pay-
ments under this section are insufficient to pay in full the
total amounts which States and organizations are authorized
to receive under this section during such fiscal year, the max-
imum amounts which all such States and organizations may
receive under this section during such fiscal year shall be
ratably reduced. In case additional funds become available
for making such payments for any fiscal year during which
the preceding sentence is applicable, such reduced amounts
shall be increased on the same basis as they were reduced.

"(d) Any State receiving a payment under the provisions
of this section shall agree to pay (and any such payment shall
be made on the condition that such State pay) to any political
division thereof a percentage of such payment which percent-
age shall be equal to the percentage of the amount paid by
such State, under section 218(e)(1)(A) for which such
State was reimbursed by such political subdivision."
(b) The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1978.

CONFORMING CHANGES

Sec. 107. (a) Section 202(m)(1) is amended to read as follows:

"(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j)(1)) entitled to a monthly benefit under this section for that month on the basis of those wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k)(3), shall not be less than that provided by subparagraph (C) (I) or (C)(II) (whichever is greater) of section 215(a) (1). In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 as in effect (without regard to the table contained therein) prior to January 1979, that monthly benefit shall be determined under this section as in effect as prescribed by section 215 (a)(5) and increased under subsection (i)(4)."
(b) Section 217(b)(1) is amended by inserting “as in effect in December 1978” after “section 215(c)” each time it appears, and after “section 215(d)”.

(c) Section 224(a) is amended in the matter following paragraph (8) by inserting “(determined under section 215(b) as in effect prior to January 1979)” after “(A) the average monthly wage”.

(d) Section 1839(c)(3)(B) is amended to read as follows:

“(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of $900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1.”.

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

(1) by inserting after “section 215(a)(3)” in para-
graph (1) (in the matter preceding subparagraph (A))
the following: “as in effect in December 1978 or section
215(a)(1)(C)(III) as in effect thereafter”;

(2) by inserting “as in effect in December 1978, or
section 215(a)(1)(C)(III) as in effect thereafter,”
after “paragraph (3) of section 215(a)” in paragraph
(5); and

(3) by inserting “(whether before, in, or after, De-
cember 1978)” after “determined under section 215(a)”
in paragraph (5).

(f) Section 104(j)(2) of the Social Security Amend-
ments of 1972 is amended by striking out “215(b)(3)” and
inserting in lieu thereof “215(b)(2)(B)(iii)”.

EFFECTIVE DATE PROVISIONS

Sec. 108. The amendments made by the preceding provi-
sions of this Act (other than section 104(d) and 106) shall be
effective with respect to monthly benefits and lump-sum death
payments under title II of the Social Security Act payable
for months after December 1978. The amendments made by
section 104(d) shall be effective with respect to monthly
insurance benefits of an individual who becomes eligible for
an old-age or disability insurance benefit or who dies after
December 31, 1977.
PART B—GENERAL PROVISIONS.

LIBERALIZATION OF EARNINGS TEST.

SEC. 121. (a) Section 203(f)(8)(B) of the Social Security Act is amended by striking out “The exempt amount” in the matter preceding clause (i) and inserting in lieu thereof “Except as provided in subparagraph (D), the exempt amount”.

(b) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

“(D) Notwithstanding any other provision of this subsection, the exempt amount—

“(i) shall be $375 for each month of any taxable year ending after 1977 and before 1979, and

“(ii) shall be $500 for each month of any taxable year ending after 1978 and before 1980.”.

(c) No determination or publication of a new exempt amount shall be required to be made under section 203(f)(8)(A) of the Social Security Act, and no notification with respect to an increased exempt amount shall be required to be given under the last sentence of section 203(f)(8)(B) of such Act, in the calendar year 1978 but such a determination, publication, and notification shall be required in calendar years after 1978 and shall be made or given as though the dollar amounts specified in clauses (i) and (ii) of section 203
(f)(8)(D) of such Act (as added by subsection (b) of this section) had been determined (for the taxable years involved) under such section 203(f)(8)(B).

(d) Subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act are amended by striking out "$200 or".

(e)(1) The amendments made by this section shall be effective (subject to the provisions of paragraph (2)) with respect to taxable years ending after December 31, 1977.

(2) Prior to October 1, 1978, title II of the Social Security Act shall be administered as if the amendments made by this section had not been enacted.

WIDOW'S AND WIDOWER'S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

Sec. 122. (a) Section 202(e)(2)(A) of the Social Security Act is amended (1) by inserting "(as determined after application of the following sentence)" after "primary insurance amount", and (2) by adding at the end thereof the following new sentence: "If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit
(increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which he was receiving (or would upon application have received) for the month prior to the month in which he died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(b) Section 202(e)(2)(B)(i) of such Act is amended by inserting “and section 215(f)(6) were applied, where applicable,” immediately after “living”.

(c) Section 202(f)(3)(A) of such Act is amended (1) by inserting “(as determined after application of the following sentence)” after “primary insurance amount”, and (2) by adding at the end thereof the following new sentence: “If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual’s primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section
215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received) for the month prior to the month in which she died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(d) Section 202(f)(3)(B)(i) of such Act is amended by inserting “and section 215(f)(6) were applied, where appropriate,” after “living,”.

(e) Section 203(a) (as amended by section 105(g)) is further amended by adding at the end thereof the following new paragraph:

“(8) when—

“(A) one or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December 1977 on the basis of the wages and self-employment income of an individual,

“(B) the benefit of at least one such person for January 1978 is increased by reason of the amendments made by section 109 of the Social Security Amendments of 1977; and
“(C) the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203(a)(4)), then the amount of the benefit to which each such person is entitled for months after December 1977 shall be increased (after such reductions are made under this subsection) to the amount such benefit would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased.”.

(f) The amendments made by this section shall be effective with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1977.

REduced BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

Sec. 123. (a)(1) Section 202(b)(2) of the Social Security Act is amended by inserting after “subsection (q)” the following: “and paragraph (4) of this subsection”.

(2) Section 202(b) of such Act is amended by adding at the end thereof the following new paragraph:

“(4)(A) The amount of a wife’s insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below
zero) by an amount equal to the amount of any monthly benefit payable to such wife (or divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(b) (1) Section 202(c)(1) is amended—

(A) by striking out subparagraph (C);

(B) by inserting "and" at the end of subparagraph (B); and

(C) by redesignating subparagraph (D) as subparagraph (C).

(2) Section 202(c)(2) is amended to read as follows:

"(2)(A) The amount of a husband's insurance benefit
for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such husband for such month which is based upon his earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(3) Section 202(c)(3) is amended by inserting after "subsection (q)" the following: "and paragraph (2) of this subsection".

(c)(1) Section 202(e)(2)(A) of such Act is amended by striking out "paragraph (4)" and inserting in lieu thereof "paragraphs (4) and (8)".
(2) Section 202(e) of such Act is amended by adding at the end thereof the following new paragraph:

"(8)(A) The amount of a widow's insurance benefit for each month as determined (after application of the provisions of subsection (q), paragraph (2)(B), and paragraph (4)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widow (or surviving divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(d)(1) Section 202(f)(1) is amended—

(A) by striking out subparagraph (D); and
(B) by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(2) Section 202(f)(2) is amended to read as follows:

"(2)(A) The amount of a widower's insurance benefit for each month (as determined after application of the provisions of subsection (q), paragraph (3)(B) and paragraph (5) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widower for such month which is based upon his earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."
Section 202(f)(3)(A) is amended by striking out “paragraph (5)” and inserting in lieu thereof “paragraphs (2) and (5)”.

Section 202(f)(7) is amended by striking out “paragraph (1)(G)” and inserting in lieu thereof “paragraph (1)(F)”.

Section 226(h)(1)(B) is amended by striking out “subparagraph (G) of section 202(f)(1)” and inserting in lieu thereof “subparagraph (F) of section 202(f)(1)”.

Section 202(p)(1) is amended by striking out “subparagraph (C) of subsection (c)(1), clause (i) or (ii) of subparagraph (D) of subsection (f)(1), or”.

Section 202(g)(2) of such Act is amended by striking out “Such” and inserting in lieu thereof “Except as provided in paragraph (4) of this subsection, such”.

Section 202(g) of such Act is amended by adding at the end thereof the following new paragraph:

“The amount of a mother’s insurance benefit for each month to which any individual is entitled under this subsection shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such individual for such month which is based upon such individual’s earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day such indi-
vidual was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.”.

(f) The amendments made by this section shall apply with respect to monthly insurance benefits payable under title II of the Social Security Act for months beginning with the month in which this Act is enacted, on the basis of applications filed in or after the month in which this Act is enacted.

EMPLOYEES OF MEMBERS OF RELATED GROUPS OF CORPORATIONS

Employer Social Security Tax Liability

Sec. 124. (a) Section 3121 of the Internal Revenue Code of 1954 (relating to definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:
“(s) Concurrent Employment by Two or More Employers.—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

(b) Section 3306 of the Internal Revenue Code of 1954 (relating to definitions in respect of unemployment tax) is amended by adding at the end thereof the following subsection:

“(p) Concurrent Employment by Two or More Employers.—For purposes of sections 3102, 3111, and 3306(b)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

Effective Date

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1978.
LIMITATION ON RETROACTIVE BENEFITS

Sec. 125. (a)(1) The first sentence of section 202(j)
(1) of the Social Security Act is amended by striking out
"An individual" and inserting "Subject to the limitations con-
tained in paragraph (4), an individual" in lieu thereof.

(2) Section 202(j) of such Act is further amended by
inserting at the end thereof the following new paragraph:
"(4)(A) Except as provided in subparagraph (B), no
individual shall be entitled to benefits under subsection (a),
(b), (c), (e), or (f) for any month prior to the month
in which he or she files an application for such benefits if the
effect of entitlement to such monthly benefit would be to reduce,
pursuant to subsection (q), the amount of the monthly benefit
to which such individual would otherwise be entitled for the
month in which such application is filed.

"(B)(i) If the individual applying for retroactive
benefits is applying for such benefits under subsection (a),
and there are one or more other persons who would, except
for subparagraph (A), be entitled for any month, on the
basis of the wages and self-employment income of such in-
dividual and because of such individual's entitlement to such
retroactive benefits, to retroactive benefits under subsection
(b), (c), or (d) not subject to reduction under subsection
(q), then subparagraph (A) shall not apply with respect
to such month or any subsequent month.
“(ii) If the individual applying for retroactive benefits is a surviving spouse or surviving divorced spouse, and is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviving spouse or disabled surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

“(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.

“(iv) As used in this subparagraph, the term “retroactive benefits” means a benefit to which an individual becomes entitled for a month prior to the month in which application for such benefit is filed.”.

(3) Section 226(h) of such Act is amended by adding at the end thereof the following new paragraph:

“(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case
of an individual described in clause (iii) of subsection (b) 
(2)(A), the entitlement of such individual to widow’s or 
widower’s insurance benefits under section 202(e) or (f) 
by reason of a disability shall be deemed to be the entitle-
ment to such benefits that would result if such entitlement 
were determined without regard to the provisions of sec-
tion 202(j)(4).”.

(b) The amendments made by subsection (a) shall be 
effective only with respect to monthly insurance benefits under 
title II of the Social Security Act to which an individual be-
comes entitled on the basis of an application filed after the 
date of enactment of this Act.

DELIVERY OF BENEFIT CHECKS

SEC. 126. (a) Title VII of the Social Security Act is 
amended by adding at the end thereof the following new 
section:

“DELIVERY OF BENEFIT CHECKS

“SEC. 708. Notwithstanding any other provision of this 
Act, when the normal day for delivery of benefit checks un-
der title II or XVI of this Act would, but for the provisions 
of this section, fall on a Saturday, Sunday, or legal public 
holiday (as defined in section 6103 of title 5, United States 
Code), benefit checks for such month shall be mailed for 
delivery on the first day preceding such normal delivery day 
which is not a Saturday, Sunday, or legal public holiday,
without regard to whether the delivery of such checks is made in the same calendar month in which such normal day for delivery would occur.”.

(b) The amendment made by subsection (a) of this section shall be effective on the date of enactment of this Act.

ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

SEC. 127. (a) Section 202(q)(4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following: “then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and from the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3).”.

(b) Section 202(q) of such Act is amended by adding at the end thereof the following new paragraphs:

“(10) For purposes of applying paragraph (4), to monthly benefits payable for any month after December 1977, to an individual who was entitled to a monthly benefit as reduced under paragraph (1) or (3) prior to January
1978, the amount of reduction of such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based and for all subsequent months (and similarly for all subsequent increases) shall be increased by the percentage increase in such primary insurance amount (such increase being made in accordance with the provisions of paragraph (8)). In the case of an individual whose reduced benefit under this section is increased as a result of the use of an adjusted reduction period or an additional adjusted reduction period (in accordance with paragraphs (1) and (3) of this section), then for the first month for which such increase is effective and for all subsequent months, the amount of such reduction (after the application of the previous sentence, if applicable) shall be reduced—

"(A) in the case of old-age, wife's, and husband's insurance benefits, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period to (ii) the number of months in the reduction period,

"(B) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months in the reduction period
beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent, and

"(C) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent, such decrease being made in accordance with the provisions of paragraph (8)."
"(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, the preceding paragraph of this subsection shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3).".

(c)(1) Section 202(q)(7)(C) of the Social Security Act is amended by striking out "because" and all that follows and inserting in lieu thereof "because of the occurrence of an event that terminated her or his entitlement to such benefits,".

(2) Section 202(q)(3)(H) of such Act is amended by inserting "for that month or" after "first entitled".

(d) The amendments made by this section shall be effective with respect to monthly benefits payable for months after December 1977.

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

Sec. 128. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:
"INTERNATIONAL AGREEMENTS"

"Purpose of Agreement"

"Sec. 233. (a) The President is authorized (subject to the succeeding provisions of this section) to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

"Definitions"

"(b) For the purposes of this section—

"(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

"(2) the term 'period of coverage' means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system"
of a country which is a party to an agreement entered into under this section.

"Crediting Periods of Coverage; Conditions of Payment of Benefits"

“(c)(1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

“(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

“(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining
under which system employment, self-employment, or other service shall result in a period of coverage; and

"(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement; and

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C) (i) (I) or (II) in the case of an individual becoming eligible for such benefit on or after that date.

"(3) Section 226 shall not apply in the case of any
individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

“(4) Any such agreement may contain other provisions, which are not inconsistent with the other provisions of this title and which the President deems appropriate to carry out the purposes of this section.

“Regulations

“(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

“Reports to Congress; Effective Date of Agreements

“(e)(1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.

“(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of the period, following the date on which the agreement is transmitted in accordance with paragraph (1), during which each House of the Congress has been in session
on each of 90 days; except that such agreement shall not become effective if, during such period, either House of the Congress adopts a resolution of disapproval of the agreement.”.

(b)(1) Section 1401 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

“(c) Relief From Taxes in Cases Covered by Certain International Agreements.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.”.

(2) Sections 3101 and 3111 of such Code are each amended by adding at the end thereof the following new subsection:

“(c) Relief From Taxes in Cases Covered by Certain International Agreements.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the
extent that such wages are subject under such agreement to
taxes or contributions for similar purposes under the social
security system of such foreign country:’.

(3) Section 6051(a) of such Code is amended by adding at the end thereof the following new sentence: “The amounts required to be shown by paragraph (5) shall not include wages which are exempted pursuant to sections 3101 (c) and 3111(c) from the taxes imposed by sections 3101 and 3111.”.

(4) Notwithstanding any other provision of law, taxes paid by any individual to any foreign country with respect to any period of employment or self-employment which is covered under the social security system of such foreign country in accordance with the terms of an agreement entered into pursuant to section 233 of the Social Security Act shall not, under the income tax laws of the United States, be deductible by, or creditable against the income tax of, any such individual.

**COVERAGE OF NONPROFIT ORGANIZATIONS WHICH FAILED TO FILE WAIVER CERTIFICATES**

Sec. 129. (a)(1) Section 3121(k)(5) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where refund or credit has been made and new certificate is not filed) is amended—

(A) by striking out “prior to the expiration of 180
days after the date of the enactment of this paragraph,”
in subparagraph B and inserting in lieu thereof “prior
to January 1, 1978”; and
(B) by striking out “the 181st day after the date
of the enactment of this paragraph,” and “such 181st
day” in the matter following subparagraph (B) and
inserting in lieu thereof in each instance “January 1,
1978”.
(2) Section 3121(k)(7) of such Code (relating to
payment of both employee and employer taxes for retro-
active period by organization in cases of constructive filing)
is amended—
(A) by striking out “prior to the expiration of 180
days after the date of the enactment of this paragraph”
and inserting in lieu thereof “prior to January 1,
1978”;;
(B) by striking out “the 181st day after such
date,” and inserting in lieu thereof “January 1; 1978,”;
and
(C) by striking out “prior to the first day of the
calendar quarter in which such 181st day occurs” and
inserting in lieu thereof “prior to that date”.
(3) Section 3121(k)(8) of such Code (relating to
extended period for payment of taxes for retroactive cover-
age) is amended—
(A) by striking out "by the end of the 180-day period following the date of the enactment of this paragraph" and inserting in lieu thereof "prior to January 1, 1978;"

(B) by striking out "within that period" and inserting in lieu thereof "prior to January 1, 1978"; and

(C) by striking out "on the 181st day following that date" and inserting in lieu thereof "on that date".

(b)(1) Section 3121(k)(4) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by adding at the end thereof the following new subparagraph:

"(C) In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

"(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A)(ii)) terminated prior to October 1, 1976, or

"(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration
paid by such organization to individuals who
became its employees after the close of the calen-
dar quarter in which such period began,
taxes under sections 3101 and 3111—

“(iii) in the case of an organization which
meets the requirements of this subparagraph by
reason of clause (i), with respect to remunera-
tion paid by such organization after the termi-
nation of the period referred to in clause (i) and
prior to July 1, 1977; or

“(iv) in the case of an organization which
meets the requirements of this subparagraph by
reason of clause (ii), with respect to remunera-
tion paid prior to July 1, 1977, to individuals
who became its employees after the close of the
calendar quarter in which the period referred
to in clause (i) began,

which remain unpaid on the date of the enactment
of this subparagraph, or which were paid after
October 19, 1976, but prior to the date of the enact-
ment of this subparagraph, shall not be due or pay-
able (or, if paid, shall be refunded); and the certifi-
cate which such organization is deemed under this
paragraph to have filed shall not apply to any serv-
ice with respect to the remuneration for which the
taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages subject to the taxes imposed by section 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (a)(ii)) during which the taxes imposed by such sections were paid by such organization.”.

(2) Section 3121(k)(4)(A) of such Code is amended by inserting “(subject to subparagraph (C))” after “effective” in the matter following clause (ii).

(3) Section 3121(k)(6) of such Code (relating to application of certain provisions to cases of constructive filing) is amended by inserting “(except as provided in paragraph (4)(C))” after “services involved” in the matter preceding subparagraph (A).

(c) In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121
(k)(4) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k)(1) of such Code, on or after the first day of the applicable period described in subparagraph (A)(ii) of such section 3121(k)(4) and before July 1, 1977; and

(2) the service so performed does not constitute employment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the waiver certificate which the organization is deemed to have filed is made inapplicable to such service by section 3121(k)(4)(C) of such Code, but would constitute employment (as so defined) in the absence of such section 3121(k)(4)(C), the remuneration paid for such service shall, upon the request of such individual (filed on or before April 15, 1980, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full payment of all of the taxes which would have been paid under section 3101 of such Code with respect to such remuneration but for such section 3121(k)(4)(C) (or by satisfactory evidence that appropriate arrangements have been made for the payment of such taxes in installments as provided in section 3121(k)(8) of such Code), be deemed to constitute remuneration for employment as so defined. In any case where remuneration
paid by an organization to an individual is deemed under
the preceding sentence to constitute remuneration for
employment, such organization shall be liable (notwith-
standing any other provision of such Code) for payment of
the taxes which it would have been required to pay under
section 3111 of such Code with respect to such remuneration
in the absence of such section 3121(k)(4)(C).

(d) Section 3121(k)(8) of the Internal Revenue
Code of 1954 (relating to extended period for payment of taxes for
retroactive coverage), as amended by subsection (a)(3) of
this Act, is amended to read as follows:

"(8) EXTENDED PERIOD FOR PAYMENT OF TAXES
FOR RETROACTIVE COVERAGE.—Notwithstanding any
other provision of this title, in any case where—

"(A) an organization is deemed under para-
graph (4) to have filed a valid waiver certificate
under paragraph (1), but the applicable period
described in paragraph (4)(A)(ii) has terminated
and part or all of the taxes imposed by sections 3101
and 3111 with respect to remuneration paid by such
organization to its employees after the close of such
period remains payable notwithstanding paragraph
(4)(C), or

"(B) an organization described in paragraph
(5)(A) files a valid waiver certificate under para-
graph (1) by December 31, 1977, as described in paragraph (5)(B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on January 1, 1978, or

"(C) an individual files a request under section 3 of Public Law 94–563, or under section 3 of the Act which added paragraph (4)(C) of this subsection, to have service treated as constituting remuneration for employment (as defined in section 3121(b) and in section 210(a) of the Social Security Act),

the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.”.

(e) The first sentence of section 3 of Public Law 94–563 (in the matter following paragraph (3)) is amended—

(1) by inserting “on or before April 15, 1980,” after “filed”; and
(2) by inserting “or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code” after “so refunded or credited”.

(f) Section 3121(k)(4)(A)(i) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by striking out “or any subsequent date” and inserting in lieu thereof “(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph.)”.

(g) The amendments made by subsections (a), (b), (d), (e), and (f) shall be effective as though they had been included as a part of the amendments made to section 3121 (k) of the Internal Revenue Code of 1954 by the first section of Public Law 94–563 (or, in the case of the amendments made by subsection (e), as a part of section 3 of such Public Law).

TITLE II—MISCELLANEOUS

STUDIES AND REPORTS

Sec. 201. (a) The Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, shall immediately study the need to develop a special Consumer Price Index for the elderly. Not later than 6 months after the date of enactment of this Act, the Secretary of Labor and
the Secretary of Health, Education, and Welfare shall each submit to the Congress a report of his findings and recommendations with respect to the need for such an index, together with an estimate of the financial impact that such an index would have on the costs of the programs established under the Social Security Act.

(b)(1) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall make a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the program established under title II of the Social Security Act, and of proposals to bring about equal treatment for men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of factors such as—

(A) changes in the nature and extent of women's participation in the labor force,

(B) the increasing divorce rate, and

(C) the economic value of women's work in the home.

The study shall include appropriate cost analyses.

(2) The Secretary shall submit to the Congress within
six months after the date of enactment of this Act, a full
report on the study carried out under paragraph (1).

APPOINTMENT OF HEARING EXAMINERS

SEC. 202. The persons who were appointed to serve as
hearing examiners under section 1631(d)(2) of the Social
Security Act (as in effect prior to January 2, 1976), and
who by section 3 of Public Law 94–202 were deemed to be
appointed under section 3105 of title 5, United States Code
(with such appointments terminating no later than at the
close of the period ending December 31, 1978), shall be
deemed appointed to career-absolute positions as hearing
examiners under and in accordance with section 3105 of
title 5, United States Code, with the same authority and
tenure (without regard to the expiration of such period) as
hearing examiners appointed directly under such section
3105, and shall receive compensation at the same rate as
hearing examiners appointed by the Secretary of Health,
Education, and Welfare directly under such section 3105.
All of the provisions of title 5, United States Code, and the
regulations promulgated pursuant thereto, which are applica-
table to hearing examiners appointed under such section 3105,
shall apply to the persons described in the preceding sentence.

REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 203. Notwithstanding the provisions of section
706(d) of the Social Security Act, the report of the
Advisory Council on Social Security which is due not later than January 1, 1979, may be filed at any date prior to October 1, 1979.

TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS THEREOF WITH RESPECT TO COSTS OF WELFARE PROGRAMS

Sec. 301. Section 403 of the Social Security Act is amended—

(1) in subsection (a), by adding at the end thereof the following new paragraph:

"In the case of calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount to be paid to each State (as determined under the preceding provisions of this subsection or section 1118, as the case may be) shall be increased in accordance with the provisions of subsection (i) of this section."; and

(2) by adding at the end thereof, the following new subsection:

"(i)(1) In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection
(a) or section 1118, as the case may be) to each State, which has a State plan approved under this part, shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

"(A) an amount which bears the same ratio to $100,000,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

"(B) (i) in the case of Puerto Rico, Guam, and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

(ii) in the case of any other State, an amount which bears the same ratio to $100,000,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State, under section 106 of the State and Local Fiscal Assistance Act of 1972 for the most recent entitlement period for which allocations have been made under such section prior to the date of enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period."
“(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan, approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 90 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

“(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this subsection for calendar quarters prior to April 1, 1978, shall be made in a single installment, which shall be payable as shortly after October 1, 1977, as is administratively feasible.”.

INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAMS

Sec. 302. (a) Section 403 of the Social Security Act is amended by adding after subsection (i) (as added by section 301 of this Act) the following new subsection:

“Incentive Adjustments in Federal Financial Participation

“(j) If the dollar error rate of excess payments of aid
furnished by a State under its State plan, approved under this part, with respect to any six-month period, as based on samples and evaluations thereof, is—

“(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

“(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

“(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

“(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

“(C) 30 per centum of the Federal share of such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,
“(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

“(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.”.

(b) Payments may be made under the amendments made by subsection (a) only in the case of periods commencing on or after January 1, 1978.

ACCESS TO WAGE INFORMATION

Sec. 303. (a) Part A of title IV of the Social Security Act is amended by inserting after section 410 the following new section:

“ACCESS TO WAGE INFORMATION

“Sec. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children, approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

“(b) The Secretary shall establish such safeguards as
are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section.”.

(b) Section 3304(a) of the Federal Unemployment Tax Act is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

“(16)(A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual’s eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof, when such information is specifically requested by such State or political subdivision for such purpose, and

“(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);”.
(c) Section 402(a) of the Social Security Act is amended—

(1) by striking out the word "and" at the end of paragraph (27);

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding at the end thereof the following new paragraph:

"(29) Effective October 1, 1979, provide that wage information available from the Social Security Administration under the provisions of section 411 of this Act, and available (under the provisions of section 3304(a)(16) of the Federal Unemployment Tax Act) from agencies administering State unemployment compensation laws, shall be requested and utilized to the extent permitted under the provisions of such sections; except that the State shall not be required to request such information from the Social Security Administration where such information is available from the agency administering the State unemployment compensation laws.".

(d) The amendments made by this section shall be effective on the date of the enactment of this Act.
STATE DEMONSTRATION PROJECTS

Sec. 304. Section 1115 of the Social Security Act is amended—

(1) by inserting "(a)" after "Sec. 1115.";

(2) by redesignating subsections (a) and (b) as paragraphs (1) and (2), respectively; and

(3) by adding at the end thereof the following new subsection:

"(b) (1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

"(A) provide that not more than one such project be conducted on a statewide basis;

"(B) provide that in making arrangements for public service employment—

"(i) appropriate standards for the health, safety, and other conditions applicable to the per-
formance of work and training on such project are established and will be maintained,

"(ii) such project will not result in the displacement of employed workers,

"(iii) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

"(iv) appropriate workmen’s compensation protection is provided to all participants;

"(C) provide that participation in any such project by any individual receiving aid to families with dependent children be voluntary.

"(2) Any State which establishes and conducts demonstration projects under this subsection, may, subject to paragraph (3), with respect to any such project—

"(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any indi-
vidual, and 402(a)(19) (relating to the work incentive program);

"(B) subject to paragraph (4) use to cover the costs of such projects such funds as are appropriated for payment to any such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such demonstration projects are conducted; and

"(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which such demonstration projects are conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

"(3)(A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Such State shall be authorized to proceed with such project (i) when such application has been approved by the Secretary, or (ii) forty-five days after the date on which
such application is submitted unless the Secretary, during such forty-five-day period, disapproves such application.

"(B) Notwithstanding the provisions of paragraph (2) (A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The demonstration project under which any such disapproved waiver was made by such State shall be terminated not later than the last day of the month following the month in which such waiver was disapproved.

"(4) Any amount payable to a State under section 403 (a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

"(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.

"(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be
conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980."

EARNED INCOME DISREGARD

Sec. 305. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "any expenses" and inserting in lieu thereof "any child care expenses".

(b) Section 402(a)(8)(A)(ii) of the Social Security Act is amended to read as follows:

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, (I) the first $60 of earned income for individuals who are employed at least forty hours per week, or at least thirty-five hours per week and are earning at least $92 per week, and (II) the first $30 of earned income for individuals not meeting the criteria of subclause (I), plus (III) in each case, one-third of up to $300 of additional earnings, and one-fifth of such additional earnings in excess of $300, except that in each case an
amount equal to the reasonable child care expenses incurred (subject to such limitations as the Secretary may prescribe in regulations) shall first be deducted before computing such individual’s earned income (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b) (2) and (3)); and’.

(c)(1) The amendments made by this section shall become effective on January 1, 1978.

(2) A State plan for aid and services to needy families with children shall not be regarded as failing to comply with the requirements imposed with respect to approved State plans under part A of title IV of the Social Security Act, and the amount payable to any State under such part shall not be decreased, solely because such State plan fails to comply with the requirements of paragraph (7) or (8) of section 402(a) of the Social Security Act as in effect after the date of enactment of this Act and prior to January 1, 1978, if such State plan complies with the requirements of such paragraphs or amended by this section.
Amend the title so as to read: "An Act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to increase the earnings limitation, and for other purposes."

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,

Clerk.
AN ACT

To provide duty-free treatment for istle.

JULY 20 (legislative day, May 18), 1977
Read twice and referred to the Committee on Finance

OCTOBER 21, 1977
Reported with an amendment and an amendment to the title

NOVEMBER 1 (legislative day, OCTOBER 29), 1977
SOCIAL SECURITY FINANCING ACT
OF 1977

On November 4, the Senate passed H.R. 9346, the "Social Security Financing Act of 1977," by a vote of 42 to 25. The bill now goes to a House-Senate conference, where differences between the House-passed and Senate-passed versions of the bill will be resolved.

Except as outlined below, the provisions of H.R. 9346 as passed by the Senate are the same as in the bill as reported by the Committee on Finance. The two enclosed press releases issued by the Committee describe the bill as reported.

Floor Amendments

The Senate passed a number of amendments to H.R. 9346 as reported by the Committee.

1. Retirement test

As passed, H.R. 9346 would lower the age at which the retirement test no longer applies from 72 to 70 effective for taxable years ending after 1981.

It would also eliminate the retirement test monthly measure except in the first year in which a beneficiary is both entitled to benefits and has a month in which he does not earn over the monthly measure (or render substantial services if he is self-employed).

The amendment made no change in the increases in the annual exempt amount (to $4,500 in 1978 and $6,000 in 1979) as reported by the Senate Finance Committee.

2. Minimum benefit

The initial minimum primary insurance amount (PIA) of future beneficiaries would be frozen at an amount equal to the minimum PIA in effect in January 1979 (estimated to be about $121). Benefits based on the minimum would be kept up to date with rising prices only after age 62, disability, or death.
3. Semiannual cost-of-living benefit increases

Whenever the consumer price index (CPI) increased at least 4 percent over a 6-month measuring period, social security and supplemental security income (SSI) benefits would be increased automatically by the percentage increase in the CPI. Increases could be effective for June or December for social security benefits and July or January for SSI benefits. If the 4-percent level were not reached over a 6-month measuring period, the present-law measuring period (with a 3-percent trigger) would be used. Under current economic assumptions, this provision is not expected to result in semiannual benefit increases.

4. Disability benefits for the blind

Individuals who are legally blind (20/200 of central visual acuity after correction) would: (a) be considered disabled, regardless of earnings or capacity to work, (b) be insured with only 6 quarters of coverage, regardless of when earned, (c) be provided a special computation, so that only quarters which are quarters of coverage would be used in computing or recomputing benefits, (d) continue to receive disability benefits after age 65 (and not be subject to the retirement test), and (e) not be subject to benefits being suspended even if they refused, without good cause, to undergo vocational rehabilitation services.

5. Workmen's compensation

The workmen's compensation offset provision under present law would be eliminated. Under present law, social security disability insurance benefits are offset for disabled worker beneficiaries under age 62 (and their dependents) if such benefits, in combination with their workmen's compensation, exceed 80 percent of their predisability earnings.

6. Limitation on tax liability of State and local governments and nonprofit organizations

The provision in H.R. 9346 as reported by the Finance Committee for refunding to State and local governmental and nonprofit employers a portion of the amount by which such an employer's tax exceeds the amount of employee tax was deleted. H.R. 9346 as passed would limit such an employer's tax liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer's tax liability would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. (An exception would be made where 100 percent of such an employer's tax liability under the bill was less than his 1979 tax liability in which case the lower figure would be paid.)

The Senate amendment would also authorize appropriations from general revenues to make up for the loss of social security tax revenues that would occur as a result of enactment of the amendment.
7. Nonprofit organizations

The provisions in H.R. 9346 as reported by the Finance Committee relating to deemed coverage of certain nonprofit organizations was amended: First, to provide for a refund of social security taxes for nonprofit organizations that paid them while waiting for the Internal Revenue Service to approve their requests for tax exempt status. (Such refunds are precluded under present law.) Second, to provide that organizations that received a refund of social security taxes for periods before April 1, 1973 (rather than July 1, 1973, as under present law) would not be required to bring their employees under social security coverage.

8. Coverage

Mississippi

H.R. 9346 would add Mississippi to the 21 States already named in the law that can make social security coverage available to policemen and firemen in positions covered under a State or local retirement system.

New Jersey

H.R. 9346 would add New Jersey to the 20 States already named in the law that can provide social security coverage under the divided retirement system procedure. (Under the "divided retirement system" procedure, coverage may be extended to only those present employees in positions under a retirement system who desire it, with all employees who subsequently enter or reenter positions under the retirement system being covered.)

9. Other amendments

The Senate also added (a) a provision for Federal payments to States as reimbursement for certain incorrect supplementary payments made by States during calendar year 1974 because of the States' reliance on incorrect information furnished by HEW through the State data exchange or because of the States' reliance on benefits paid by HEW, (b) a provision to grant tax credits to offset the expense of college tuition, (c) a provision that cost-of-living increases in social security benefits would not result in a reduction in a beneficiary's veterans' pension and certain types of Veterans' compensation payments, and (d) redefined "wheelchair" for Medicare and Medicaid purposes.

Financing

H.R. 9346, as passed by the Senate, provides additional financing to meet the cost of eliminating the retirement test at age 70. The contribution rate schedule and the contribution and benefit base under present law and H.R. 9346 as passed by the Senate are shown on the enclosed table.
Beginning in 1981, the bill would eliminate annual deficits in the combined OASI and DI trust funds. Over the long range—the next 75 years—the OASDI program would have a deficit equal to about 0.2 percent of taxable payroll.

House-Senate Conference Action

H.R. 9346 now goes to a House-Senate conference to resolve differences between the House- and Senate-passed versions of the bill. The conference is expected to begin sometime after Thanksgiving.

Samuel E. Crouch
Director
Office of Program Evaluation and Planning

Enclosures
H.R. 9346 AS PASSED BY THE SENATE

CONTRIBUTION RATE SCHEDULE
(In percent)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Present Law</th>
<th>H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Employees and employers, each</td>
<td></td>
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</tr>
<tr>
<td>1977</td>
<td>4.95</td>
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</tr>
<tr>
<td>1978</td>
<td>4.95</td>
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</tr>
<tr>
<td>1995-2000</td>
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</tr>
<tr>
<td>2001-2010</td>
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</tr>
<tr>
<td>2011 and later</td>
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Self-employed persons

<table>
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<tr>
<th>Calendar Year</th>
<th>Present Law</th>
<th>H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>1977</td>
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<td>1990-94</td>
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<td>1.50</td>
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<tr>
<td>1995-2000</td>
<td>7.00</td>
<td>1.50</td>
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<tr>
<td>2001-2010</td>
<td>7.00</td>
<td>1.50</td>
</tr>
<tr>
<td>2011 and later</td>
<td>7.00</td>
<td>1.50</td>
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CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES, SELF-EMPLOYED, AND EMPLOYERS

<table>
<thead>
<tr>
<th>Years</th>
<th>Present Law (Employers, Employees, Self-employed)</th>
<th>H.R. 9346 (Employees/ Self-employed, Employers)</th>
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<tbody>
<tr>
<td>1977</td>
<td>$16,500 /</td>
<td>$16,500 /</td>
</tr>
<tr>
<td>1977</td>
<td>17,700 /</td>
<td>17,700 /</td>
</tr>
<tr>
<td>1979</td>
<td>18,900 /</td>
<td>19,500 / /</td>
</tr>
<tr>
<td>1980</td>
<td>20,400 /</td>
<td>21,000 / /</td>
</tr>
<tr>
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<td>21,900 /</td>
<td>23,100 / /</td>
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<td>1983</td>
<td>24,900 /</td>
<td>26,700 / /</td>
</tr>
<tr>
<td>1984</td>
<td>26,400 /</td>
<td>28,200 / /</td>
</tr>
<tr>
<td>1985</td>
<td>27,900 /</td>
<td>30,300 / /</td>
</tr>
<tr>
<td>1986</td>
<td>29,400 /</td>
<td>32,100 / /</td>
</tr>
<tr>
<td>1987</td>
<td>31,200 /</td>
<td>33,900 / /</td>
</tr>
</tbody>
</table>

/1/ Estimated.
/3/ Specified in H.R. 9346.
PRESS RELEASE

FOR IMMEDIATE RELEASE

COMMITTEE ON FINANCE

UNITED STATES SENATE

2227 Dirksen Senate Office Bldg.

SENATE FINANCE COMMITTEE REPORTS SOCIAL SECURITY BILL

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the Committee had reported the Social Security Amendments of 1977 (H.R. 5322) to the Senate and taken other action as described below.

Social Security Amendments

The Social Security amendments in the reported bill are, with one exception, the amendments described in the Committee press release dated October 25, 1977.

The change from the provisions described in the October 25 press release concerns the provision which would have provided a refundable tax credit to State and local Governments and to nonprofit organizations. Today's Committee action would make the credit available only after funds are appropriated through the regular appropriations process rather than through the tax refund process.

In addition, the reported bill would make a number of changes related to welfare programs. These changes are described below.

Fiscal relief for State and local welfare costs.--The Committee agreed to provide $400 million in additional Federal funding of welfare costs as a means of providing fiscal relief to State and local Governments for fiscal year 1978. Each State would receive a share of that total on the basis of a two-part formula. Half of the fiscal relief funds would be distributed to each State in proportion to its share of total expenditures under the program of aid to families with dependent children (AFDC) for December 1976, and half would be distributed under the general revenue sharing formula.

In some States, local units of Government are responsible for meeting part of the costs of the AFDC program. The fiscal relief payments to those States under this provision would have to be passed through to local Governments. However, States would not be required to pass through an amount in excess of 90 percent of the amount of the welfare costs for which the local Government was otherwise responsible.
Quality control and incentives to reduce errors. -- The
Committee amendment would establish a program of fiscal incentives as part of the AFDC quality control program to encourage States to reduce the level of their dollar error rates with respect to eligibility and overpayment of aid paid under the approved State plan. Instead of applying sanctions on the States, the dollar error rates would be used as the basis for a system of incentives, which would give the States motivation for expanding their quality control efforts and improving program administration. Under the amendment, States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4 percent payment error rate. This percentage would increase proportionately as shown in the following table:

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Federal Savings Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 3.5% but less than 4%</td>
<td>10</td>
</tr>
<tr>
<td>At least 3% but less than 3.5%</td>
<td>20</td>
</tr>
<tr>
<td>At least 2.5% but less than 3%</td>
<td>30</td>
</tr>
<tr>
<td>At least 2% but less than 2.5%</td>
<td>40</td>
</tr>
<tr>
<td>Less than 2%</td>
<td>50</td>
</tr>
</tbody>
</table>

Demonstration projects. -- The Committee amendment broadens and makes more explicit the provision of present law relating to State demonstration programs. The objectives of the new demonstration authority would be to permit States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of persons who are on assistance--or who otherwise would be on assistance. These objectives would be achieved through experiments designed to make employment more attractive for welfare recipients.

This provision is similar in intent to an amendment approved by the Senate in 1973. It would limit States to not more than three demonstration projects. One of the projects could be statewide, and none of the projects could last for more than two years. The amendment would permit States to waive the requirements of the AFDC program relating to (1) statewideliness; (2) administration by a single State agency; (3) the earned income disregard; and (4) the work incentive program. The State could request a waiver of any or all of these requirements on its own initiative. The waiver would be considered approved at the end of 45 days unless the Secretary disapproved it within a 45-day waiting period.

Access to wage information for AFDC verification.--The Committee amendment would improve the capacity of States to acquire accurate wage data by providing authority for the States to have access to earnings information in records maintained by the Social Security Administration and State employment security agencies. Such information would be obtained by a search of wage records conducted by the Social Security Administration or employment security agencies to identify the fact and amount of earnings and the identity of the employer in the case of individuals who were receiving AFDC at the time the earnings were received. The Secretary of Health, Education, and Welfare would be authorized to establish necessary safeguards against improper disclosure of the information. Beginning October 1979, the States would be required to request and use the earnings information made available to them under the Committee amendment.
Earned income disregard.—Under present law States are required, in determining need for aid to families with dependent children, to disregard the first $30 earned monthly by an adult, plus one-third of additional earnings. Costs related to work—such as transportation, child care, uniforms, and other items—are also deducted from earnings in calculating the amount of the welfare benefit.

The Committee bill requires States to disregard the first $60 earned monthly by an individual working full time—$30 in the case of an individual working part-time—plus one-third of the next $300 earned plus one-fifth of amounts earned above this. Child care expenses, subject to limitations prescribed by the Secretary, would be deducted before computing an individual's earned income. Other work expenses could not be deducted.

The welfare amendments added to H.R. 5322 today were previously approved by the Committee in modified form as amendments to the bill H.R. 7200.

Pension Plan Termination Insurance Premium Increase

On October 19, the Committee had agreed to postpone action on a PBGC-proposed increase in its annual insurance premium from $1.00 to $2.25 per pension plan participant. Today, the Committee reconsidered its prior decision and agreed that the annual premium for single-employer pension plans under the termination insurance program administered by the Pension Benefit Guaranty Corporation (PBGC) should be increased to $2.60 per participant.
PRESS RELEASE
FOR IMMEDIATE RELEASE
October 25, 1977

UNITED STATES SENATE
227 Dirksen Senate Office Bldg.

COMMITTEE ON FINANCE

SUMMARY OF SENATE FINANCE COMMITTEE ACTION ON SOCIAL SECURITY

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the agreements which the Committee has reached for changes in the Social Security program will restore the financial soundness of that program both over the next few years and over the traditional long-range financing period of 75 years. The Social Security provisions which have been agreed to by the Committee are summarized below.

Financing Provisions

Revised benefit formula for future retirees. — A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The Committee has agreed to make the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. To assure that the value of benefits for new retirees is maintained, the Committee has agreed to a new formula for computing initial benefits. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring in the economy. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of preretirement income at approximately the same ratio as applied in the case of persons who retired in 1976.

Increase in amount of earnings subject to employer tax. — Under existing law, the employer share of the social security payroll tax is collected on the first $16,500 earned by each employee. This amount increases automatically in future years as wages rise and is expected to increase to $17,700 in 1978. The Committee provision would raise the base for employer taxes to $50,000 starting in 1979. The employer base will remain at a flat $50,000 through 1984 and then increase in 1985 to $75,000. The base will remain at a flat $75,000 until such time as the employer tax base reaches a level of $75,000. Thereafter, the two bases would be equal and would rise together in relation to the increases in average wages. It is projected that the $75,000 base would remain in effect until sometime after the turn of the century. (Increasing the amount of wages subject to social security taxes would also result in a similar increase under the railroad retirement program. Since the railroad program has a higher tax rate for employers than for employees (related to certain segments of the benefit structure which are based on labor-industry negotiations), the Committee agreed to limit the applicability of this provision in the case of the railroad system. Under the Committee amendment the increased employer tax base would apply only to that part of the employer tax rate which is equivalent to the social security tax rate.)

Increase in amount of earnings subject to employee (or self-employer) tax. — In addition to increasing the amount of wages subject to the employer tax, the Committee also approved an increase in the amount of annual earnings subject to the employee or self-employment tax. Under the amendment, there will be four $600 increases over present law levels in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases under this amendment.

AMOUNT OF EARNINGS SUBJECT TO SOCIAL SECURITY TAX

<table>
<thead>
<tr>
<th>Years</th>
<th>Present Law (Employers, Employees, Self-employed)</th>
<th>Committee Amendment (Employers, Employees, Self-employed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>$18,900</td>
<td>$19,500</td>
</tr>
<tr>
<td>1980</td>
<td>$20,400</td>
<td>$21,000</td>
</tr>
<tr>
<td>1981</td>
<td>$21,900</td>
<td>$23,100</td>
</tr>
<tr>
<td>1982</td>
<td>$23,400</td>
<td>$24,600</td>
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<tr>
<td>1983</td>
<td>$24,900</td>
<td>$26,700</td>
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<tr>
<td>1984</td>
<td>$26,400</td>
<td>$28,200</td>
</tr>
<tr>
<td>1985</td>
<td>$27,900</td>
<td>$30,300</td>
</tr>
</tbody>
</table>
Tax rate increase. -- The Committee also approved a modification of the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases approved by the Committee would result in a revised tax rate schedule as shown in the table below. The changes in the Hospital Insurance (HI) rates shown in the table will, in combination with the tax base changes also approved by the Committee, leave the Medicare trust funds in roughly the same position as under existing law. (There would be a small net outflow from the Hospital Insurance fund to the cash benefits fund, but this would not change the year in which the Hospital Insurance fund is projected to become exhausted under present law.)

<table>
<thead>
<tr>
<th>Year</th>
<th>OASDI 1/</th>
<th>HI 2/</th>
<th>Total</th>
<th>OASDI 1/</th>
<th>HI 2/</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
</tr>
<tr>
<td>1978</td>
<td>4.95%</td>
<td>1.10%</td>
<td>6.05%</td>
<td>5.05%</td>
<td>1.00%</td>
<td>6.05%</td>
</tr>
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<td>1979-80</td>
<td>4.95%</td>
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<td>6.05%</td>
<td>5.085%</td>
<td>1.05%</td>
<td>6.135%</td>
</tr>
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<td>1981-84</td>
<td>4.95%</td>
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<td>6.30%</td>
<td>5.35%</td>
<td>1.25%</td>
<td>6.60%</td>
</tr>
<tr>
<td>1985</td>
<td>4.95%</td>
<td>1.35%</td>
<td>6.30%</td>
<td>5.65%</td>
<td>1.35%</td>
<td>7.00%</td>
</tr>
<tr>
<td>1986-89</td>
<td>4.95%</td>
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<td>6.45%</td>
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<td>4.95%</td>
<td>1.50%</td>
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<td>6.45%</td>
<td>7.30%</td>
<td>1.40%</td>
<td>8.70%</td>
</tr>
<tr>
<td>2011 and after</td>
<td>5.95%</td>
<td>1.50%</td>
<td>7.45%</td>
<td>7.80%</td>
<td>1.40%</td>
<td>9.20%</td>
</tr>
</tbody>
</table>

1/ Old-age, survivors, and disability insurance

2/ Hospital insurance
Increase in social security tax rate for self-employment. — When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The Committee approved an amendment which would restore the self-employment tax rate for cash benefits to the original ratio of one and one-half times the employee rate effective in 1981.

Refundable tax credit for State and local governments and nonprofit organizations. — The Committee decision described above concerning the employer tax base will result in a higher amount of annual earnings being subject to the employer share of social security taxes than to the employee share starting in 1979. The Committee agreed to partially offset the impact of this increase on nonprofit organizations and State and local governments by allowing them a refundable tax credit equal to 50 percent of their increased tax liability resulting from that change. In other words, the tax credit would equal 50 percent of the difference between the employer's social security tax liability and the employee's social security tax liability for such organizations or governments.

Other Social Security Provisions

Modification of retirement test and financing of the provision. — Social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount which is adjusted annually to reflect changes in average wage levels. The amount which may be earned with no reduction in benefits is $3,000 in 1977 and is expected to increase to $6,000 in 1979. The Committee approved an amendment to increase these levels to $4,500 in 1978 and to $6,000 in 1979 and after 1979, the $6,000 level would increase automatically as wage levels rise. (The 1978 increase would be applicable to the entire year but any additional benefits resulting from the change would not become payable until after September 30, 1978.) The Committee also agreed to increase the social security tax rate applicable to employers and employees, effective January 1, 1979, by the amount needed to fund the cost of the higher retirement test levels. These tax rate increases are incorporated in the tax schedule printed above.

Benefits for dependent spouses. — The Committee approved an amendment which would reduce benefits payable under social security to dependent spouses (including surviving spouses) by the amount of any civil service (Federal, State or local) retirement benefit payable to the spouse. The provision would apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a civil service pension based on his or her own earnings in public employment which was not covered under the social security system.

Increased benefits for certain widows. — Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits because of the social security retirement test. This delayed retirement increment which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. The Committee approved an amendment under which any such increment would also be added to the benefit payable to the widow or widower of such an individual.

Elimination of certain dual taxation requirements. — Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be increased to $50,000 effective in 1979. The base for Federal unemployment taxes is $6,000 after 1977.) Where a business is organized as a group of related corporations, however, an
employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. The Committee agreed to an amendment under which social security and unemployment taxes in excess of the tax base would not be paid in this type of situation.

Delivery of social security checks. -- The Committee approved an amendment which would assure timely delivery of social security checks when the normal delivery day falls on a weekend or legal holiday. Under present procedures, checks are generally delivered on the third of each month. In some cases when the third falls on a weekend or public holiday, the beneficiary may not receive (or may be unable to cash) the check until after the third. Under the Committee amendment, whenever the third of the month falls on a weekend or legal holiday, social security checks would be delivered on the Friday before the weekend (or on the day preceding the holiday).

Limitation on retroactive social security benefits. -- Persons applying for social security benefits are now allowed to elect to start their entitlement for up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained at the cost of a lower permanent benefit amount since benefits paid before age 65 are actuarially reduced. The Committee agreed to an amendment under which retroactive benefits would not be permitted in cases involving entitlement before age 65.

Benefit increases as applied to reduced benefits. -- Under the automatic cost-of-living benefit increase provisions, some persons on the rolls, through a technicality, receive an increase which is larger than the increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the basic benefit rate (called "primary insurance amount") which represents what would be paid to a retired worker if he began drawing benefits at age 65. If an individual begins getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, subsequent benefit increases will be larger than is necessary to keep that benefit up-to-date.

The Committee agreed to modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.

International social security agreements. -- The Committee agreed to a provision which authorizes the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee and the Senate in 1973 but did not become law. The Committee decision differs from the earlier provision in that it would allow either House of Congress to disapprove the agreement by simple resolution. Such action would have to be taken within 90 days after the agreement is submitted to the Congress.

Temporary administrative law judges. -- The Committee agreed to a provision under which certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges in recognition of the experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202)

Deemed coverage of certain nonprofit organizations. -- Legislation enacted in the last Congress (P.L. 94-563) deemed certain nonprofit organizations to have waived their immunity from social security taxation. These were organizations which had been paying social security taxes even though they had failed to properly waive their immunity. The Committee agreed to an amendment correcting certain problems created by last year's legislation. The Committee provision would allow organizations affected by P.L. 94-563 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was inadvertently created.
Social security advisory council. -- The Committee agreed to extend the reporting date for the next advisory council on social security. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Study of spouses benefits. -- The Committee agreed to require the Secretary of Health, Education and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

Study of consumer price index. -- The Committee also agreed to require the Secretary of Labor, in consultation with the Secretary of Health, Education and Welfare, to study the need to develop a special consumer price index for the elderly.
Mr. LONG. Mr. President, I ask unanimous consent that when the bill H.R. 9346, the Social Security Financing Amendments of 1977, is received from the House of Representatives, it be placed on the calendar.

The PRESIDING OFFICER. Without objection—

Mr. PACKWOOD. Mr. President, wait a minute. Could the Senator give me that again. Is this the bill just passed?

The PRESIDING OFFICER. Does the Senator from Oregon reserve the right to object?

Mr. PACKWOOD. Yes, I do.

Mr. LONG. Mr. President, let me explain what I have in mind.

We in the Finance Committee have been working in committee on our social security financing recommendations. We reached a tie vote on some of the votes in the committee. I am going to ask the committee to meet and vote again on those matters so that, hopefully, we can agree on a majority position for the Senate Finance Committee.

Undoubtedly, however, we work the matter out in committee, we will still have a traditional floor fight on the difference of opinion expressed between the majority and minority.

The House has finished work on their social security bill. I would assume the Senate would like to substitute its judgment for that of the House. In committee we have agreed to report out a less important tariff bill with the committee judgment on social security financing as an amendment, and to put the bill on the calendar.

I would think the best way to proceed would be just to report the committee’s recommendation and then proceed to substitute the committee’s recommendation for the House social security financing bill.

I know the Finance Committee will want to recommend its own position as a substitute for the House bill. That being the case, rather than put the House bill in the committee, it is my thought we should simply report our own bill and then, having acted on it, substitute it for the House bill which would be waiting on the calendar.

Mr. PACKWOOD. With that explanation, I have no objection.

Mr. LONG. I thank the distinguished Senator.

The PRESIDING OFFICER. Without objection, it is so ordered.
SOCIAL SECURITY FINANCING
AMENDMENTS OF 1978

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of H.R. 9346, which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

Mr. ROBERT C. BYRD. Mr. President, there will be no action on this bill today, but it is hoped that Senators will come to the floor and make their opening statements on the social security financing bill. I think that will help to expedite the final action on it at some point tomorrow.

So that the cloakrooms may ascertain whether Senators are ready to make opening statements, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President,
Mr. ALLEN. Mr. President, with the majority leader's permission, I would like to use part of my time in making inquiry about the leadership plan of pushing the social security revisions through before the recess. Is that the plan of the leadership?

Mr. ROBERT C. BYRD. That is the intention, yes.

Mr. ALLEN. I would hope that would not take place because I believe we are seeing here in Congress the largest peacetime tax increase in the history of our country from the energy taxes and the social security raises, and I do not believe the full Senate has had an opportunity to deliberate these tremendous changes inasmuch as the bill was not reported from the committee until yesterday.

Just to pass something and allow the conference to work on it without the Senate having an opportunity to put more input into it, I believe would be unwise.

We now have the opportunity of going home, visiting among our constituents, talking to them about this tremendous change in the social security taxes, and this measure is something I do not believe is necessary this year. Sometime next year would be plenty of time. I believe this plan needs just a little bit more baking in the oven before it is thrown out here before the Senate while we have our minds on getting back home and visiting among our people.

I am hopeful that this bill will not be rushed through here. I am not saying the majority leader is trying to rush it through. I do not mean that, but requiring the Senate to consider this bill in the rush to adjourn, whether this most important bill, one that in instances increases the tax burden of wage earners by 200 percent over the next few years, whether we should rush this through prior to adjournment.

I would hope the distinguished majority leader would give serious consideration to waiting until next year on this most important bill.

Mr. ROBERT C. BYRD. Mr. President, I certainly can appreciate the reasoning behind the statement by the distinguished Senator from Alabama.

On the other hand, it is the reasoning of those of us who feel that action should be taken in this session—and this includes the President of the United States and his administration—that unless he has before him the impact of the social security financing taxes as well as the energy taxes, he will not be in a good position to formulate whatever tax reform initiatives he wishes to propose to the Congress at the beginning of the next session.

At the leadership dinner with the President last night he really reiterated his hope that Congress would act on social security financing this year.

As far as I am concerned, we do not have to do it today. I think we should certainly get started on it today, debate it today, and Senators may offer amendments, but we still have Thursday, we have Friday, and we have Saturday. I know of no other measure that the Senate is bound to take action on before going out other than the Alcan pipeline, and that should not take very long.

But while there are measures that the leadership would hope to complete action on before the close of business Saturday, they are not of such a necessity
as is the social security financing bill. So the Senate can be assured that there will be no effort to rush the bill through, for example, today. We can spend money on this bill and the only other measure which I see as absolutely necessary before we go out being the Alcan pipeline legislation. It seems to me that we would give us ample time to deliberate; and I hope that, with that much time assured, the distinguished Senator from Alabama would feel somewhat reassured as to the deliberations that will be employed in connection with this matter.

Mr. ALLEN. I thank the distinguished majority leader, and I appreciate his assurances. On the other hand, we will be acting on a bill that would last on into the next century, supposingly, and the social security fund, even though it is not taking in as much as it is now paying out, is in no danger of collapse, possibly in the next decade, certainly in the next 2 or 3 years; and I would hope, again, that we might have a greater length of time to consult with our constituents as to the route that we should follow on these revisions.

I recognize the need to have a solvent fund, but I do not see the need of insisting on passage of a bill in the next 3 or 4 days.

Mr. MORGAN. Mr. President—

Mr. ALLEN. Mr. President, I hope the distinguished majority leader knows, we have the Rules Committee meeting and the Judiciary Committee meeting, and it is not possible for Members to be on the floor at all times.

Mr. ROBERT C. BYRD. This Senator has not changed in that regard.
November 2, 1977

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RECESS UNTIL 10 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess until 10 a.m. today.

There being no objection, the Senate at 9:35 a.m., recessed until 10 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. LEAHY).

The PRESIDING OFFICER. The Chair recognizes the Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, the Senate is awaiting action by the Finance Committee and the Budget Committee with relation to the social security financing bill which is pending before the Senate, and inasmuch as there apparently needs to be more time, at least for the moment, given to the Finance Committee and the Budget Committee, I suggest, unless the minority leader has some business at this point or something to say, the Senate recess for another half hour.

Mr. BAKER. Mr. President, I think it is a good idea.

It is essential, of course, that we have the budget waiver if we are to proceed with the social security bill. I understand the two committees are busily engaged in trying to unravel that problem.

So we might proceed to the consideration of an item that is on the unanimous-consent calendar if majority leader wishes, but I am told that needs a budget waiver as well, so I guess we have to await the Budget Committee on that.

Mr. ROBERT C. BYRD. All right.

RECESS UNTIL 10:32 A.M.

Mr. ROBERT C. BYRD. Mr. President, in order to give the Finance Committee and the Budget Committee some additional time, I ask unanimous consent that the Senate stand in recess for 30 minutes.

There being no objection, the Senate at 10:02 a.m., recessed until 10:32 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. ZORINSKY).

Mr. ROBERT C. BYRD. Mr. President, will the Chair recognize the distinguished Senator from Arizona?

Mr. GOLDWATER. Mr. President, I ask unanimous consent that I may address myself to two subjects not related to current business. I will not consume over 5 or 6 minutes.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

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The PRESIDING OFFICER. The Senator from Arizona.

Mr. ROBERT C. BYRD. Mr. President, Will the Senate yield for a unanimous-consent request?

Mr. GOLDWATER. Yes.
SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. LONG. Mr. President, I report an original resolution from the Committee on Finance. Under the regular procedures, it will be referred to the Budget Committee.

Mr. President, the purpose of this resolution is to authorize the consideration by the Senate of the Finance Committee's recommendations on social security financing as an amendment to H.R. 9346 in the nature of a substitute.

Mr. President, I send to the desk the committee bill as an amendment to the pending bill.

The PRESIDING OFFICER. Is the Senator offering it as an amendment? Mr. LONG. Yes.

Mr. President, the members of the Budget Committee have already voted on the resolution I have just reported and they have approved it. They will be here shortly. I am sure, to report that they agree with the resolution. At that point, we can go ahead with the consideration of this matter.

Meanwhile, I ask unanimous consent that during the consideration of the social security financing bill, the following staff members be granted access to the floor:

From the staff of the Committee on Finance: Michael Stern, Joe Humphries, Bill Galvin, George Pritts, and David Swoap.

From the staff of the Congressional Research Service: Frank Crowley and Margaret Malone.

UP AMENDMENT 1022

(Purpose: To strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to increase the earnings limitation, and for other purposes.)

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. Long) proposes an unprinted amendment in the nature of a substitute numbered 1022.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SHORT TITLE: REFERENCE TO ACT

Section 1. (a) This Act (together with the following table of contents) may be cited as the "Social Security Amendments of 1977."

TABLE OF CONTENTS

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

Sec. 101. Application of employer excise tax to wages in excess of contribution and benefit base.

Sec. 102. Increase in contribution and benefit base for employees.

Sec. 103. Employment tax increase; increase in self-employment tax; reallocation among trust funds.

Sec. 104. Computation of primary insurance amount.

Sec. 105. Maximum benefit.

Sec. 106. Payments to certain public and nonprofit employers.

Sec. 107. Conforming changes.

Sec. 108. Effective date provisions.

PART B—GENERAL PROVISIONS

Sec. 121. Liberalization of earnings test.

Sec. 122. Widow's and widower's insurance benefits in cases of delayed retirement.

Sec. 123. Reduced benefits for spouses receiving Government pensions.

Sec. 124. Employees of members of related groups of corporations.

Sec. 125. Limitation on retroactive benefits.

Sec. 126. Delivery of benefit checks.

Sec. 127. Actuarial reduction of benefit increases to be applied as of time of original entitlement.

Sec. 128. International agreements with respect to social security benefits.

Sec. 129. Coverage of nonprofit organizations which failed to file waiver certificates.

TITLE II—MISCELLANEOUS

Sec. 201. Studies and reports.


TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICES PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

Sec. 301. Fiscal relief for States and political subdivisions thereof with respect to costs of welfare programs.

Sec. 302. Incentive adjustments for quality control in Federal financial participation in aid to families with dependent children programs.

Sec. 303. Access to wage information.

Sec. 304. State demonstration projects.

Sec. 305. Earned income disregard.

(b) Whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision without specification of Act, the reference is to a certain or other provision of the Social Security Act.

TITLE IV—PROVISIONS RELATING TO THE OLD-AGE SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

Sec. 101. (a) Section 230(c) is amended by adding at the end the following sentence: "For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3221(b) of such code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be $50,000 with respect to remuneration paid during calendar years 1979 through 1984, and with respect to calendar years after 1984 $75,000 or (if higher) the contribution and benefit base as determined under this section without regard to the provisions of this sentence."

(b) Section 230(b) is amended by striking out "shall be" in the matter preceding paragraph (1) and inserting in lieu thereof "shall (subject to subsections (c) and (d)) be".

INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES

Sec. 102. Section 230 is amended by adding at the end the following new subsection:
(d) Except as otherwise provided by the last sentence of subsection (c) and except for purposes of determining employer tax liability under section 83(i) of the Internal Revenue Code of 1954, for calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be 5.085 percent; and for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of computing any increase, under the preceding provisions of this section, in such base for any succeeding year.

(3) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.500 percent of the amount of the wages (as so defined) paid after December 31, 1985, and before January 1, 1986, and so reported, (J) 1.900 percent of the wages (as so defined) paid after December 31, 1985, and before January 1, 1986, and so reported, (K) 2.100 percent of the wages (as so defined) paid after December 31, 1984, and before January 1, 1985, and so reported, (L) 2.700 percent of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2001, (M) 3.000 percent of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2001, and (N) 3.000 percent of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2001.
COMPUTATION OF PRIMARY INSURANCE AMOUNT Sec. 104. (a) Section 215(a) is amended to read as follows:

(a)(1)(A) The primary insurance amount for an individual (except as otherwise provided in this section) is equal to the sum of—

(1) of the individual's average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of clause (i) of subparagraph (B), and

(2) the quotient obtained by dividing—

(a) the total of the wages credited to the individual, as determined under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951, which is creditable under the Railroad Retirement Act of 1978 shall apply without regard to the amount established for purposes of clause (i) which amount is the greater.

(B) (i) the primary insurance amount upon which that determination is made, by

(II) the average of the wages (as so defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the calendar year after the year for which such determination is made, if the primary insurance amount would be greater if computed or recomputed—

(1) by the amount of an individual's average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of clause (i) of subparagraph (B), and

(2) the amount equal to $8 multiplied by the individual's years of coverage in excess of 30, or

(3) the amount equal to $10 multiplied by the individual's years of coverage in excess of 35.

(III) any fraction (whether or not a multiple of $1.00) equal to the sum of—

(A) the quotient obtained by dividing—

(b) The amounts established under clause (ii) shall be rounded to the nearest $1,000, except that an amount that is a multiple of $500 but not a multiple of $1,000 shall be rounded to the next higher $1,000.

(c) No primary insurance amount computed under subparagraph (A) may be less than the greatest of—

(1) the amount in the first line of column IV in the table of benefits contained (or deemed to be contained) in this subsection as in effect in December 1978.

(d) For purposes of the preceding clause, the term 'years of coverage' means the number of years after 1950 each of which is a complete calendar year for which the individual is deemed to be entitled to a disability insurance benefit, or died, by the number (not exceeding 14 and disregarding any fraction) determined by dividing—

(1) the total of the wages credited to the individual, as determined under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951, which is creditable under section 215(a) or 215(b) (or section 216), and

(2) the number of months in those years.

(e) With respect to computing the primary insurance amount, after December 1978, of an individual who was eligible for an old-age or disability insurance benefit, became entitled to a disability insurance benefit, or died, prior to January 1979, the amounts established under section 215(a) as in effect in December 1978 shall apply without regard to any increase in that table which becomes applicable, according to clause (C) for years after 1978 except as provided in subsection (i)(2) (A) (III), and

(2) the individual's average indexed monthly wage shall be computed as provided by subsection (b) (4).

(3) (A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

(i) an individual who was not eligible for an old-age or disability insurance benefit to whom in that month who in that month was entitled to an old-age insurance benefit, or

(II) an individual described in clause (i) who was entitled to a disability insurance benefit for a month prior to January 1979, (except to the extent that paragraph (A) otherwise provides).

(3) (B) For the purposes of this title, an individual is deemed to be eligible for an old-age insurance benefit for a month in which he attains age 62, or for a disability insurance benefit for months beginning in the month in which a period of disability shall be considered the month of eligibility.

(4) Paragraph (1) does not apply to the computation or recomputation of a primary insurance amount for—

(i) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, in the year in which there occurs a benefit recomputation or reentitlement, increased as provided in section 216 (1) (2) (C), unless less than 12 months have elapsed since the termination of a prior period during which the individual was entitled to a disability insurance benefit, or

(ii) an individual who was eligible for an old-age or disability insurance benefit, or died, prior to January 1979, to whom a benefit was recomputed or reentitled in accordance with this title, and wages deemed to be paid to such individual pursuant to section 216 (2)(C).
"(i) the term 'benefit computation years' means, in the case of any individual, those computation base years, equal in number to the number of years under which the individual would be entitled to old-age or disability insurance benefits, as so defined, of the individual's primary insurance benefits, excluding any part of which he is entitled to old-age or disability insurance benefits, as so defined, the year in which he attained age 65, or the year prior to the year in which he attained age 65, of the individual's primary insurance benefits, as so defined, (II) the average of the wages (as so defined) and the self-employment income of an individual's primary benefit computation base years for purposes of the selection thereof for benefit computation years under paragraph (2) is determined by—

"(I) the product of—

(i) in the case of an individual who attained age 21, the year in which occurred the earliest year of the individual's death, eligibility for an old-age, or disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual's attainment of age 21, and to each other, in the case of any individual who first became eligible for benefits after the year in which he attained age 21) and

(ii) in the case of a full $3,000 increment was credited; and

(iii) no more than $42,000 may be taken of the wages prior to 1951 (if less than $3,000, is deemed credited, and the remainder of the individual's total wages, in $3,000 increments, to the year in which which occurred after the second calendar year for which the determination is made, and

"(III) the wages paid in or self-employment income credited to an individual's computation base year—

"(I) which occurs after the second calendar year specified in subparagraph (A) (II) (1), where applicable, or

"(II) in a year which under subsection (f) (2) (C) is considered to be the last year of the period specified in subsection (B) (2) (II) available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) In determining the average monthly wage of an individual whose primary insurance benefits is computed (after 1978) under section 215(f) of this title, the average of the wages (as so defined) and self-employment income of an individual's primary benefit computation base years for purposes of the selection thereof for benefit computation years under paragraph (2) is determined by—

"(I) the product of—

(iii) in the case of an individual who attained age 21, the year in which occurred the earliest year of the individual's death, eligibility for an old-age, or disability insurance benefit, or the individual's death, prior to 1979.

"(ii) the quotient obtained by dividing—

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"(I) which occurs after the second calendar year specified in subparagraph (A) (II) (1), where applicable, or

"(II) in a year which under subsection (f) (2) (C) is considered to be the last year of the period specified in subsection (B) (2) (II) available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.
November 2, 1977

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respect to each of those subparagraphS shall
equal the product of the corresponding
established for 1979 by subparagraph
mary insurance amounts and maximum amount
obfamily benefits for individuals to whom such (A) of this paragraph and the quotient
under subparagraph (B) (ii) of secparagraph (4) (B) applies), the Secretary tained
shall publish in the Federal Register revisions tion 215(a) (1). Such product shall be
of the table of benefits contained in subsec- rounded in like manner as is prescribed by
tion (a), as in effect in December 1978, as re- sectio 215(a)(1) (B) (iii).
"(C) In each calendar year after 1978 the
quired by paragraph (2) (D) of this subsecSecretary shall publish in the Federal Regtion, as then in effect.".
(h) (1) Section 230 of the Social Security ister, on or before November 1, the formula
Act is amended by adding after subsection applicable under this subsection to individwho become eligible for old-age insur(d) (as added by section 102 of this Act) uals
ance benefits, become disabled, or die in the
the following new subsection:
following
calendar year.
"(e) For purposes of subsection (b), the
"(3) (A) When an individual to whom this
term 'wages' for years after 1976 shall have
the meaning assigned to such term by section subsection applies wosld (but for the proof section 202(k) (2) (A) ) be entitled
3401(a) of the Internal Revenue Code of visions
1954 and section 3121(a) of such Code (but to child's insurance benef Is for a month on
without regard to the operation of section the basis of the wages and self-employment
230 of the Social Security Act as specified income of one or more other individuals, the
therein) to the extent that they are excluded total of benefits shall not be reduced under
from such section 3401 (a). For years before this subsection to less than the smaller of-—
"(i) the sum of the maximum amounts of
1977, the term 'wages' shall be determined
under regulations to be promulgated by the benefits payable on the basis of the wages
and self-employment income of all of those
Secretary.".
or
(2) The amendment made by paragraph individuals,
"(ii) an amount equal to the product
(1) shall be applicable to determinations of
the Secretary of Health, Education, and Wel- of 1.75 and the primary insurance amount
fare, under section 230 of the Social Security that would be computed under section 215
(a) (1) for that month with respect to averAct effective in the case of calendar years age
indexed monthly earnings equal to oneafter 1978.
twelfth of the contribution and benefit base

computing primary Insurance amounts and
(g) (1) ieetIon 215(1) (2) (A) (Ii) is amend- •maximum
family benefits (other than pri-

ed to read as follows:

"(ii) If the Secretary determines that the
base quarter in any year is a cost-of-living
computation quarter, he shall, effective with

the month of June of that year as provided

in subparagraph (B). increase—
(I) the benefit ampunt of each individual

who for that month is entitled to benefits
under sectIon 227 or 228.
(El) the primary insurance amount of
each other individual on which benefit en-

titlement is bac,ed under this title, and
"(III) the total monthly benefits based on

each primary insurance amount and permitted under sectIon 203 (which shall be increased, unless otherwise so increased under

another provision of this title, at the same
time as the primary insurance amount on
which they are based) or, in the case of a
primary insurance amount computed under
subsection (a) as in effect (without regard
to the table contained therein) prior to January 1979, the amount to which the benefici-

aries may be entitled under section 203 as
in effect in December 1978, except as provided by section 203(a) (6) and (7) as in
effect after December 1978,

but shall not increase a primary insurance
amount that is computed under subparagraph (C) (I) (UI) otsubsection (a) (1) or a
primary insurance amount that was comMAxIMUM BENss'rrs
puted prior to January 1979 under subsecSEC. 105. (a) The matter in section 203(a)
tion (a) (3) as then in effect. The increase preceding
paragraph (2) thereof is amended
Shall be derived by multiplying each of the
read as follows:
amounts described in clauses (I), (II), and to "(a)
(1) In the case of an individual Whcse
(III) (including each of those primary in- primary
amount has been comsurance amounts or benefit amounts as pre- puted or insurance
recomputed under section 215(a)
viously increased under this subparagraph) (1) or (4),
or
215(d),
in effect after Deby the same percentage (rounded to the cember 1978, the totalasmonthly
benefits to
nearest one-tenth of 1 percent) as the per- which beneficiaries may be entitled
under

applicable to employees and the self-employed determined for that year under section 230.".

(b) Paragraph (2) of section 203(a) (prior
to the amendment made by subsection (a)
of this section) is redesignated as subparagraph (B) (of paragraph (3)), its three lettered subparagraphs are respectively redesigned as clauses (i), (ii), and (iii), the word
centage by which the Consumer Price Index
"paragraph" in the redesignated clause (i)
section
202
or
223
for
a
month
on
the
basis
for that cost-of-living computation quarter of the wages and self-employment income of is stricken and the word "subparagraph" is
exceeds that Index for the most recent prior that insured individual shall, except as pro- inserted in lieu thereof, its initial word is
calendar quarter which was a base quarter vided by paragraph (3), (but prior to any in- stricken and "When" inserted instead, and
under paragraph (1) (A) (U) or, if later, the creases resulting from the application of ", or" as it appears at the end thereof is
most recent cost-of-living computation quar- paragraph (2) (A) (ii) (III) of section 215(i)) stricken and a period inserted instead.
ter under paragraph (1) (B). Any amount so
(c) The matter following clause (iii) of the
increased that Is not a multiple of $0.10 shall be reduced so as not to exceed—
subparagraph (B) is amended
"(A) 150 percent of the individual's p11- redesignated
be increased to the next higher multiple of mary
to
read as follows: "but in any such case (I)
insurance amount up to the amount subparagraph
$0.10.,,.
(A) of this paragraph shall n3t
(2) Section 215(i) (2) (A) is amended by that is established with respect to this sub- be applied to such total of benefits after the
paragraph
by
paragraph
(2),
adding at the end the following new clause
of clause (ii) or (iii), and (II)
"(B) 272 percent of the individual's pri- application
"(iii) in the case of an individual who mary
if section 202(k) (2) (A) was applicable in
insurance
amount
that
exceeds
the
becomes eligible for an old-age insurance or amount to Which subparagraph (A) applies the case of any such benefit for a month,
disability insurance benefit, or dies prior to
ceases to apply for a month after such
does not exceed an amount established and
becoming so eligible, in a year in which but
month, the provisions of clause (ii) or (iii)
with
respect
to
this
subparagraph
by
parathere occurs an increase provided in clause
shall be applied, for and after the month in
(2).
(ii), the individual's primary insurance graph
section 202(k) (2) (A) ceases to apply,
"(C) 134 percent of the individual's pri- which
amount (without regard to the time of en- mary
though subparagraph (A) of this parainsurance amount that exceeds the as
titlement to that benefit) shall be increased amount
graph
had
been applicable to such total
to which subparagraph (B) applies of benefitsnot
(unless otherwise so increased under another
for the last month for which
but
does
not
exceed
an
amount
established
provision of this title) by the amount of with respect to this subparagraph by para- clause (ii) or (iii) was applicable.".
that increase and subsequent"applicable in- graph (2), and
(d) Paragraph (3) of section 203(a) (prior
creases. but only with respect to benefits
to the amendments made by the preceding
"(D)
175
percent
of
the
individual's
pripayable for months after May of that year.". mary insurance amount that exceeds the provisions of this section) is redesignated
(3) Section 215(i)(2)(D) is amended by
subparagraph (C) (of paragraph (3) ), and
established by paragraph (2) with ar
striking out all that follows the first sen- amount
its initial word is stricken and "When" inence, and by inserting instead the following: respect to subparagraph (C).
serted instead.
"He shall also publish in the Federal Regis- Any such amount that is not a multiple of
(e) The matter in section 203(a) that folter at that time a revision of the amount $0.10 shall be increased to the next higher lowe
paragraph (3) (prior to the amendments
referred to in subparagraph (C) (i) (I) of sub- multiple of $0.10.
by the preceding provisions of this
"(2) (A) For individuals who become eli- made
section (a) (1) and that shall be the amount
section)
and precedes paragraph (4) (prior
determined for purposes of such subpara- gible for old-age or disability insurance to the amendments
made by the preceding
benefits
or
who
dies
in
the
calendar
year
graph (C) (i) (El) under this subsection.".
of this section) is stricken and
(4) There is added at the end of section 1979 the amounts established with respect provisions
to subparagraphs (A), (B), and (C) of para- there is inserted instead the following:
215(i) the following new paragraph:
"(4) In any case in which benefits are re"(4) This subsection, as in effect in Decem- graph (1) are $236, $342, and $449, respec- duced
pursuant to the preceding provisions
ber 1978, shall continue to apply to subsec- tively (not counting as the year of death or

this subsection, the reduction shall be
tions (a) and (U). as then in effect, with eligibility for purposes of this paragraph of
after any deductions under this secrespect to computing the primary insurance the year of the individual's death or eligi- made
and after any deductions under section
amount of an individual to Whom subsec- bility if the individual was entitled to a dis- tion
tion (a), as in effect after December 1978, ability insurance benefit for any of the 222(b). Whenever a reduction is made under
twelve months immediately preceding. the
month of such death or eligibility, but
counting instead, the year of eligibility for
such disability insurance benefit).
"(B) For individuals who become eligible
section in such cases shall be modified by the
application of subclause (I) of clause (U) of for such benefits or who dies in a calendar
such paragraph (4) (B)). For purposes of year after 1979 the amount established with

does not apply (including an individual to
whom subsection (a) aoes not apply in any
year by reason of paragraph (4) (B) of that
subsection, but the application of this sub-

this subsection in the total of monthly benefits to which individuals are entitled for any

month on the basis of the wages and selfemployment income of an insured indi-

vidual, each such benefit other than the oldage or dlsabil,ity insurance benefit shall be
proportionately decreased


S 18400

CONGRESSIONAL RECORD — SENATE

November 2, 1977

Paragraph (4) of section 203(a) (prior the Treasury Department, shall make payto the amendments made by the preceding ments In accordance with the certification
provisions of this section) Is redesignated as of the Secretary.
(e)

paragraph (5), its Initial word Is stricken
and 'Notwithstanding inserted instead, and
", or" at the end thereof is stricken and a
period inserted instead. Subparagraph (A)
of such paragraph (4) is amended by striking

out "and section 202(q)" therein. The matter following subparagraph (B) of such para-

graph and preceding the next numbered
paragraph is a portion of the redesignated

paragraph (5), and shall be indented accordingly.

and no other person is (without the application of subsection (j) (1)) entitled to a
monthly benefit under this section for that
"(b)(l) The amount payable to a State month on the basis of those Wages and selfunder subsection (a) for the taxable year employment income, the individual's beneshall (subject to the provisions of subsec- fit amount for that month, prior to reduction (c)) be equal to 50 percent of that por-' tion under subsection (k)(3), shall not be
tion of the amount paid by such State under less than that provided by subparagraph (C)
the provisions of section 218(e)(1)(A) with (I) or (C) (II) (Whichever is greater) of secrespect to remuneration paid to individuals tion 215(a)(l). In any casj in Which an
as employees of such State (or any political Individual is entitled to a monthly benefit
subdivision thereof) during the taxable year, under this section on the basis of a primary
which amount—
insurance amount computed under section
"(A) was paid as the amount equivalent to 215 as in effect (without regard to the table
the taxes which would be imposed by section contained therein) prior to January 1979,
9111 of the Internal Revenue Code of 1954 if that monthly benefit shall be determined
the services of employees covered by such under this section as in effect as prescribed

(f) Paragraph (5) of section 203(a) (prior
to the amendments made by the preceding
provisions of this section) is repealed, except with respect to an individual who be- State's agreement under section 218 concame eligible for a monthly benefit (as de- stituted employment as defined In section
fined in section 215(a) (2) (A)) or died prior 3121 of such Code, and
to 1979.
(B) was paid with respect to remunera(g) Following paragraph (5) of section 203

(a) (as amended by thls.section) there are

added the following new paragraphs:

"(6) In the case of any individual who is

entitled for any month to benefits based

upon the primary insurance amounts of two
or more insured individuals, one or more of
which primary insurance amounts were determined under section 215(a) or 215(d) as

in effect (without regard to the table contained therein) prior to January 1979 and
one or more of which primary insurance
amounts were determined under section 215

(a) (1) or (4), or 215(d), as in effect after

tion paid to individuals as employees of such

State (or any political subdivision thereof)
which remuneration was in excess (with
respect to any individual during the taxable
year) of the contribution and benefit base
applicable with respect to such taxable year,
under the provisions of section 230 as such
Lection applies to employees.
"(2) The amount payable under subsection
(a) to an organization described in section
501(c)(3) of such Code, which is exempt
from tax under section 501 (a) of such Code

EMPLOYERS

preceiing sentence iB applicable, such reduced . amounts shall be increased on the

cial Security Act is amended by adding at same basis as they were reduced.

the end thereof the following new section:

"PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT
EMPLOYERS

"SEC. 1132. (a) The Secretary shall, in the
case of any State having an agreement under

section 218 of the Social Security Act, or
any organization described in section 501

(c) (3), which is exempt from tax under section 501(a) for the taxable year. pay to each

such State or organization (subject to the

availability of funds appropriated under the
provisions of subsection (c)) an amount determined under subsection (b). In order to
receive a payment under this section, a State
or organization shall file a claim with respect

to the taxable year in such form, mannes,
and at the time prescribed by the Secretary

by regulations. The Secretary shall certify to
the Secretary of the Treasury the name and
address of each State or organization eligible
to receive such payment, the amount of such

payment, and the time at which Such payment Should be made, and the Secretary of
the Treasury, through the Fiscal Service of

subsection

(i) (4).".

(b) Section2l7(b)(l) is amended by inserting "as In effect in December 1978" after
"section

215(c)" each time it appears, and

after "section 215(d)".
(C) Section 224(a) is amended in the
matter following paragraph (8) by insefting

"(determined under section 215(b) as In
effect prior to January 1979)" after "(A) the
average monthly wage".

(d) Section 1839(c)(3)(B) is amended to

read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under
this paragraph, increased by a percentage
determined as follows: The Secretary shall

for the taxable year, shall be equal to 50
percent of that portion of the taxes paid ascertain the primary insurance amount
computed under section 215(a) (1), based

December 1978, the total benefits payable to by such organization uncer section 3111 of
that individual and all other individuals en- such Code, which taxes—
titled to benefits for that month based upon
"(A) were paid with respect to remunerathose primary insurance amounts shall be tion paid to individuals as employees of such
reduced to an amount equal to the product organization during the taxable year, and
of 1.75 and the primary insurance amount
"(B) were paid with respect to remunerathat would be computed under section 215 tion paid to individuals as employees Of such
(a) (1) for that month with respect to aver- organization which remuneration was in exage inIexed monthly earnings equal to one- cess (with respect to any individual during
twelfth of the contribution and benefit base the taxable year) of the contribution and
determined under section 230 for the year in benefit base applicable with respect to such
which that month occurs.
taxable year, under the provisions of section
"(7) Subject to the preceding paragraph, 230 as such section applies to employees.
this subsection, as in effect in December
"(c) There are authorized to be appro1d78. shall remain in effect with respect to priated
sums as are necessary to carry
a primary insurance amount computed un- out the such
provisions of this section. If the
der section 215 (a) or (d), as in effect (with- sums appropriated
for any fiscal year for
out regard to the table contained therein) in making payments under
section are inDecember 1978. except that a primary insur- sufficient to pay in full this
the total amounts
ance amount so computed with respect to an which States and organizations
are authorindividual who first becomes eligible for an
to receive under this section during such
old-age or disability insurance benefit (as de- ized
fiscal
year,
the
maximum
amounts
all
fined in section 215(a) (2) (A)) or dies, after such States and organizations maywhich
receive
December 1978. shall, instead, be governed under this section during such fiscal
year
by this section, as in effect after December shall be ratably reduced. In case- additional
1978.".
funds become available for making such payPAYMENTS TO CERTAIN PUBLIC AND NONPROFIT ments for any fiscal year during Which the

SEC. 106. (a) Part A of title XI of the So-

by section 215(a) (5) and increased under

upon average indexed monthly earnings of
$900, that applied to individuals who be-

came eligible for and entitled to old-age

insurance benefits on May 1 of the year of

'the promulgation. He Shall increase the
monthly premium rate by the same percentage by which t1at primary Insurance
amount is increased when, by reason of the
law in effect at the time the promulgation is
made, it is so computed to apply to those
individuals on the following May 1.".
(e) Section
amended—
(1)

202(w)

of

such

Act

is

by inserting after "section 215(a)(3)"

paragraph (1) (in the matter preceding
subparagraph (A)) the following: "as in
effect in December 1978 or section 215(a)(l)
(C) (III) as in effect thereafter":
(2) by inserting "as in effect in Decemin

ber 1978,
effect

or section 215(a)(l)(C) (III) as in

thereafter;" after "paragraph (3) of

section 215(a)"

in paragraph (5); and

"(whether before, in, or
after, December 1978)" after "determined
under section 215(a)" in paragraph (5).
(f) Section 104(j) (2) of the Social Security Amendments of 1972 is amended by
striking Out "215(b) (3)" and inserting in
(3) by insertIng

lieu thereof "215(b) (2) (B) (iii)

EFFECTIVE DATE PROvIST0NS
"(d) Any State receiving a payment under
the provisions Of this section shall agree to
SEC. 108. The amendments made by the
pay (and any such payment shall be made •preceding provisions of this Act (other
on the condition that such State pay) to than section 104(d) and 106) shall be effecany political division thereof a percentage tive with respect to monthly benefits and
of such payment which percentage shall be lump-sum death payments under title III
equal to the percentage of the amount paid months after December 1978. The amendby such State undersection 218(e)(1)(A) for ments made by section 104(d) shall be
which such State was reimbursed by such effective with respect to monthly insurance
political subdivision.".
benefits of an individual who becomes
(b) The amendments made by this section eligible for an old-age or disability insurshall be effective with respect to taxable years ance benefit or who dies after December 31,
1977.
CONFORMING CHANGES

SEC. 107. (a) Section 202(m)(1) is amended
read as follows:

PABT B—GENERAL PROvISIONS
LmERALISATION OF EABNINGS TEST

EEC. 121. (a) Section 203(f) (8) (B) of the
Social Security Act is amended by striking
"(1) In any case n which an individual is out; "The exempt amount" In the matter preentitled to a monthly benefit ,under this sec- ceding clause (i) and inserting in lieu thereof
tion on the basis of a primary insurance "Except as provided in subparagraph (D), the
amount computed under section 215(a) or exempt amount".
(d), as in effect after December 1978, on the
(b) Section 203(f) (8) of such Act is furbasis of the wages and self-employment in- thSr amended by adding at the end thereof
come of a deceased individual for any month the folloWftzg new subparagraph:
to


"(D) Notwithstanding any other provision of this subsection, the exempt amount—

(1) shall be $750 for each month of any taxable year ending after 1977 and before 1979, and

(2) shall be $650 for each month of any taxable year ending after 1978 and before 1980.

(c) No determination or publication of a new exempt amount shall be required to be made under section 203(f)(8)(D) of such Act (as added by section 2(b) of such Act) as to any individual whose earnings were determined (for the taxable years involved) under section 203(f)(8)(D) of such Act (as added by striking Out "$200 or.

(d) Section 202(f)(3)(B)(i) of such Act is amended by adding "and section 218(b)(2)) at the end thereof the following new paragraph:

"(B) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A).

Reduced benefits for spouses receiving government pensions

Sec. 218(b)(2) of such Act is amended by adding "and subparagraph (A) of such subsection (w)) the number of increment months shall include any month in the 12-month period ending on the month in which the person died, but shall not include the month in which the person died, prior to the month in which he died, the months of the calendar year in which she died, prior to the month in which she died, which is based upon her earnings, shall not be included in the calculation of the amount equal to the amount of any monthly benefit payable to such wife for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

WIDOW’S AD WIDOWER’S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

Sec. 218(b)(2) of such Act is amended by inserting "and subparagraph (A) of such subsection (w)) the number of increment months shall include any month in the 12-month period ending on the month in which the person died, but shall not include the month in which the person died, prior to the month in which he died, the months of the calendar year in which she died, prior to the month in which she died, which is based upon her earnings, shall not be included in the calculation of the amount equal to the amount of any monthly benefit payable to such wife for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

The amount of a widow's insurance benefit for each month as determined after application of the provisions of subsection (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such wife for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

Determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A).

For purposes of this paragraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(2) (B) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(B) for purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.
which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this paragraph, section 202(a)(7) is amended by striking out "paragraph (5)" and inserting in lieu thereof "paragraph (5)".

(b) (2) if, on the last day such individual was employed by such employer, the amount of remuneration to such individual only the amount of remuneration to such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amount of remuneration to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations."

Effective Date

The amendments made by section 312(a) shall apply with respect to wages paid after December 31, 1977.

LIMITATION ON RETROACTIVE BENEFITS

Sec. 312. (a) The first sentence of section 202(j)(1) of the Social Security Act is amended by inserting, after the word "subject", the words "to the limitations contained in paragraph (4), an individual"

(b) Section 202(j) of such Act is further amended by inserting at the end thereof the following new paragraph:

"(4) If the individual applying for retroactive benefits is a surviving spouse or disabled individual described in subsection (B), no individual shall be entitled to benefits under subsection (b), (c), (e), or (f) unless the month in which he or she files an application for such benefits if the effect of entitlement to such monthly benefit would be to reduce, pursuant to subparagraph (e), the amount of individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (f) not subject to reduction under section (2), then subparagraph (A) shall not apply with respect to such month or any subsequent month."

Sec. 313. (a) Section 202(q) of such Act is amended by striking out "paragraph (1)(F)" and inserting in lieu thereof "paragraphs (2) and (5)".

(b) Section 202(q)(2) is amended by inserting at the end thereof the following new paragraph:

"(2) Section 202(q) of such Act is further amended by inserting at the end thereof the following new paragraph:

"(iii) If the individual applying for retroactive benefits is a surviving spouse or divorced surviving spouse, and is under a disability (as defined in section 223(d)), and is except, for subparagraph (A), all that follows subparagraph (B) and insert.

(c) Section 202(q)(3) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) Section 226(h) of such Act is amended by inserting, after the word "benefit", the words "as a result of the use of an additional line of title II or the Social Security Act, when the normal day for the delivery of benefit checks under title II of the Social Security Act would, but for the provision of this section, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such month or, if such first day is not a Federal holiday, on such first day following such Federal holiday (as defined in section 6103 of title 5, United States Code)."

(d) The amendment made by subsection (a) of this section shall be effective on or after the date of enactment of this Act.

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1977.

Employee Social Security Tax Liability

Sec. 124. (a) Section 3121 of the Internal Revenue Code of 1954 (relating to definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(a) Concurrent Employment by Two or More Employers.—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be required to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations."

(b) Social Security Administration Code of 1954 (relating to definitions in respect of unemployment tax) is amended by adding at the end thereof the following subsection:

"(b) (2), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e); or (f) by reason of the individual becoming entitled to such benefits that would result if such entitlement was determined under any of the provisions of section 202(j) (4)."

(b) The amendments made by subsection (a) shall be effective only with respect to amounts paid as remuneration to such individual on or after such date."

(c) Title VII of the Social Security Act to which an individual becomes entitled on the basis of an application filed under the date of enactment of this Act.

DELIVERY OF BENEFIT CHECKS

Sec. 126. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"(b) The amendment made by subsection (a) of this section shall be effective on or after the date of enactment of this Act.

ACTUAL REDUCTION OF BENEFIT INCREASES TO BE DELIVERED AS OF ORIGINAL ENTITLEMENT

Sec. 127. (a) Section 202(q)(4) of the Social Security Act is amended by striking out "paragraph (1)(F)" and inserting in lieu thereof the following:

"(10) For purposes of applying paragraph (4), to monthly benefits payable for any month after December 31, 1977, to an individual who was entitled to a monthly benefit as reduced under subparagraph (1) or (3) prior to January 1978, the amount of the reduction of such benefit for the first month (January 1978) for which such benefit is increased by reason of an increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and applicable to the month in which such individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(b) Section 202(q)(4) of such Act is amended by adding at the end thereof the following new paragraph:

"(10) For purposes of applying paragraph (4), to monthly benefits payable for any month after December 1977, to an individual who was entitled to a monthly benefit as reduced under paragraph (1) or (3) prior to January 1978, the amount of reduction of such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and applicable to the month in which such individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(c) Section 202(q)(5) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) For the purposes of determining entitlement to hospital insurance benefits under section 202(e) of this Act, the entitlement of an individual described in clause (ii) of such subsection (B), be entitled to retroactive benefits is a surviving spouse or disabled individual."

(d) Effective Date.

The amendments made by this section shall be effective and for the month of such increase in the primary insurance amount, shall be computed under any of the provisions of paragraphs (1) and (3) of section 202(q) of such Act, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such month or, if such first day is not a Federal holiday, on such first day following such Federal holiday (as defined in section 6103 of title 5, United States Code)."

"(d) Section 202(q)(5) of the Social Security Act is further amended by striking out "paragraph (5)" and inserting in lieu thereof "paragraphs (2) and (5)".

(e) Section 202(q)(7) is amended by adding at the end thereof the following new paragraph:

"(7) If the individual applying for retroactive benefits is a surviving spouse or divorced surviving spouse, and is under a disability (as defined in section 223(d)), and is except, for subparagraph (A), all that follows subparagraph (B) and insert."
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ber of months in the adjusted reduction period to (ii) the number of months in the reduction period.

(1) In the case of widow's or widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent.

(2) In the case of widow's or widower's insurance benefits for the month in which such individual attains age 82, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent, and

(3) In the case of widow's or widower's insurance benefits for the month in which such individual attains age 66, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent to (ii) the number of months in the reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent, and

(4) When an individual is entitled to more than one monthly benefit under this title, the benefits received by the insured under this title shall be reduced under this subsection, the preceding paragraph of this subsection shall apply separately to each such benefit reduced under this subsection, and the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3).

(1) The amendments made by section 202(q) (7) (C) of the Social Security Act is amended by striking out "because" and all that follows and inserting in lieu thereof "as the President deems appropriate to carry out the purposes of this section.

(2) Section 129. (a)(1) Section 3121(k) (5) of the Internal Revenue Code of 1954 is amended—

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of any individual shall be exempt from the taxes imposed by such agreement to the extent that such self-employment income is subject to taxes imposed by such agreement to the extent that such self-employment income is subject to such agreement taxes or contributions for similar purposes under the social security system of such foreign country.

(3) Section 6051(a) of such Code is amended by adding at the end thereof the following new subsection:

"(b) The Secretary of the Treasury shall prescribe regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress on Effective Date of Agreements

"(c) (1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall become effective on the date on which the President transmits to the Congress a report on the estimated number of individuals who will be affected by the agreement or regulations and establish procedures which are

reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

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reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.
THE SECRETARY OF LABOR, IN CONCERT WITH THE SECRETARY OF THE TREASURY, AND OTHER PREPARTY AGENCIES, SHOULD BE AUTHORIZED TO ESTABLISH A UNIFIED INDEX TO REPLACE THE EXISTING INDEXES OF FOOD, HOSPITALITY, AND CONSTRUCTION COSTS; TO PROVIDE FOR THE DEVELOPMENT OF A INDEX OF THE COSTS OF HEALTH CARE SERVICES; AND TO PROVIDE FOR THE DEVELOPMENT OF AN INDEX OF THE COSTS OF EDUCATION SERVICES.
November 2, 1977

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APPENDIX OF HEARING EXAMINERS

Sec. 302. The persons who were appointed to serve as hearing examiners under section 1631(d) (2) of the Social Security Act (as in effect prior to January 2, 1976), and who b

sec. 803. (a) Part A of title IV of the Social Security Act Is amended by inserting after "access to wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, under a State plan for aid and services to needy families with children, approved under this part, and which is specifically requested by the State under regulations promulgated pursuant to such part), the amount payable to the person entitled to such amount, in case such rate is at least 2.5 per centum, may exceed the amount payable to the person entitled to such amount, in case such rate is at least 2.0 per centum, by an amount equal to the sum of the following amounts:

(a) 10 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum,

(b) 20 per centum of the Federal share of such amount, in case such rate is less than 4 per centum.

(c) 25 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum.

(d) 30 per centum of the Federal share of such amount, in case such rate is less than 3.0 per centum.

(e) 35 per centum of the Federal share of such amount, in case such rate is less than 2.5 per centum.

(f) 40 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.

(2) The Secretary shall establish such standards as are necessary for the purposes authorized under this section.

(3) The Secretary shall promulgate regulations pursuant to which such hearing examiner shall be compensated at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105, and shall receive compensation at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105, and who have been appointed under section 5105 of title 6, United States Code, with the same authority and tenure (without regard to the expiration of such authority and tenure), under such chapter 31 of title 5, United States Code, as those which are applicable to hearing examiners appointed under such section 3105, and shall apply to the persons described in the preceding paragraph.

REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY

Sec. 203. Notwithstanding the provisions of section 306(d) of the Social Security Amendments of 1965, the members of the Advisory Council on Social Security which is due not later than January 1, 1976, may be at.

TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN

Sec. 301. Section 403 of the Social Security Act is amended—

(1) in subsection (a), by adding at the end thereof the following new paragraph:

"(1) In the case of any calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount payable to the person entitled to such amount, in case such rate is less than 3.5 per centum, may exceed the amount payable to the person entitled to such amount, in case such rate is at least 2.5 per centum, by an amount equal to the sum of the following amounts:

(a) 10 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum,

(b) 20 per centum of the Federal share of such amount, in case such rate is less than 4 per centum.

(c) 25 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum.

(d) 30 per centum of the Federal share of such amount, in case such rate is less than 3.0 per centum.

(e) 35 per centum of the Federal share of such amount, in case such rate is less than 2.5 per centum.

(f) 40 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.

(2) Payments made under such paragraphs (a) and (b) as paragraphs (1) and (2) respectively, and as may be made under the amendments made by subsection (a) only in the case of periods beginning after April 1, 1978, shall be made without regard to the provisions of this section.

SEC. 802. (a) Section 403 of the Social Security Act is amended by adding after subsection (1) (as added by section 301 of this Act) the following new paragraph:

"Incentive Adjustments in Federal Financial Participation"

"(1) If the dollar error rate of excess payments of aid, as determined under subsection (a) or subsection (b) of section 411 of this Act, is less than 3.5 per centum, the amount of Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum. the amount of Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined in accordance with the provisions of subsection (1) of this section; or

"(3) by adding at the end thereof the following new paragraph:

"(1) In the case of any calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount payable to the person entitled to such amount, in case such rate is less than 4 per centum, may exceed the amount payable to the person entitled to such amount, in case such rate is at least 3 per centum, by an amount equal to the sum of the following amounts:

(a) 10 per centum of the Federal share of such amount, in case such rate is less than 4 per centum,

(b) 20 per centum of the Federal share of such amount, in case such rate is less than 4.5 per centum,

(c) 25 per centum of the Federal share of such amount, in case such rate is less than 4.0 per centum.

(d) 30 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum.

(e) 35 per centum of the Federal share of such amount, in case such rate is less than 3.0 per centum.

(f) 40 per centum of the Federal share of such amount, in case such rate is less than 2.5 per centum.

(2) Payments made under such paragraphs (a) and (b) as paragraphs (1) and (2) respectively, and as may be made under the amendments made by subsection (a) only in the case of periods beginning after April 1, 1978, shall be made without regard to the provisions of this section.

SEC. 803. (a) Part A of title IV of the Social Security Act is amended by inserting after section 411(a)(2)(A) the following new paragraph:

"Incentive Adjustments in Federal Financial Participation"

"(1) If the dollar error rate of excess payments of aid, as determined under subsection (a) or subsection (b) of section 411 of this Act, is less than 3.5 per centum, the amount of Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum. the amount of Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined in accordance with the provisions of subsection (1) of this section; or

"(3) by adding at the end thereof the following new paragraph:

"(1) In the case of any calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount payable to the person entitled to such amount, in case such rate is less than 4 per centum, may exceed the amount payable to the person entitled to such amount, in case such rate is at least 3 per centum, by an amount equal to the sum of the following amounts:

(a) 10 per centum of the Federal share of such amount, in case such rate is less than 4 per centum,

(b) 20 per centum of the Federal share of such amount, in case such rate is less than 4.5 per centum,

(c) 25 per centum of the Federal share of such amount, in case such rate is less than 4.0 per centum.

(d) 30 per centum of the Federal share of such amount, in case such rate is less than 3.5 per centum.

(e) 35 per centum of the Federal share of such amount, in case such rate is less than 3.0 per centum.

(f) 40 per centum of the Federal share of such amount, in case such rate is less than 2.5 per centum.

(2) Payments made under such paragraphs (a) and (b) as paragraphs (1) and (2) respectively, and as may be made under the amendments made by subsection (a) only in the case of periods beginning after April 1, 1978, shall be made without regard to the provisions of this section.

STATE DEMONSTRATION PROJECTS

Sec. 304. Section 1115 of the Social Security Act is amended—

(1) by striking "(a)" after "Sec. 1115.");

(2) by redesigning subsections (a) and (b) as paragraphs (1) and (2) respectively; and

(3) by adding at the end thereof the following new paragraph:

"(d) The amendments made by this section shall be effective on the date of the enactment of this Act."
"(4) Any waiver to a State under section 402(a) on behalf of an individual participating in a project under this section shall not be approved, except as such relative and child) whose needs are covered so much of the fiscal year in which such demonstration project is conducted to cover so much of the fiscal year in which such demonstration project be conducted oO a statewide basis; (ii) subject to any such project—

"(A) waive, subject to paragraph (3), any or all of the requirements imposed with respect to any such State under section 402(a). (1) Subject to paragraph (3) (relating to administration by a single State agency), 402(a) (8 (relating to disregard of earned income), except that any such waiver subparagraphs or amended by this section.

"(B) Section 402(a)(8)(A)(ii) of the Social Security Act is amended by striking out "any expenses and inserting in lieu thereof "any child care expenses."
The committee bill also makes several important changes affecting public assistance. These provisions are supported by the administration, for one which relates to the amount that people can earn and still retain their eligibility for welfare benefits. But, otherwise, the administration supports what we have done here. The committee amendment would provide fiscal relief for State and local welfare costs as a result of the Federal government’s effort to reduce its error rates, allow States to run demonstration projects on making employment more attractive for welfare recipients, and give States access to wage information for purposes of determining eligibility for welfare benefits.

In addition, the committee bill includes the provision relating to the earned income disregard for welfare recipients I mentioned, which differs from a provision with similar intent proposed by the administration.

I ask unanimous consent that there be printed in the Record at this point an excerpt from the committee print release summarizing the provisions of the bill.

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amendment to increasing the amount of wages subject to the employer tax, the Committee also approved an increase in the amount of annual earnings subject to the employer or self-employment tax. Under the amendment, there will be four $800 increases over periods of three years, beginning in 1979. As under existing law, the tax base for employers and self-employed persons will also be automatically increased above levels the tax base changes also approved by the Committee. As shown in the table below. The changes in the base would result in a revised tax rate schedule as shown in the table above. The changes in the Health Insurance (HI) rates shown in the table will, in combination with the tax base changes also approved by the Committee, leave the Medicare trust funds in roughly the same position as under existing law. (There would be a small net outflow from the Hospital Insurance fund to the cash benefits fund, but this would not change the year in which the Hospital Insurance fund is projected to become exhausted under present law.)

SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (in percent)

<table>
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<tr>
<th>Present Law</th>
<th>Committee amendment</th>
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<td>Employers</td>
<td>Employees/ self-employed</td>
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<tr>
<td>1977-1978</td>
<td>4.95</td>
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<td>1989-1990</td>
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</table>

Old-age, survivors, and disability insurance.

1 Hospital insurance (HI) tax rates were increased from 7 percent to 9.9 percent. (The Hospital Insurance trust fund is projected to become exhausted in 1980.)
increased to $50,000 effective in 1979. The base for Federal unemployment taxes is $6,000 and each business is treated as a group of related corporations, however, an employee of any one of those corporations may vote for any one of them is treated for employment tax purposes as though he be employed by each of the corporations for which he performs services. Each of the wage bases that exceed the tax base, social security and unemployment taxes may be required to be paid. With respect to wages paid after June 30, 1977, the employer share of these taxes over the wage base is not refunded. The Committee agreed to remove the hardship provision and remove the requirement that both the U.S. and the other country. A social security tax on such income as is considered for legal services for a period of less than 90 days in the earlier provision in that it would become law. The Committee decision differs from the earlier provision in that it would allow an additional 9 months from the date of the end of the month in which the earned benefits began. The amount of the new provisions would be calculated on a per-project basis and would not be limited to the actual benefit amount but to the basic benefit rate (called "primary insurance amount") which represents what would be paid to a retired worker if he began drawing benefits at age 65. For an individual who is getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, the increment of the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase as applied to their actual benefit amounts. The agreement on a provision which authorizes the President to enter into arrangements with other countries to coordinate the social security protection provided for people who work with the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee in 1977. Under certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges by the Commissioner after a period of experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202.) Deemed coverage of certain nonprofit organizations.—Legislation enacted in the last session in the Senate with respect to charitable and nonprofit organizations to have waived their immunity from social security taxation. These provisions were designed to prevent social security taxes even though they had failed to properly waive their immunity. The Committee has reached the point in that community which was creating problems created by last year's legislation. The Committee provision would allow organization affected by P.L. 94-202 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was deemed covered by the earlier provision.

Delivery of social security checks.—The Committee approved an amendment which would assure timely delivery of social security checks. Under the automatic cost-of-living benefit increase provisions, some persons on the rolls, through a technicite, receive an increment which is larger than the increase in the cost of living. The reason is that the percentage increase is applied not to the usual benefit amount but to the basic benefit rate (called "primary insurance amount") which represents what would be paid to a retired worker if he began drawing benefits at age 65. For an individual who is getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, the increment of the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase as applied to their actual benefit amounts. The agreement on a provision which authorizes the President to enter into arrangements with other countries to coordinate the social security protection provided for people who work with the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee in 1977. Under certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges by the Commissioner after a period of experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202.)

Deemed coverage of certain nonprofit organizations.—Legislation enacted in the last session in the Senate with respect to charitable and nonprofit organizations to have waived their immunity from social security taxation. These provisions were designed to prevent social security taxes even though they had failed to properly waive their immunity. The Committee has reached the point in that community which was creating problems created by last year's legislation. The Committee provision would allow organization affected by P.L. 94-202 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was deemed covered by the earlier provision.

Social security advisory council.—The Committee agreed to extend the reporting date to the end of the current month which would allow the council on social security to make recommendations to the Committee. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Study of spouses benefits.—The Committee agreed to an amendment under which retroactive benefits would not be permitted in cases involving entitlement before age 65. The amendment would also include a 45-day waiting period.

Social security advisory council.—The Committee agreed to extend the reporting date to the end of the current month which would allow the council on social security to make recommendations to the Committee. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Social security advisory council.—The Committee agreed to extend the reporting date to the end of the current month which would allow the council on social security to make recommendations to the Committee. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.
Mr. LONG. Mr. President, in order to expedite the proceedings on this bill, I ask unanimous consent that the committee amendment be agreed to and that the unanimous-consent request be considered original text for the purpose of further amendment.

Mr. CURTIS. Reserving the right to object, and I do not expect to object, maybe. I reserve my right. If I follow this procedure, even though we have agreed to the committee amendments, an amendment is in order to strike out or change any one of them? That is, for right, an amendment in the first degree or in the second degree or a substitute for the bill, could all be considered.

Mr. CURTIS. The distinguished Senator from Arizona (Mr. GOLDBATER) may be offering an amendment relating to the retirement, the amount of earnings a beneficiary can have and still get his social security benefits. This would not prejudice such a move in any way, would it?

Mr. LONG. No, but I think that in fairness I ought to caution every Senator that the Committee on Finance has already run afoot one amendment of the Committee in order to bring our recommendations on this bill before the Senate. We had requested that the Budget Committee give us a waiver so the Senate could consider a similar type of amendment by Mr. Dole of Kansas. That matter was being debated in the Budget Committee at the time I left there, just 20 minutes ago.

I suspect that the Senator may find these matters subject to a contest with the Budget Committee. They may make a point of order under the Budget Act, which could deny the Senator the right to offer an amendment. What I am asking would not in any way prejudice the Senator's right to offer an amendment, but what the Budget Committee is considering may give him some pause in that.

Mr. GOLDBATER. The question I have in mind does not require any advice from the Chair, just from the committee chairman. I was merely substituting a new amendment and we are going to act on that. The House bill contains in substance the amendment I have in mind. If we take the House bill, there is no need of me asking about my amendment. Is that right?

Mr. LONG. It is not quite the way the Senator thinks it is at the moment. At this moment, we are asking that our bill be substituted for the House bill. If the committee amendment should not prevail, then we would, of course, be considering the House bill.

I should think, I say to the Senator, that if the committee bill fails, a point of order can be raised by the Budget Committee against that very provision in the House bill to which the Senator makes reference. I do not pretend to be an expert on section 303 of the Budget Act, which I believe might mean that the one that the Budget Committee would rely upon to make a point of order.

Mr. GOLDBATER. Could they not make a similar judgment or ruling against the entire bill because it does far exceed the budget?

Mr. CURTIS. If the Senator will yield right there, there is no increase in benefits in this bill. There are extensive changes. The amendment that I will offer will increase revenues. Of course, it is not in the bill at this time, but I found that the Budget Committee, in their infinite wisdom and their guardianship over the Finance Committee, required a waiver from the Finance Committee in order to raise some money in order to reduce the deficit in the social security program.

Mr. GOLDBATER. Not a bad idea. Mr. LONG. By virtue of the waiver of the Budget Committee, we are presenting our amendment to raise money and also to do some of the type things the Senator has in mind. So far as we have been able to agree on it.

Mr. GOLDBATER. Would the Senator suggest then that I wait and see what happens and what procedures we follow, because the amendment involves someplace along the line having a Senate bill, at which point I think my amendments would be proper?

I do not know whether it would be proper or customary to offer an amendment that is already contained in the bill we are discussing.

Mr. LONG. The Senator can certainly offer an amendment. There is nothing to keep him from doing that. But I believe that unless the Budget Committee sees fit to grant a waiver on it, the Senator will find there will be objection made on the basis of an amendment that would violate the Budget Act.

Mr. CURTIS. Will the Senator yield there?

Mr. LONG. Yes.

Mr. CURTIS. I think I can summarize it in this manner. Insofar as the Finance Committee is concerned, there is nothing about the unanimous-consent request that would preclude the distinguished Senator from Arizona from offering his amendment.

Mr. LONG. That is right.

Mr. CURTIS. On the other hand, any procedure we take here will not be binding on the Budget Committee. They still may come in and may or may not raise an objection to it.

I would like to ask this question—Mr. LONG. The Budget Committee has agreed to a waiver of the committee bill, and also agreed to a waiver so that the Senator from Nebraska can offer two amendments he has in mind to offer, which would implement itself in approach to the social security financing.

Mr. CURTIS. But the pending unanimous-consent request, did that include substituting the committee bill for the House bill? Mr. GOLDBATER. No, I do not think so.

Mr. LONG. Yes, it does.

Mr. CURTIS. It does.

Mr. GOLDBATER. When it is ready.

The Senator says it did?

Mr. CURTIS. May we have it read again, just the unanimous-consent request?

Mr. LONG. That. The committee amendment be agreed to and that the bill as thus amended be considered original text for the purpose of further amendment.

Mr. CURTIS. That is just an amendment to the Senate bill, is that right?

Mr. LONG. That is an amendment to substitute the Finance Committee proposal for the House bill.

The PRESIDING OFFICER. The language is amendable.

Mr. LONG. It would then be amendable in the first and second degree.

Mr. GOLDBATER. That the Senator answer a further question?

My amendment, as well as the amendment contained in the House bill, would not take effect until 1982. So the 1978 budget would not be affected. Could the Budget Committee raise any question on that?

Mr. LONG. It may be that it would not run afoul of the budget process at all. But they are not here at this moment and when they come over we will be in a better position to hear from them.

The PRESIDING OFFICER. Is there objection?

Mr. LONG. May I say to the Senator that I just cannot advise him on it because I am not the best authority, and if I sought to speak for the Budget Committee I would do it great peril.

Mr. GOLDBATER. I understand, and we will be patient.

Mr. LONG. I thank the Senator.

Mr. GOLDBATER. Of course, the Senator could take the amendments and avoid all the confusion.

Mr. LONG. If I sought to take that amendment without the Budget Committee being here, then I would find myself in even deeper trouble than I have been in with that committee on other occasions. So I would prefer to take their advice.

The PRESIDING OFFICER. Is there objection?

Without objection, the amendment of the Senator from Louisiana is agreed to as printed text.

The bill is open to further amendment.

If, there be no further amendment—Mr. CURTIS addressed the Chair.
The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, there are a number of proposals or amendments to be considered today. It is my belief that the bill that comes from the Senate Finance Committee. In the overall, I think that they will improve the budget situation so far as the social security fund is concerned, rather than deplete it.

One of the reasons for our deficit, and only one, is the provision referred to as decoupling where the effects of inflation are treated twice in order for the automatic raises.

That is taken care of and, probably, in the long run, that would pay the cost of all the other provisions in the bill.

Many of these provisions deal with specific and more or less individual cases that have arisen, not that we are legislating for individuals, we are legislating in generalities. But it is the individual case that brings this matter to the attention of the Congress a deficiency in the law.

Mr. President, the main controversy in this bill will be over social security financing. In a way, the system is complex.

But, from another hand, it can be easily understood.

This year, the social security fund will pay out about $8 billion more than it takes in. And that is not going to be a little worse. The question is, how do we meet this financial need of the social security system?

There is a very simple answer available. A small increase of one-half of one percent on employer and employee would take care of the immediate needs and take care of the long-range deficiency. It is that simple.

However, there is a reluctance to impose taxes. I think it is a misguided one. I believe that the smartest political vote is to send word out to the country that we are not going behind here, we are going to meet the bill that will not end and go and see it to all the people that we are not going to allow serious trouble in the social security fund. I think that is what the people want. I believe that those between 55 and 60 would like that Mike to think everybody would—even though they resist higher taxes.

You either meet it forthrightly or you dodge it in some roundabout way. Several dodges have been suggested. One is that you dip into the general fund. When you do that, it becomes a welfare pay.

The particular angle advanced by the committee is, "Let's load this on the employer only. Well, my hunch that if the social security financing proposed by the Finance Committee becomes law, they will be back in here repealing it in less than 6 months, because it will create havoc with employers all over.

Nebraska is a rather small State population, but the committee proposed will increase the social security taxes to be paid by the University of Nebraska a million dollars a year. Other institutions are in the same situation.

What happened when we voted not to dip into the general fund for social security? I respect and honor the committee for so deciding. They said, "Let's increase the wage base on the employers only up to 100,000." At the present time, everybody pays social security taxes on $15,500. 'Let's reach in and get more money.' From the employers, rather than the employees. Aside from a burden that they cannot bear, consider how unfair it is. A business or an institution that has a great many highly paid people might have their social security taxes raised by much more than 80 percent. Another employer who does not have any highly paid employees pays nothing toward meeting this problem. There, Mr. President, is the simple problem.

I thank the leadership of the Senate for calling this session so that the distinguished Senator and I can talk to each other about. Other Senators are here except my distinguished friend, the Senator from Oklahoma (Mr. Bellmon), and Mr. Hollings. They are here to look after the Finance Committee, in their jurisdiction, in the Budget Committee; and I am pleased to know that they have granted their consent for the Senator from Nebraska to offer an amendment to increase the taxes and assure that these benefits are increased. I appreciate that very much. I was concerned that perhaps they would not grant the waiver.

However, sometime before we vote on this matter, I hope that the leadership, with the great power and influence vested in them, will get some Senators here, because their constituents want the social security tax to be made sound.

Mr. President, there has been a lot of haphazardness in social security that surprises anybody who knows anything about it. Congress went for a long time expanding social security, paying medicare out of the payroll roll, expanding it to survivorship, increasing benefits, and the taxes were low.

Well, there comes a day when you have to pay for that.

What the social security system is going through right now is the same experience that assessment life insurance companies went through in the early part of the century. They would start an assessment life insurance company, and every time they had a claim to pay, they would assess all the other members enough to pay that claim. It was great. All their members were young people. They were taking in a lot of new members; not very many of them died; so the assessment was low.

The money rolled in at a very low assessment; there were claims to pay, and they were in good shape.

Then came a day when those members became older and were going to die, and they had to pay for new members to join, because they were coming in at a time when there were many bills to pay.

That is exactly the situation of social security. For years and years after I became a member of Congress, the maximum tax that an employee had to pay was $30 a year. The maximum tax that an employer had to pay on an employee was $90 a year. Why? Because they did not cover the present aged at that time. They were taking in new members by law all the time, and the money rolled in. The promotion of the committee said, "Ah! Look at the billions of dollars we have. It's fine." They knew what they were doing. They knew they could expand it before people realized the cost of it. Well, it is here.

Social security has a lot of good virtues, but that is it a repayment system for people to exist in dignity. It is not welfare.

The minute you change it and dip into the general fund, you have ruined it. The moment the appropriating process goes along, everyone is going to get up and say, "We can't pay it to certain groups. The tax is too high." Also, if you load it heavily against the employers, the same result will be received in dignity because everybody paid. It was not from general funds. Half of it was paid by employers and half of it by employees.

Mr. President, I first voted to raise the employers' tax to $100,000. Now they have retreated a little and have said, "We will just raise it to $75,000 and take that in two steps."

Mr. President, it is as simple as a letter. By chance, this is the one I took from my file first. I want the distinguished Senator from Wisconsin to know. It is from the Wisconsin Telephone Co.

I request regarding the effect of a higher FICA wage base for employers only in 1976, please be advised that this proposal would increase our social security taxes almost $2 million over the current schedule for 1976.

That was at the $100,000 ceiling. Not many people are paid more than $75,000 and less than $100,000 in the Wisconsin Telephone Co. So it would be just as burdensome for them perhaps, but just about as burdensome—at the present figure of $75,000 being reached in two steps.

Mr. President, I repeat that if this measure is passed by Congress, they will be in here in less than 6 months, repealing it. It is an unbearable burden. The country will not stand for it, and they will not let it.

I yield the floor.

Mr. HOLLINGS. Mr. President, I ask unanimous consent that during the consideration of the social security bill, the following members of the Budget Committee have the privilege of the floor: John McEvoy, Karen Williams, George Merrill, and Michael Joy.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, the letter read by the distinguished Senator from Nebraska concerning the Wisconsin telephone company as well as all of the other letters read into the Record give us an increased cost of social security payments under the pending legislation reported to the Senate by the Finance Committee to 1977 social security liabilities. They do not compare the increased costs that they are going to pay against the proposal that was adopted in the House of Representatives, to Senator Curtiss' proposal or to any other proposal. So these letters distort the future liability of these companies. Since the 1977 social security liability for employers and employees will be changed under provisions of current law, the figures cited in these letters are improperly used.
Second, these letters all ignore the fact that 87 percent of all wages in America are already covered by the social security system. The taxable earnings base already covers 87 percent of them, all kinds of businesses, millions of them, are going to pay less security; the fact that 87 percent of all wages in November 2, 1977, course, that 100 percent of the social security liability is going to employers will pay less taxes; whereas, some others will pay more. Those who will pay more will not pay as much more as they state in their letters because they are comparing it to their 1977 liability. Their social security liability is going to be increased under present law.

Next these letters ignore the fact, of course, that 100 percent of the social security tax liability is shared between employees and employers. The employer portion is shared between federal and local income tax returns. Those in the 50-percent tax bracket are only paying 50 percent of the additional social security liability. Furthermore, when an employer pays 50 percent of a higher earnings base, that does not increase the retirement benefit of his employee. That is to say, the amount that the employer pays in excess of what the employee earns, or the difference between his earnings base, does not increase the retirement benefit of the employee, thus avoiding a long-term obligation—an obligation which employers eventually will have to pay one-half of in addition to any retirement benefits, after simply reading the organizational letter from the National Retired Teachers Association and the American Association of Retired Persons. There are also many other letters which have been written to me in support of the Finance Committee's social security financing proposals.

Mr. President, I wish to have printed in the Record a group of letters that have been written to me in support of the Finance Committee's social security financing proposals. Mr. President, I shall ask unanimous consent, after simply reading the organization letter from the National Retired Teachers Association and the American Association of Retired Persons. They are all employees and employees, and they are all employees and employees. Since social security is in fact that goal.

Mr. NELSON. There are also beneficiaries, as mayors, who have the responsibility to raise local revenues to pay for the social security program. Mr. CURTIS. Were there some mayors in there? Mr. NELSON. The National League of Cities and the U.S. Conference of Mayors.

Mr. CURTIS. Do they report the cities endorsing what the association has said? Mr. NELSON. No, they did not name any cities. However, as the Senator knows, the Finance Committee discussed the impact of the proposal that the distinguished Senator from Nebraska made and compared it to the one that I made. The Finance Committee considered the impact on the cities and as the Senator will recall, the fiscal impact, under the proposal of the Senator from Nebraska, in comparison to the proposal that I have made, was greater on all cities but three.

Mr. CURTIS. If the Senator has such a statement I would like to have the figures in support of that, spread out in such a way that one could understand how and how they arrive at such a figure. There being no objection, the material was ordered to be printed in the Record, as follows:

NATIONAL RETIRED TEACHERS ASSOCIATION, AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS.

WASHINGTON, D.C., November 1, 1977.

Senator Gaylord Nelson,
Chairman, Subcommittee on Social Security,
U.S. Senate Office Building, Washington, D.C.

Dear Senator Nelson:

On behalf of our 12 million members, I wish to commend you for your diligent efforts in developing the social security financing package that has been favorably reported by the Finance Committee.

Since our members are primarily beneficiaries of the system, our first concern is that benefits continued to be paid without interruption. Not only will your package assure continued benefit payments, but it will also provide the means to meet the ongoing expenses of the contingency trust funds, thus reducing, if not eliminating, any anxiety on the part of current workers and beneficiaries about the realization of promised future benefits.

We wish to endorse specifically the "decoupling" provisions of the bill. The wage indexing approach should maintain over time the current 44 percent replacement ratio of benefits at retirement to gross earnings just as it is now.

We are also pleased with the step increases in the exempt amount of the social security earnings limitation. While these provisions do not go as far as we would like—namely, elimination of the earnings test—they certainly represent significant progress toward that goal.

Finally, we endorse the bill's departure from taxable wage base parity for employers and employees. Simply put, in gaining more revenue, we believe that it is better to levy a greater share of this increased tax burden on employers. Their increased tax liability is deductible in computing their income taxes. Also, departure from wage base parity will hold down to some extent the long term liability of the social security system.

As you know, our Associations have consistently recommended that general revenues be used to finance a portion of the costs of social security cost-of-living adjustments. We also endorse the Committee's proposal to use general revenues to replace payroll tax revenue that is lost to the system when unemployment rises above 5 percent. We continue to think that these two counter-cyclical general revenue devices are necessary to stabilize the social security program and insulate it from the consequences of high inflation and unemployment—the primary causes of the short-term imbalance. We consider it unfortunate a decision policy option has not yet attracted the degree of support it needs to make it viable legislatively.

Sincerely,

PETER W. HUGHES, Legislative Counsel.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE.

WASHINGTON, D.C., October 31, 1977.

Hon. GAYLORD NELSON,
Chairman, Social Security Subcommittee, Committee on Finance, U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Please accept my sincere thanks for the excellent letter you have provided in connection with the social security financing legislation. We are grateful to you and your colleagues for the action you have taken in approving legislation to deal with this vitally important issue.

I believe the Finance Committee bill reflects a responsible approach to social security financing: it embodies many of the principles contained in the Administration's own proposal, I hope we can proceed together to preserve the concept of disparity between the taxable wage base for employers and employees, and a tax rate to non-employment that reflects the effect of the bill's new tax provisions than alternatives proposed in Committee. We will be commenting in greater detail before the start of the House-Senate conference with respect to both bills.

It has been a pleasure to work with you and your colleagues on this important issue. We look forward to continuing cooperation in the effort to enact legislation to preserve the financial integrity of our social security system.

Sincerely,

JOSEPH A. CALIFANO, JR.

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES.

WASHINGTON, D.C., November 1, 1977.

Hon. GAYLORD NELSON,
Chairman, Social Security Subcommittee, Committee on Finance, U.S. Senate, Washington, D.C.

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Sincerely,

Peter W. Hughes, Legislative Counsel.

The Secretary of Health, Education, and Welfare.


Hon. Gaylord Nelson,
Chairman, Social Security Subcommittee, Committee on Finance, U.S. Senate, Washington, D.C.

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It has been a pleasure to work with you and your colleagues on this important issue. We look forward to continuing cooperation in the effort to enact legislation to preserve the financial integrity of our social security system.

Sincerely,

Joseph A. Califano, Jr.
although the committee bill offers these
security financing, and your plan as reported
the Senate Finance Committee. Your proposal
in the Senate Finance Committee. On this point
them as a contribution to the
through wage indexing seems to me eminent-
although In my opinion not absolutely essential.
the President's recommendation. Your proposal
social security beneficiaries and contributors to the program now have.
Robert M. Ball,

Throughout this testimony, I have used the term "social service employer" to refer to both an employer and a self-employed person. I have used the term "social security beneficiary" to refer to both an individual and a family. I have also used the term "social security financing" to refer to both the employer and the employee. I have used the term "social security benefits" to refer to both the employer and the employee. I have also used the term "social security financing in a very sensible way."

We would like to take this opportunity to contribute to the information referred by Senator Danforth's amendment to the Social Security financing package even better.

We hope that these hearings will begin to correct the misinformation surrounding universal coverage, which was so evident in the House. Fairness to all workers and beneficiaries means that benefits and costs of the Social Security system should be shared by all workers. We look forward to working with you in developing suitable legislation in this area.

Sincerely,

WILLIAM E. WELSH,  
Executive Director for  
Governmental Affairs.

October 31, 1977.

Senator CAYGILL NELSON,  
U.S. Senate,  
Washington, D.C.

Dear Mr. NELSON: I am writing to express my strong support for the social security policy that you developed and that has now been recommended to the Senate by the Senate Finance Committee. Your proposal seems to me to address both the short-range and the long-range problems of social security financing, in a very sensible way.

I believe there are seven main principles that should be followed in strengthening social security financing, and your plan as reported by the Senate Finance Committee follows all seven.

1. Contribution rate increases should be kept to the minimum consistent with a sound plan. Rate increases have to be paid by all workers, those with low wages as well as those with high wages. I very much favor holding down the rate increases, as you have done, by increasing instead the proportion of payroll on which employers pay. Thus, under your plan, you have been able to hold the increase in the employer's rate over present law (including 5 percent of the estimated 1995 increase) to 3/10ths of 1 percent and, in addition, to 5/10ths of 1 percent through 1994, plus another 4/10ths through 1998.

This is greater than you would have had to occur moving up the presently scheduled rate for the year 1981 as recommended by the President. (The rate increases scheduled for 1981 and later are discussed in item 7 below.)

The maximum annual earnings on which employers pay and which are credited for benefit purposes should be increased somewhat, the President pointed out both prior to his election and since. The maximum annual earnings on which the income of the program is increased by raising the maximum earnings on which the index of compensation is calculated, the additional payments are made—only by the highest-paid 15 percent of workers in the country the percentage who do not have now all their earnings covered for social security purposes. And, very importantly, the President pointed out both prior to his election and since, that while the maximum annual earnings on which employees pay are indexed for benefit purposes, the President's proposal will raise the maximum amount of earnings credited for benefit purposes should be increased to $6000 steps in the same way as the President's recommendation.

3. Employers should pay on a higher proportion of their total payroll than would be the case under the President's proposal. This would entail a smaller increase in the total amount of earnings on which employers pay that is included in the benefit computation. Although this is important to the American social security system from the approximately equal division of costs between employers and employees, it would not be adequate for the present levels of benefit payments. The increase in the amount of earnings on which employers pay that is included in the benefit computation. Although this is important, it is not enough. There are many other countries in the world that have much lower rates of benefit payments than the United States. In Belgium, Denmark, France, Italy, Norway, and Sweden, benefit payments are higher than in the United States. In these countries, the amount of earnings on which employers pay that is included in the benefit computation is about double the amount of earnings on which employers pay that is included in the benefit computation. In the United States, the amount of earnings on which employers pay that is included in the benefit computation is about one-third the amount of earnings on which employers pay that is included in the benefit computation. This in the case in Belgium, Denmark, France, Italy, Norway, and Sweden, benefit payments are higher than in the United States. In these countries, the amount of earnings on which employers pay that is included in the benefit computation is about double the amount of earnings on which employers pay that is included in the benefit computation. In the United States, the amount of earnings on which employers pay that is included in the benefit computation is about one-third the amount of earnings on which employers pay that is included in the benefit computation. This is a total of only .05 percent greater than would be the case under the President's proposal.

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4. Any proposal for increasing the social security tax base should include an account of non-profit organizations and state and local governments that do not have any way, as corporations do, of writing off up to nearly half of the increase in the corporation income tax law. It seems to me, therefore, that your proposal to refund to these organizations a total tax exemption of 50 percent of that part of the employer's increased tax that exceeds the increase in the tax paid by the self-employed person that I do not see a solution to this problem, however, that this is the time to consider relieving these organizations of the generally speaking, making what employers pay, tax.

5. Any proposal for strengthening the financial of social security should include a provision for stabilizing replacement rates, and thus to provide an adequate, systematic benefit computation for the present automatic provisions which are much too susceptible to the operation of how wages change and prices move. The change to a wage-indexed system of benefit computation in the Senate Finance Committee proposal would, if implemented, be enough reason to support this legislation. While guaranteeing to current contributors a benefit that is at least the same proportion of present earnings, when they retire as was true for workers retirement in 1976, the proposal reduces the estimated long-range actuarial deficits in the system, not because some states have assumed increases in wages and prices for the long-range future that under present assumptions would not be realized. The proposal to base benefit computations on indexed monthly earnings as made by the President's proposal will increase in your proposal thus prevents unwarranted increases in the future while at the same time ensuring that the interest of present contributors.

6. The financing plan should build reserves to increase the ratio of reserves to contributions, with the event of a recession it would be unnecessary to increase contribution rates at a time that would be undesirable from the standpoint of unemployment insurance. Your proposal is estimated to gradually increase reserve levels over the next 10 years to somewhat over 50 percent of contributions to be held in reserve in the 75-year period for which the estimates are made. The Senate Finance Committee proposal adds a small surplus to this by increasing contributions.

In 1995, 2001 and 2011. My own view is that the estimates on which these calculations are based are underestimates of future costs. It seems to me desirable to bring the system into approximate actuarial balance in the year 2015, and this would require that the contribution rates be increased by an additional half of 1 percent in the 76-year period for which the estimates are made. The Senate Finance Committee proposal adds a small surplus to this by increasing contributions.

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These proposals are constructive and show a responsible concern for the social security program. In order for this vital program to remain financially sound now and in the next century.

The Senate should pass the bill as soon as possible and without any amendments that would endanger the financial integrity of the program.

We commend your leadership on this issue and pledge our support in behalf of your effort to enact this legislation into law.

Sincerely yours,

Andrew J. Bernstein,
Department of Legislation.

PUBLIC CITIZEN,

DEAR SENATOR NELSON: We are writing concerning the Social Security Financing Bill, which will soon be voted on in the Senate.

In your consideration of this legislation, we urge you to avoid not further increases in the payroll tax rate. Rate increases impact primarily on low and moderate income workers, many of whom already pay more social security taxes than they do in federal income taxes. Furthermore, the combination of the payroll tax and the income tax is a regressive tax.

On the other hand, we believe that increases in the wage base on which the payroll tax is assessed. Since the wage base is part of the social security system, wage base increases only affect upper income workers (the top 14% currently) and enhance the progressivity of the total federal tax system.

In fact, we would favor complete elimination of the wage base ceiling, so that all workers would pay the same rate of payroll taxes. (Currently, high income workers pay at a far lower rate than average workers.) The Finance Committee bill has adopted with some modifications the approach proposed by the Administration of only raising the wage base for employer contributions. This approach adopted.

We oppose the Danforth proposal which was more beneficial to 11 of the 14 cities. We'd like to take this opportunity to commend your leadership in this matter, and urge you to reject the Danforth proposal.

Sincerely,

Robert S. McIntyre,
National Education Association,

Hon. Gaylord Nelson, Chairman, Subcommittee on Social Security, Senate Finance Committee, Washington, D.C.

DEAR SENATOR NELSON: The National Education Association is grateful for the actions taken by the Finance Committee with respect to protecting the solvency of the Social Security System. We are particularly pleased that the Committee did not recommend mandatory coverage for state and local public employees.

We believe that the structure of wage base, tax rates, and tax relief you proposed in Committee are sound and should be enacted into law. Your proposals, as adopted by the Committee, benefit employees, who are hardest hit by the inherent regressivity of the tax. The tax credit provision you proposed also provides the impact on public employers, who will temporarily carry a proportionately larger share of the tax burden.

We applaud your leadership as the Committee undertakes the difficult task of fashioning a sound bill that provides the greatest possible degree of social equity.

Sincerely,

Stanley J. McFarland, Director of Government Relations.

INTERNATIONAL BROTHERHOOD
OF TEAMSTERS,

Hon. Gaylord Nelson, Chairman, Subcommittee on Social Security, Senate Finance Committee, U.S. Senate, Washington, D.C.

Dear Senator Nelson: In the near future, the Senate will be considering the Social Security Amendments of 1977.

In any view, your leadership in this area has been most responsive to the needs of our members and all working people.

While some possible tax increases may be necessary, we believe your proposals will provide a fair and reasonable solution to this very important matter.

Thank you for your consideration in this matter.

Sincerely, David A. Sweeney, Legislative and Political Director.

INTERNATIONAL LONGSHOREMEN’S
AND WAREHOSEMEN’S UNION,

Hon. Gaylord Nelson, Chairman, Subcommittee on Social Security, Senate Finance Committee, U.S. Senate, Washington, D.C.

Dear Senator Nelson: The Social Security Amendments of 1977 will soon be voted on in the Senate. Most of these proposals will correct the financial difficulties of the Social Security System. While labor opposes certain provisions in the bill, it goes a long way in solving the financial problems of the Social Security System.

The bill does not increase future benefit payments, but it does not do as much for the progressivity of the total tax system.

We urge you to take to the floor, we strongly urge that you vote against the amendment to be offered by Senator Curtis. His proposal would eliminate the bill's increases in the employer wage base in favor of substantial hikes in the payroll tax rate. It would add to the tax burden on average workers in order to reduce the load on the better-off. This approach should be rejected.

Sincerely,

Patrick F. Tobin, Washington Representative.

[From the National Council of Senior Citizens, Inc., Washington, D.C.]

STATEMENT OF THE NATIONAL COUNCIL OF SENIOR CITIZENS ON SOCIAL SECURITY FINANCING PROPOSALS

The National Council of Senior Citizens, a nonprofit, nonpartisan organization representing over three million organized seniors, strongly supports expeditious passage of the Social Security Amendments of 1977. We commend your leadership and your proposals which will significantly improve the Social Security System. Your leadership in this matter.

We believe that the proposals of the Finance Committee, with the possible addition of the proposal of Senator Danforth, will apply the tax in a manner that is not regressive and is more equitable.

We urge prompt action—without crippling amendments—to restore public confidence in the Social Security System and in our government.

DEAR SENATOR NELSON: It is expected that the Senate will attempt to conclude their work early in the Senate and the Social Security Act some time prior to adjournment. As we indicated in an October 20th letter to Senator Long, one of the several issues of significance to the nation’s cities that remain to be resolved.

It is neither surprising nor new to indicate that the fiscal impact of federal legislation is of grave concern to cities which are in many cases already severely pressed to maintain existing services. The increases in the Social Security tax rate as well as the taxable wage base, however minimal, will nevertheless be felt at the local level.

We have reviewed both your proposal and others discussed in the Finance Committee, and our research indicates that tax rate increases have a more significant cost impact on local budgets than do increases in the taxable wage base. Since we realize that steps must be taken to ensure the viability of the Social Security System, we would prefer to see your approach adopted.

We'd like to take this opportunity to commend your leadership and the full support of your efforts to pass this bill.

Sincerely,

Alan Bials, Executive Director, National League of Cities.

John Gwirtz, Executive Director, U.S. Conference of Mayors.

Mr. NELSON. May I say to the Senator what we did was ask the National League of Cities to check some cities and find out—they selected them, we did not—what would be the impact upon the cities of the proposal by the Senator from Nebraska and the proposal that I had presented to the Finance Committee. They selected 14 cities; of those 14 cities, the fiscal impact of the proposal I made was more beneficial to 11 of the 14 cities. Under my proposal, my proposal would have resulted from their viewpoint, than under the proposal of the Senator from Nebraska.

I ask unanimous consent that that table be printed at this point in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

Congressional Record—Senate S 18415

November 2, 1977

CONGRESSIONAL RECORD—SENATE

The social security tax rebate equal to one-half of the difference between aggregate employer tax payments and aggregate employee tax payments.

We oppose the Danforth proposal which offers a tax rebate to public and private nonprofit organizations through a tax rebate equal to one-half of the aggregate employer payroll tax liability as excessive, arbitrary, and an inefficient use of scarce resources.

We oppose the Curtis proposal to maintain parity since this approach requires unjustified and regressive tax rate increases above and beyond those already under consideration.

Payroll tax rate increases unduly penalize lower and moderate earners and severely damage the political and economic acceptability of the Social Security System.

We urge prompt action—without crippling amendments—to restore public confidence in the Social Security System and in our government.
Employer tax liability for selected cities under alternative social security financing plans (1972)

<table>
<thead>
<tr>
<th>City</th>
<th>Current law (2050)</th>
<th>Curtis Plan 2 (2050)</th>
<th>Nelson Plan 2 (2050)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchorage, AK</td>
<td>1,279</td>
<td>15.3</td>
<td>3.2</td>
</tr>
<tr>
<td>New Haven, CT</td>
<td>207</td>
<td>1.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Wilmington, DE</td>
<td>648</td>
<td>5.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Savannah, GA</td>
<td>646</td>
<td>5.7</td>
<td>2.4</td>
</tr>
<tr>
<td>New Orleans, LA</td>
<td>3,599</td>
<td>5.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Kansas City, MO</td>
<td>3,995</td>
<td>6.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>2,202</td>
<td>5.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Omaha, NE</td>
<td>1,155</td>
<td>6.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Poughkeepsie, NY</td>
<td>390</td>
<td>5.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Portland, OR</td>
<td>3,200</td>
<td>7.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>6,312</td>
<td>5.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>4,318</td>
<td>5.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Milwaukee, WI</td>
<td>4,370</td>
<td>6.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Cheyenne, WY</td>
<td>171</td>
<td>4.7</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Computations based on data supplied by the National League of Cities.

This table demonstrates that these selected municipalities would have lower total social security tax liability under the Nelson social security financing plan than under the Curtis Plan No. 2 in most instances (11 of 14 cities).

Nelson Plan: Finance Committee plan modified by the inclusion of a $250,000 employer wage base effective in 1976 and $75,000 in 1980.

Curtis Plan: Finance Committee plan modified by the inclusion of additional tax rate increases of 0.28 for employers and employees each in 1979, 0.1 each in 1983, and each year thereafter in lieu of the $100,000 wage base. Wage bases for employees and employers would be increased by a total of $2400 between 1976 and 1985.

Mr. CURTIS. There will be no objection under my reservation.

Now, the present social security tax is a little less than 9 percent on employees. To raise it a half percent would be raising it by one-twelfth, but if you raise the wage base up to $100,000, I am sure that you are going to get a much bigger raise than that, but I appreciate having the information, and I do not wish to delay the distinguished Senator in his presentation.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. NELSON. I yield to the distinguished Senator from Missouri without losing my right to the floor.

Mr. DANFORTH. Mr. President, I ask unanimous consent that Allen Moore and Nancy Allman of my staff have the privilege of the floor during the proceedings on this bill and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DANFORTH. Mr. President, will the Senator yield for some questions?

Mr. NELSON. Yes. I would be glad to yield.

Mr. DANFORTH. There is no doubt, is there, that whatever we do, whether it is the approach that the Committee on Finance has taken or the approach that Senator CURTIS has suggested, the combined increases already programmed in the law that is now on the books, and increases which we are going to vote on will be very substantial for State and local units of government.
November 2, 1977

CONGRESSIONAL RECORD — SENATE

S 18415

There being no objection, the chart was ordered to be printed in the Record, as follows:

PROJECTIONS OF EARNINGS OF DIFFERENT WORKERS

<table>
<thead>
<tr>
<th>Worker</th>
<th>Social Security earnings</th>
<th>Average weekly earnings in 1977</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000</td>
<td>$10,001</td>
</tr>
<tr>
<td>1977</td>
<td>$10,001</td>
<td>$15,000</td>
</tr>
<tr>
<td>1980</td>
<td>$12,486</td>
<td>$17,767</td>
</tr>
<tr>
<td>1985</td>
<td>$16,509</td>
<td>$23,706</td>
</tr>
<tr>
<td>1990</td>
<td>$21,909</td>
<td>$31,025</td>
</tr>
<tr>
<td>1995</td>
<td>$27,921</td>
<td>$37,767</td>
</tr>
<tr>
<td>2000</td>
<td>$35,121</td>
<td>$47,767</td>
</tr>
<tr>
<td>2005</td>
<td>$48,415</td>
<td>$61,258</td>
</tr>
<tr>
<td>2010</td>
<td>$72,109</td>
<td>$92,803</td>
</tr>
<tr>
<td>2015</td>
<td>$91,752</td>
<td>$121,760</td>
</tr>
<tr>
<td>2020</td>
<td>$116,755</td>
<td>$159,600</td>
</tr>
<tr>
<td>2025</td>
<td>$148,380</td>
<td>$207,600</td>
</tr>
<tr>
<td>2030</td>
<td>$213,600</td>
<td>$276,000</td>
</tr>
<tr>
<td>2035</td>
<td>$348,200</td>
<td>$451,000</td>
</tr>
<tr>
<td>2040</td>
<td>$573,600</td>
<td>$730,000</td>
</tr>
<tr>
<td>2045</td>
<td>$916,300</td>
<td>$1,240,000</td>
</tr>
<tr>
<td>2050</td>
<td>$1,437,500</td>
<td>$2,060,000</td>
</tr>
</tbody>
</table>

NOTES

1. The "average wage" shown here is the "1st quarter annualized average." That is, it is total social security wages in the 1st quarter of the year divided by the number of workers in the 1st quarter, the result multiplied by 4. Since annualizing the 1st quarter may skew the data, future tables will present the raw figures and the average monthly wage. The table does not project the replacement rate of the average worker in all the decoupling tables. It is also the wage we used to calculate the replacement rate of the average worker in all the decoupling tables.

2. The earnings bases are those produced by the Finance Committee plan. Figures for years after 1980 are approximate, based on the 1979 report. All projections use the alternative ii assumptions contained in the 1979 report, with the 1980 and future data based on the assumption that the minimum living wage is $5,000, or 25% of the poverty income.

Mr. HARRY F. BYRD, JR. If the Senator from Wisconsin, I am not sure whether I caught the full import of what the Senator from Wisconsin meant. Would the Senator from Wisconsin mind restating that situation?

Mr. NELSON. The actuarial studies of the social security system took the 1977 average wage, which is $10,001 nationwide. They used this figure, and assumed that average wages would increase at the rate of 5.75 percent a year.

This is the assumption that all of the short- and long-range cost estimates in the 1977 Social Security Trustees report have been based upon. Of course, of it might be 6 percent, or it might be 4 percent. Why they are using 5.75 percent, I have no notion.

Using these assumptions you go, from year to year, from a 1977 average wage of $10,001 to an average wage in the year 2000 of $38,512, to an average wage in the year 2050 of $630,395.

I only make that point because, I repeat, I am sure that figures will be tossed around here showing how huge the dollar figures will be. Beginning in the year 2000, the average worker, then earning $38,512 can more easily pay three times as much social security as he does now on $10,000.

Mr. Harry F. Byrd, Jr. If the Senator from Wisconsin, these figures dramatize just what inflation is doing to this country. A 5.5 percent inflation, which these figures are based upon, would lead the Senator from Virginia to believe those figures are probably low, that it will be much greater than the average indicated by the Senator.

Mr. NELSON. I hope not. Historically, they have not been. One of the problems with the current law is that they made

Mr. NELSON. Yes, May I ask a question for clarification? Is that because the 227-percent increase would be a dollar increase in 10 years from now, above what the cost is now?

Mr. DANFORTH. In 1976, last year, the social security tax liabilities for State and local governments and not-for-profit organizations, in the aggregate, was $6.6 billion. In 1987, 10 years from now, it is projected to be, under the bill now before us, $21.6 billion, which would be an increase of 227 percent.

Mr. NELSON. Thank you for clarifying the record on that. What one has to keep one's eye on is that cost-of-living increases—inflation—plays some funny games.

The fact of the matter is that the average employee will probably be paying two, three, or four times as many dollars in social security a few years down the line than now; but those are inflated dollars, one must keep in mind. I will get the figure out for the Record. I would simply point out that about every 14 years there is an increase in their figures. So if you go out 14 years, and then 20 years, and beyond, pretty soon you have people paying five times as much social security, but they are getting six times as much income, another huge distortion to the situation.

Incomes will be over $100,000 sometime between the years 2010 and 2020, for the average worker in the country. So to say the average employee in the country would be paying $5,000, or $10,000, in social security would shock you, until you realize what inflation is doing to him. In the year 2000, the average income worker will be receiving $47,767. If you use the projections you go, from year to year, from 1977 average wage of $10,001 to an average wage in the year 2000 of $38,512, to an average wage in the year 2050 of $630,395.

(Mr. McGovern assumed the chair.)

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. NELSON. Yes.

Mr. CURTIS. How much of that increase is real increase, and how much is inflation, and upon whose authority can we rely that the inflation will not be any more than that?

Mr. NELSON. These are the figures of the social security actuaries. We asked them for them because we recognized that dollar figures would be used, and if you were talking to employees, I think you would say, with an income of $10,000, paying whatever he pays now in social security and then all of a sudden he is going to be paying six times as much in the future, it is not six times as much in real dollars.

I ask unanimous consent that the chart to which I have referred be printed in the Record at this point.

The point is simply this, and I will make it at greater length later on, and then let the Senator move on to his other points, and I am speaking for interrupting him at such length: My point is simply that for this group of employers, not-for-profit employers, school districts, State and local governments, they will be facing, between last year's social security tax liability and the tax liability 10 years from now, a 227-percent increase in their social security tax liability. It is only a small fraction of which will be derived from what we are doing in this bill, and that, unlike profit-making employers, they do not have the possibility of recouping approximately 48 percent of their social security tax liability from the general fund, from the Treasury, by way of income tax deductions.
Mr. ALLEN. Earlier today I engaged in a colloquy with the distinguished majority leader concerning the necessity for action at this time on the social security amendments. It seems with the social security amendments and the energy bill, the Congress is embarking on the largest peacetime and social security amendments. It seems with the Senator’s good judgment and opinion. Mr. ALLEN. Will the Senator yield?

Mr. NELSON. Yes, I will yield for a question.

Mr. ALLEN. Would it be convenient for the Senator to answer several questions at this time?

Mr. NELSON. If I am able to answer, I will be happy to answer.

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Mr. NELSON. If I am able to answer, I will be happy to answer.
There are a number of other figures that I would like to have, but over the past 2 or 3 weeks, the computers and the statisticians have been working with the House. My limited staff has been making its requests and some of the things we would like to have, we do not have, though we believe we have the vital statistics that are necessary for anyone to consider this bill. We shall get the additional data figures around 10:55.

Mr. ALLEN. Would it be possible, then, during the day, to get the costs—that is, the additional tax—over the next 5 years?

Mr. NELSON. We have the additional taxes.

Mr. ALLEN. The additional costs, then.

Mr. NELSON. The additional dollars over the next 5 years?

Mr. ALLEN Yes.

Mr. NELSON. Raised by the additional social security taxes, or raised as a consequence of current law, plus additional taxes?

Mr. ALLEN. No, sir. I believe the Senator stated the other was the amount of additional taxes over current law and current provided-for increases?

Mr. NELSON. That is correct. That is the figure the Senator wants?

Mr. ALLEN. Yes, that is the figure I want. I would hazard a guess that that will escalate to where twice the additional tax will be levied, based on increases, plus additional taxes, plus the inflation that can be looked for in that time.

Mr. NELSON. I do not know what the figure would be, but the Senator is correct. We will be in deep figures over the next 5 years, much more because of inflation and increases in the taxable wage base and an increase in tax rates.

Mr. ALLEN. One question arises from the chart the Senator put in a moment ago. I believe that he said that around the year 2000, a worker who had made $10,000 a year would be receiving $630,000?

Mr. NELSON. No.

Mr. ALLEN. What was that figure suggested?

Mr. NELSON. The average salary today is $10,001 a year, for the year 1977. In the year 2000, projected upon the assumptions used by the social security trustees of a 5.75 percent per year increase in wages, it would put the average worker at $38,512 in the year 2000.

Mr. ALLEN. What is the $630,000?

Mr. NELSON. In the year 2050, using the same projections, that salary rise, as the Senator can see, exponentially to $630,395.

Mr. ALLEN. Is that the salary he would be receiving or the social security benefit?

Mr. NELSON. That would be the average wage, the nationwide average wage.

Mr. ALLEN. Does the Senator not think it might be well to wait until the average worker is making that kind of money before we consider this tremendous tax on them? They are not making that kind of money now.

Mr. NELSON. I say to the distinguished Senator from Alabama, that is something I would like to have, but over the past 2 or 3 weeks, the computers and the statisticians have been working with the House. My limited staff has been making its requests and some of the things we would like to have, we do not have, though we believe we have the vital statistics that are necessary for anyone to consider this bill. We shall get the additional data figures around 10:55.

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Mr. HOLLINGS. If spending authority is a concern—this is a concern of the distinguished manager of the bill at this time—is that if we in the Budget Committee could see them in a group sometime tomorrow or the next day, as we have with the Finance Committee, one way or the other.

I know that the Senator from Wisconsin cannot tell when a Senator is going to call up an amendment, but I have been seated here all morning, trying to respond to the requirements of the Budget Committee and the distinguished chairman. Senator Muskie, who is ill at the present moment. However, I would hate to have to sit here all day and wonder whether we can reach some understanding so that we can handle those amendments that would require a roll-call vote.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. CURTIS. Does the Budget Committee have any desire to amend with respect to approving an amendment that does not call for increased expenditures of any sort?

Mr. HOLLINGS. Or increased budget authority.

Mr. CURTIS. By any method. Suppose there is an amendment that does not affect the outgo of the fund in any manner. Does the Senator have a concern about those amendments?

Mr. HOLLINGS. Generally, no, if it is a tax credit. That is a permissible amendment, and that is what we are talking about, and that is what is on the floor.

Mr. CURTIS. I am trying to find out whether or not the Budget Committee is interposing any objection to amendments that might be offered that in no way diminish the fund, either by a credit or an authorization or an appropriation or a benefit paid. To say it another way, the Budget Committee's concern is primarily with those proposals that cost the fund money.

Mr. HOLLINGS. They do not just cost money. What they really do is delay the impact to ensuing fiscal years beyond the present fiscal year, 1978. When it takes effect in 1979, we have not had the opportunity to look at its impact with respect to the entire budget for fiscal year 1979. We have not enacted, for example, the first concurrent resolution, and that has reference to section 309(a) of the Budget Act.

Mr. CURTIS. I am directlying my question to those kinds of amendments that do not now or in any future year increase the expenditures or the obligations of the fund. Does the Budget Committee have any concern about those?

Mr. HOLLINGS. I have tried to emphasize the fact that new spending authority may be provided, and we have not enacting any thing.

Mr. CURTIS. No; I am excluding anything that possibly could cost.

Mr. HOLLINGS. If spending authority amends the bill in the form of a tax credit, it may not be subject to the point of order.

Mr. NELSON. Is the Budget Commit-
Mr. HOLLINGS. That is taken care of in the committee bill.

Mr. NELSON. That has the so-called refund, and so forth. It is now just an authorization. It is not a refundable tax credit.

Mr. HOLLINGS. It is not in budget authority so it is taken care of in the bill.

Mr. NELSON. That is taken care of in the bill.

Mr. HOLLINGS. All right.

Mr. NELSON. I do not know where the Budget Committee stands with respect to Senator Danforth's amendment and Senator Dole's amendment, which are not in the bill, or Senator Curtis's amendment.

Has that been settled?

Mr. HOLLINGS. No. That is the point. It is not settled and apparently at this time we would have to raise points of order against those amendments. We are trying to cooperate with the managers, and the leadership, in carrying out the social security bill within the confines that the Senate knows and our Budget Committee knows the fiscal impact of these various amendments. In essence, we really do not act until someone presents us a resolution asking for a waiver. I am not sure, but the Senator from Kansas may have presented it, and he was preparing one since we discussed it in the committee earlier this morning. We were also wondering about the Senator from Texas and some of the others. But we will work with them in a bipartisan way; we cannot facilitate the movement and treatment of these amendments that may require a waiver.

What the Budget Committee will do I am not sure.

Mr. NELSON. I have no notion what amendments might be raised other than those we know about. I think the Senator from Kansas may want to say something in a moment. But is the Senator suggesting someone may call up an amendment?
amendment? I am no expert on the technicalities of what has to pass through the Budget Committee as a resolution. Would the Senator desire that the manager of the bill ask for a quorum call whenever an amendment is called up?

Mr. HOLLINGS. If the Senator does not mind, something along that order would be appropriate at this time.

Mr. NELSON. I will be happy to do that.

Mr. HOLLINGS. I thank the Senator very much.

Mr. NELSON. If the Senator from South Carolina will yield, the majority leader wishes to take up the budget resolution waiver.

Mr. ROBERT C. BYRD. The waiver that is at the desk.

Mr. NELSON. I yield.

That is right. We can adopt that waiver.

Mr. BELLMON. Mr. President, I ask unanimous consent that Mr. Ed King of Senator Bartlett's staff be granted floor privileges.

The PRESIDING OFFICER. Without objection, it is so ordered.

BUDGET ACT WAIVER

Mr. ROBERT C. BYRD. Mr. President, I believe consent was given to proceed with the budget waiver or waivers at any time. If Senator Byrd of Tennessee's staff be granted floor privileges.

Mr. NELSON. I ask unanimous consent to the consideration of the waiver at this time on Senate Resolution 315.

The PRESIDING OFFICER. The clerk will state the resolution by title.

The legislative clerk read as follows:

S. Res. 315, waiving section 303(c) of the Congressional Budget Act of 1974 with respect to the consideration of H.R. 5322, a bill providing additional financing for the social security system.

The Senate proceeded to consider the resolution.

The PRESIDING OFFICER. Under the last that there is a 1-hour time limit. Who yields time?

Mr. HOLLINGS. Mr. President, if I can, I will paraphrase the resolution of approval of the budget waiver with respect to H.R. 5322 and the Curtis amendments.

Section 303(a) of the Congressional Budget Act of 1974 provides that it shall not be in order in either the House or the Senate to consider any bill or resolution or any amendment thereto providing new budget authority, new spending authority, or changes in revenues or public debt for a fiscal year until the first concurrent resolution on the budget for such fiscal year has been adopted.

Mr. STONE. Mr. President, will the Senator yield for an unanimous-consent request?

Mr. HOLLINGS. I yield.

Mr. STONE. I ask unanimous consent that Mary Repper. of my staff, have the privileges of the floor during the votes and debate on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HOLLINGS. Since H.R. 5322 provides for an increase in revenues which would not become effective until fiscal year 1979, some members think section 303 of the Budget Act with respect to consideration of this bill must be adopted before the bill can be considered by the Senate. The Committee on Finance has reported such a resolution, seeking waiver of section 303 as it would otherwise apply to H.R. 5322 and certain amendments thereto. In reporting favorably on the resolution waiving section 303 of the Budget Act to H.R. 5322, the Budget Committee stated that the Senate proceed to full consideration of the bill but is not prejudging the merits of its provisions.

The primary purpose of this bill is to finance the severe short- and long-range deficits facing the social security trust funds. To meet these deficits, the Finance Committee elected to rely on a combination of benefit cuts and raising future social security payroll taxes. The committee flatly rejected a Carter proposal to use, for the first time, countercyclical grants to the trust funds from the general fund. The committee did accept, in modified form, another key Carter proposal under which employers will pay taxes on a higher level of wages than do employees. (Under present law employers pay taxes on pay rates on the same level of wages.) The Budget Committee is extremely reluctant to recommend the adoption of resolutions waiving section 303(a) of the Budget Act over the major purposes of the Congressional Budget Act was to bring the Federal budget under better control. Through the adoption each year of the first and second concurrent resolutions on the budget, Congress sets fiscal policy and national priorities for the fiscal year.

If legislation affecting spending or revenues for a future fiscal year is considered prior to the first concurrent resolution on the budget for that year, to that extent Congress loses control of the spending and priority matters for that year, to that extent Congress loses control over Federal budget resolutions. Through the adoption each year of the first and second concurrent resolutions on the budget, Congress sets fiscal policy and national priorities for the fiscal year.

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If legislation affecting spending or revenues for a future fiscal year is considered prior to the first concurrent resolution on the budget for that year, to that extent Congress loses control of the spending and priority matters for that year.

However, the Budget Act recognized that in some situations it may be appropriate to consider such legislation before the adoption of the first concurrent resolution.

The conference substitute provides no In-...
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ing of our Nation's fiscal future. This point of order lies against legislation which provides new spending, taxes, or entitlements which become effective in a year until a Congressional budget has been adopted for that year.

The Finance Committee's social security financing proposal and amendments proposed for consideration by the Finance Committee in connection with it, enact new taxes which will very significantly affect our Nation's economy and Congress, beginning a year from now in fiscal year 1979. Because these tax provisions mortgage next year's budget before any congressional budget resolution for fiscal year 1979 is adopted, they are subject to a point of order under the Budget Act.

The Budget Act provides, however, that if a committee reports legislation in the form of the report on this legislation that we should mortgage future budget choices, it can report a resolution seeking to waive the Budget Act point of order which would otherwise lie against the bill. The amendment is referred to the Budget Committee. The Senate decides whether to open the door to this future mortgage legislation by voting such resolutions after they are reported by the Budget Committee.

The Finance Committee has reported a resolution which waives application of the Budget Act point of order to taxes raised by the social security financing amendments. Specifically, the Finance Committee requested five other waivers of the Budget Act point of order in the case of certain Finance Committee members' amendments that also mortgage future revenues or future spending decisions.

The Budget Committee met both yesterday and this morning to consider this series of waiver resolutions. Regrettably, no copy of the report on this legislation that was available to us. We did not even have a cost estimate from the Committee on Finance as to one of the amendments sought to be cleared for Senate action through these waivers.

Nonetheless, we wanted to accommodate the leadership to the extent we could, consistent with our obligations under the Budget Act. After a meeting with Senator Laxalt, the distinguished chairman of the Finance Committee, the committee agreed that the Finance Committee would report another resolution requesting waivers for only the bill and a substitute amendment from SenatorCURRIS. So the Budget Committee has favorably reported the waiver resolution which clears for Senate consideration the social security financing bill and a substitute amendment to be offered to it by the ranking Republican member of the Finance Committee, Senator CURRIS.

The Budget Committee has strong reservations about the other waiver requests originally reported by the Finance Committee which would authorize consideration of very costly future mortgage legislation.

Two of these amendments involve multibillion dollar refundable tax credits which are properly the jurisdiction of the Committee on Appropriations.

The government should not become committed prior to consideration of other spending needs in those future years as determined in the course of developing budget resolutions for those years.

My purpose is to explain the reasoning of the Budget Committee in regard to the action it took on the Finance Committee requests.

THE BILL ITSELF

The waiver resolution favorably reported by the Finance Committee authorizes Senate consideration of the Finance Committee's social security financing proposals themselves. They are incorporated in an amendment to H.R. 3342, a House-passed tariff bill which the Finance Committee has chosen as the vehicle for Senate consideration of these financing amendments.

Adoption of this waiver resolution is necessary for the Senate to consider the social security financing amendments themselves.

Consideration of these amendments is consistent with the congressional budget which Congress enacted 1 month ago.

The Budget Committee has carefully considered the matter of social security financing legislation in adopting that budget.

The conference report accompanying that resolution explicitly recognized the major financing problems of the social security system and urged "that the responsible committees report legislation putting social security on a sound financial footing for both the short term and long term."

This position was consistent with the Senate position on the second budget resolution.

The conferences, however, explicitly rejected any increase in social security taxes during fiscal year 1978 on the ground that "any major increase in such taxes could not be justified given the present state of the economy." Congress has endorsed these recommendations of the budget conference in enacting the second concurrent budget resolution. This Finance Committee amendment is consistent with that judgment which Congress made in adopting the second budget resolution.

The social security tax increases proposed by the Finance Committee amendment would not become effective until fiscal year 1979. It is this deferral of the fiscal year 1979 is consistent with the Budget Act. The committee notes in approving this waiver resolution that the alternative tax amendment, like the committee amendment itself, would not take effect until fiscal year 1979 and thus, requires waiver of section 303(a).

Mr. President, the Budget Committee has serious concerns about floor amendments which would create new entitlement legislation costing billions of dollars. These amendments would be subject to a point of order under section 303(a). The committee will keep close watch on these and other amendments to assure compliance with the Budget Act.

Mr. McClure. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. McClure. Mr. President, I ask unanimous consent that Jan Olson of Senator Hayakawa's staff and Tom Hill of my staff be accorded privileges of the floor at all stages of the proceedings on this budget waiver resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BELLMON. Mr. President, I make the same request for Bob Boyd of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Jerry Gauche of Senator GEAR Vie's staff be permitted the privileges of the floor during the consideration of the pending legislation and votes that precede the vote on the Budget Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I do not have any objection to the comments just made by the distinguished Senator from Alaska.

The PRESIDING OFFICER. Who is yielding time?

Mr. DOLE. I yield myself—

The PRESIDING OFFICER. The Senator does not have time.

Mr. HOLLINGS. I yield the Senator from Kansas whatever time he may desire.
Mr. GOLDWATER. Parliamentary Inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. GOLDWATER. Are we operating under a time limitation?

The PRESIDING OFFICER. Under the law, there is a 1-hour time limitation on this resolution.

Mr. DOLE. Just on the resolution, there is no time agreement on the bill itself.

The PRESIDING OFFICER. Just on the waiver resolution.

Mr. DOLE. In order to establish the record, there is a Finance and Budget Committee meeting this morning. A number of amendments, were discussed including the amendment of the distinguished Senator from Arizona, Senator Goldwater, which would remove the earnings limitation on social security. I appreciate the careful consideration given to that point of view by the distinguished Senator from South Carolina and the distinguished Senator from Oklahoma.

We were unable to reach any agreement on whether or not there should be a waiver granted on that particular amendment. So the amendment of the distinguished Senator from Texas (Mr. Tower), who hopes to offer a substitute for the pending legislation. As I understand the situation, the amendment violates the Budget Act except again the earnings limitation provision.

Now, Mr. President, there is a change in the earnings limit in the bill offered in the committee by the distinguished Senator (Mr. BENTSEN). It seems to this Senator and, I think, the Senator from Arizona and the Senator from Texas (Mr. Tower) that the Budget Committee, made policy decision, and get a decision based on the Budget Act.

We would hope that there would be an opportunity later in the day for the Budget Committee to meet again and consider, if necessary, a waiver of the Goldwater-Dole-Ketchum amendment but also the Tower amendment and any other amendments that may be offered to try in order prevent any objections to considering the resolution. The Senator from Kansas wants to serve notice that unless there can be some consideration by the Budget Committee of the amendments of other Senators I will not yield to any time agreements on the pending bill. In fact, it may be best to put off the bill until next January. A number of us are prepared to talk at length, if necessary, to put this bill off until January unless we can have the cooperation of our colleagues to give all Senators a chance to present amendments to the bill.

If the Budget Committee states that there will be no amendments that the Budget Committee cannot agree upon, there is in effect, a closed rule. We are not included from bringing up our proposal if it has any budgetary effect at all.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. GOLDWATER. I thank the distinguished Senator from Kansas for his comments and for his help on this whole matter.

I point out that this is not, incidentally, a new matter. We have had this same problem before the committee in the last three Congresses, and I have never had the courtesy of being called for a hearing.

I would call to the attention of my colleagues all the Budget Committee's other facet: I have rewritten my amendment so that this will not be done overnight; it will be done in a gradual way, so that the limitation will go off completely in 1982. I would further call attention of my colleagues to the fact that, contrary to what we have been told in the past, this will not have a deleterious effect upon the budget.

In the long run, when people receiving social security are allowed to work, to earn enough to live on, it will offset; what losses there will be made up by increases in the internal income revenue.

Mr. TOWERS. One more thing: This is not general fund money we are talking about. This is money that has been paid in to a special account, though Lord knows where it is or what shape it is in. I cannot find anyone who can tell me if there is a box somewhere with social security funds in it, or how much there is in it. My hunch is that it is already bankrupt, and we are just talking in the dark.

Mr. DOLE. As the Senator from Kansas pointed out, we are trying to get one to-do, to-consider not only a waiver of the Gold-water amendment but also consider the Tower amendment; the Dole consideration agreement on time. We can be right in this. But we had one request before us, the request of the Finance Committee.

Mr. BELLMON. The Budget Committee asked on the record for a request item before this morning. The Senator from Kansas, the Senator from Arizona, and the Senator from Texas have to get a request together, and we will be happy to act upon it. But we had only one request before us, the request of the Finance Committee.

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Mr. BELLMON. Mr. President, will the Senator yield?

Mr. DOLE. I yield to the Senator from Oklahoma.

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Mr. TOWER. Mr. President, will the Senator yield?
Mr. DOLE. I yield to the Senator from Texas.
Mr. TOWER. I appreciate the statement just made by our colleague from Oklahoma. I am sure he wants to act fairly and correctly in this matter, and I take what he says at face value. I think it would be wise for the Budget Committee to reconvene and consider these requests.

I might add that all that is happening now tends to reinforce the opinion that I have that for the sake of legislative efficiency and expediency and getting something done, and passing a certain volume of legislation, we probably are not deliberating as carefully and intently on this legislation as we should, and we certainly are not back in our constituencies finding out what the people think about it.

I think while the whole social security matter is now pending would be a good time for us to quit and go home, and find out what the people are reacting. Some people have the view that we ought to stay up there every day, all day, every year, and legislate, that that is our job. But it is really more than that.

If we do not inspect the views, the concerns, and the aspirations of our constituents, I submit that we cannot do that sitting here in the Senate Chamber day after day after day. Sure, we can reach out to our phone calls, but there is nothing like getting on the ground with people and responding to their questions and their comments.

I think that the Senate, if it did the statesmanlike thing, would consider putting this bill over until January, until all of us have had a chance to suggest the various proposals that have been advanced, all well motivated proposals, and have reached out to our phone calls, and then sit down with people about it, and see how they feel about these matters.

I think that the volume of legislation that we pass is not going to be the criteria upon which we are judged by the people of this country. It is the quality of legislation which we pass in this Congress.

I wish the leadership would give some consideration to taking this bill over until January, until all of us have had a chance to suggest the various proposals that have been advanced, all well motivated proposals, and have reached out to our phone calls, and then sit down with people about it, and see how they feel about these matters.

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Mr. TOWER. Mr. President, I ask unanimous consent that the amendment be printed in the record, that we might add that all that is happening now tends to reinforce the opinion that we have that for the sake of legislative efficiency and expediency and getting something done, and passing a certain volume of legislation, we probably are not deliberating as carefully and intently on this legislation as we should, and we certainly are not back in our constituencies finding out what the people think about it.

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I think that the volume of legislation that we pass is not going to be the criteria upon which we are judged by the people of this country. It is the quality of legislation which we pass in this Congress.
The assistant legislative clerk proceeded to call the roll.

Mr. CHURCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ANDERSON). Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I ask unanimous consent that David Affeldt be accorded the privilege of the floor during consideration of this social security financing amendments of 1977 and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. LEAHY). Without objection, it is so ordered.

Mr. HATFIELD. Mr. President, I speak on behalf of Senator Danforth's amendment. The aggregate tax that will result from our action here today for State and local governments and nonprofit organizations in the next 10 years is a figure triple what the tax is today. For organizations and governing units which already pay their dedicated workers at subsistence levels this will mean a burdensome tax obligation increase from $6 billion to $21.6 billion over the next crucial decade.

Nonprofit institutions cannot recoup a portion of their social security taxes as do profitmaking employers.

Health care, educational, and missionary institutions must have aid in remaining solvent despite rapidly rising costs of goods and services.

We are all very aware, and constantly reminded, of the financial crisis confronting our city and State governmental agencies.

To be abundantly practical, the Oregon State and local governments will incur a tax liability of approximately $83 million under this social security financing bill. As it is presently written these expenditures will continue unless the bill is amended.

The amendment is as follows:

The Senator from Connecticut (Mr. RAN- copf) proposes unprinted amendment number 1033.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with. The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 75, after line 22, at the end of subsection (b) of section 129, insert the following:

(4) section 3121(k)(4) is amended by striking out the word "date" in subparagraph (B)(i) and inserting in lieu thereof the words "first day of the calendar quarter."
Many businessmen in my State have been paying higher taxes and have the impression that they will be paying by employees and employers per year over the next 5 years. This change violates the so-called parity rule under which employees and employers pay the same amount of taxes since the system began. The President's comments about this tax increase may cause more problems for our economy than employees over the next 5 years. Mr. President, I am afraid that the pending bill and its related bill passed by the House have raised social security taxes beyond the average worker and employer. We are simply asking too much from these people. I know that many of my colleagues are opposed to using general revenue funds to finance social security because it is argued that this will make social security "another welfare program" and it will destroy the feeling of the worker that he is paying for his retirement—or, rather, the worker is paying for the retirement of someone already retired. This same process will be repeated when the present worker retires and has his benefits paid by a younger worker. Mr. President, I am well aware that general revenue funds are not a bottomless pit of dollars—I know that this money is going to be used as a last resort to help cover the cost of the system. Therefore, it seems to me that if the Senate determines a tax cut to be necessary he provide the tax cut only to those people who are paying higher social security taxes on what I would prefer, an authorization of appropriations to help cover the cost of the system. As my colleagues know, the economy is not growing as rapidly as we would like. No one would propose an increase in personal income taxes now because of the fear of depressing the economy. In fact, the administration and others are calling for tax cuts early next year to keep the recovery on track. Personal income taxes are far more equitable than payroll taxes, and do not have the inflationary effect associated with rising payroll taxes. If additional revenue is needed for the social security system, on these grounds I would prefer that the money temporarily comes from general revenue.

I further contend that it is blatantly unfair to consider giving tax cuts to all Americans when not all Americans are contributing to the financing of the system. Therefore, it seems to me that if the President determines a tax cut to be necessary he provide the tax cut only to those people who are paying higher social security taxes on what I would prefer, an authorization of appropriations to help cover the cost of the system. As my colleagues know, the economy is not growing as rapidly as we would like. No one would propose an increase in personal income taxes now because of the fear of depressing the economy. In fact, the administration and others are calling for tax cuts early next year to keep the recovery on track. Personal income taxes are far more equitable than payroll taxes, and do not have the inflationary effect associated with rising payroll taxes. If additional revenue is needed for the social security system, on these grounds I would prefer that the money temporarily comes from general revenue.

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Mr. CURTIS. I again commend the Senator on his frankness.

In other words, Mr. President, I think this: I think the word is to go out across the land, not to go out, not to send out your social security check, but we are doing it by increasing the national debt." Mr. President, the social security program is at a crossroads. We should either reduce benefits or increase taxes.

I thank the Senator for yielding.

Mr. EAGLETON. Let me speak briefly to the Senator from Nebraska before yielding to my colleague from Missouri.

The Senator from Nebraska has stated what the word is that should go out to the 200 million-plus Americans about social security.

I say that if the Finance Committee bill is enacted, it will have to go out, whatever the word is.

Mr. CURTIS. I am not for the so-called committee bill reported by the Finance Committee.

Mr. EAGLETON. I thank my colleague. I yield to the Senator from Missouri.

Mr. DANFORTH. It is the same idea.

So whatever we do here today, I say that if the Finance Committee has one problem, which called for the Secretary of HEW testified on behalf of the administration's proposal, which called for an unemployment tax.

Mr. EAGLETON. I thank the Senator for yielding.

Mr. CURTIS. Mr. President, will the Senator agree to the Senator from Missouri?

Mr. EAGLETON. That is the word.

Mr. CurTis. A parliamentary inquiry, Mr. President, I am prepared to make a motion at this time.

Mr. EAGLETON. Yes, Mr. President, I think the Senator from Missouri knows, last March I was privy to a meeting with the senior Senator from New York (Mr. Javits), which would have provided for a permanent tax cut as an alternative to the $50 rebate. It is my position, and it has been for a long time, that the American people are paying too much in taxes.

I am pleased to see that the President is now considering withholding his income tax proposals to find out what will happen to the current income, payroll, and social security taxes. They do have to be treated as a bundle, with their total impact on the economy.

It seems to me that since we have only the social security tax before us right now, we should deal with that as a problem which requires a real economic treatment. It was a much better approach than just printing press money, or rather than just printing press money, or rather than just printing press money, or rather than just printing press money, or rather than just printing press money.

Mr. EAGLETON. The latter, for the moment.

Mr. CURTIS. Mr. President, will the distinguished Senator yield?

Mr. EAGLETON. Yes.

Mr. CURTIS. The Senator has not yet offered his motion to recommit. has he?

Mr. EAGLETON. No; I am going to offer my motion to recommit in a few minutes, subject to the wishes of the Senator from Nebraska.

Mr. CURTIS. I thank the Senator. Does the motion to recommit call for reporting back forthwith?

Mr. EAGLETON. Yes, forthwith.

Mr. CURTIS. So, in other words, the Senator is not getting this issue involved in the discussion as to whether or not this bill ought to be finished now or wait until January?

Mr. EAGLETON. The Senator is absolutely correct. It is forthwith, for immediate action.

Mr. CURTIS. I appreciate that, because there is a restlessness around here that this bill will not be sent now, but to adjourn sine die; and I would not want an important decision such as whether or not general funds should be used for social security to depend on whether or not we are anxious to get rid of it for a few months; so I commend the Senator for following that pattern.

Does the Senator believe that we can start to finance social security out of general funds and discontinue it at a later time?

Mr. EAGLETON. Yes, if it is geared to an unemployment rate. I would devise a formula that said whenever unemployment exceeded 5.5 percent, or make it 6 percent, then there would be an infusion of general revenue funds under those circumstances, but that when unemployment decreases to a more acceptable level, I would decouple it and take the general revenue out at that time.

Mr. CURTIS. That is almost like the administration's original proposal; is it not?

Mr. EAGLETON. Yes.

Mr. CURTIS. And the Senator is aware that the Finance Committee turned that down?

Mr. EAGLETON. Yes, I am aware.

Mr. CURTIS. Is the Senator aware that the financing proposal now before the Senate has never been supported by a majority vote of the Finance Committee?

Mr. EAGLETON. I knew there was a whole range of differing feelings on the Finance Committee, and that no one idea got a majority.

Mr. CURTIS. The Senator is very kind to answer my question in that fashion, and I appreciate it. I ask him this: In turning to the general fund to restore the social security funds, does the Senator expect to let the other taxes to replenish the general fund, or is he indicating just an increase in the deficit, the national debt?

Mr. EAGLETON. The latter, for the moment.
Mr. EAGLETON. Mr. President, I move to commit the pending bill to the Committee on Finance with instructions to report the bill back forthwith with an amendment to authorize appropriations out of general revenues to cover not less than 4 percent of the total cost of the bill.

Mr. BELLMON. The PRESIDENT. The Senator from Oklahoma.

Mr. NELSON. Will the Senator yield for a unanimous-consent request?

Mr. BELLMON. I yield.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Bob Hoyer, of the Finance Committee staff, be granted the privileges of the floor during consideration of the pending measure.

The PRESIDENT. Without objection, it is so ordered.

Mr. BELLMON. Mr. President, I appreciate the objective which the Senator from Missouri has. There are, however, some points I would like to raise which need to be considered before this matter is complete.

First of all, at the present time I believe most Americans look upon social security as a kind of insurance program for the working people of the country. They pay into it as a work program or as a program paid for by the money. The Nation is already running a $60 billion deficit. If we undertake to take money out of the general revenue fund, all we do is add to the deficit and in this way increase pressures in areas we are already trying to help.

Also, the requirement to raise payroll taxes imposes at least some discipline upon the Members of Congress. We are tempted to raise social security benefits because we take money out of it, and all that that matter can be firmly established, a point of order will be raised before a vote is taken.

Mr. NELSON. Mr. President, the concept of using general fund moneys is not a new idea. I would view it as a bad idea per se. As I understand it, the Senator from Missouri is recommending that the bill—I hope the Senator will correct me if my ear was getting hope—

Mr. BELLMON. It is my opinion, Mr. President, that the Eagleton amendment is a serious one. I believe, and I say this as a matter of fact, that we have levied very high taxes now, and the Senator is here expressing his concern about the burden of the taxes on the working people of the country. If we start this process, we may find ourselves raising the benefits time after time, paying for it with borrowed money and, in the long run, causing chaos in the whole system.

Mr. BELLMON. I am happy to yield.

Mr. DANFORTH. Will the Senator yield for a question?

Mr. BELLMON. I believe the Senator is the ranking minority member of the Budget Committee. Is that correct?

Mr. BELLMON. That is correct.

Mr. DANFORTH. I was briefly a visitor at that committee this morning, trying to work out a budget waiver situation with respect to form or variation of an amendment that I propose to offer some time later in the day, or maybe tomorrow. I was told that on my previous version, a point of order would have been raised under the budget resolution. I wonder, if my amendment had been subject to a point of order, would not the Eagleton amendment have been subject to a point of order?

Mr. BELLMON. It is my opinion, Mr. President, that the Eagleton amendment is a serious one. I believe, and I say this as a matter of fact, that we have levied very high taxes now, and the Senator is here expressing his concern about the burden of the taxes on the working people of the country. If we start this process, we may find ourselves raising the benefits time after time, paying for it with borrowed money and, in the long run, causing chaos in the whole system. I hope the Senator from Missouri will recognize that we have levied very high taxes now, and the Senator is here expressing his concern about the burden of the taxes. I also hope that he is not too concerned about the system. I happen to be more concerned about the system. I think the taxpayers and the recipients want the system to be sound, and we have levied a tax to do so.

But I am going to be interested to see what will happen in the next 2 days. Along with the amendment to eliminate the earnings limitation, almost all of the tax payers will go to those who are already well off.

In fact, we are going to have a situation, for all those who vote for it, in which lawyers, doctors, professors, and engineers will be paying an additional $40,000, $50,000, $100,000 or $200,000—the figures. That sounds pretty close to $30,000, $50,000, $100,000 or $200,000. It does not matter—going to be able immediately to draw an annuity when they reach age 65, while the poor fellow who is struggling to keep his family going is paying for it all.

It will be interesting to see how the votes fell on the Senate floor for those who say that the taxes are too high. And all those who say that the taxes are too high are likely to be some of the same ones who are going to vote to increase the disability benefits while they are crying crocodile tears about the burden of the taxes.

In fact, he would give them more than the increased social security taxes they are trying to pay.

Then we shall take up Senator Danforth’s general revenue sharing proposal, which would go into the general fund from another angle. I guess the two Senators from Missouri must have gotten together to find out how much they could get out of that general fund. The Junior Senator from Missouri would reach in for 10 percent of all his high-income beneficiaries paid by States, municipalities, colleges, charities, private colleges, and give it back to them. In fact, he would give them back more than the increased social security taxes they are trying to pay.

Senator Danforth’s amendment would use $14 billion of general revenues between now and 1987. The cost of that amendment will start at about $1 billion a year. It will cost $2.2 billion a year in 1987 and the cost will continue to go up. That is one opening in the general fund which does not give one additional penny of benefits to a single old person, or any other beneficiaries. It all goes to the municipalities, States, and the colleges.

Now we have the senior Senator from Wisconsin and the junior Senator from Missouri.
Missouri, who wants to reach into the general fund on the other side and trigger the infusion of general funds when the unemployment rate gets to a certain level. On principle, I do not object to this. But what scares me out of me is all the Senators who will come down to the floor and complain and cry about the taxes in this bill, who will also vote for bigger expenditures, and then leave the floor claiming that they have done something for the betterment of mankind.

This bill, and the amendment that will be called up by the Senator from Nebraska, I disagree to this bill, this bill, and the bill in the House, at least have the virtue that those who brought them to the floor brought them to the floor with enough money to pay for them. I think that with these amendments that are coming down here, they ought to hang a tax on them to pay for them.

Mr. DANFORTH. Will the Senator yield for an objection to the consent request? Mr. NELSON. I yield.

Mr. DANFORTH. Mr. President, I ask unanimous consent that Peter Truza of the Human Resources Committee staff, Barbara Wangard of Senator Stevens's staff, and Mary Ann Simpson of Senator Stevens's staff be granted privilege of the floor for the remainder of the consideration of this bill, and for votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRY F. BYRD, JR. Mr. President. I ask unanimous consent that Edward Byrd of my staff be granted privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, the same requests that I have of my staff.

Mr. DANFORTH. Will the Senator yield to the consent request?

Mr. NELSON. I yield.

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The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEAHY. Mr. President, the same request that you have of my staff.

Mr. DANFORTH. Will the Senator yield to the consent request?

Mr. NELSON. I yield.

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The PRESIDING OFFICER. Without objection, it is so ordered.

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The PRESIDING OFFICER. Without objection, it is so ordered.

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The PRESIDING OFFICER. Without objection, it is so ordered.

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The PRESIDING OFFICER. Without objection, it is so ordered.

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The PRESIDING OFFICER. Without objection, it is so ordered.
showed that the payroll tax, if shifted forward, reduces benefits by twice as much as an equivalent yield increase in the personal income tax. Moreover, the payroll tax increase raises the rate of inflation. If the same percentage increase in the income tax increase tends to lower it.1

Believable quantitative estimates of the impact of these taxes on prices and employment require more information on the shifting of the tax burden than is presently available. However, it is likely that the anticipated average level of unemployment will have adverse effects on production and employment regardless of whether and how they are shifted. It seems clear that many of these taxes during a period of economic slack.

In principle, social insurance trust fund accounts should accumulate surpluses during periods of recession when unemployment is low, whereas the income tax sacrifices Se, and the income tax would be harmful to the recovery and might add to the problem. Many trust fund accounts are indebted or badly depleted and in need of addition to trust funds creates a serious dilemma for policy. Many trust fund accounts should accumulate surpluses during periods of economic slack. It is therefore desirable to avoid increasing these taxes during a period of economic slack.

III. EMERGENCY FINANCIAL ASSISTANCE FOR SOCIAL INSURANCE PROGRAMS

The financial position of the social insurance trust funds creates a serious dilemma for policy. Many trust fund accounts are in debt or badly depleted and in need of additional receipts, but the added payroll taxes that could provide these receipts would be harmful to the recovery and might add to the national debt. To shift the tax burden than is presently available. However, it is likely that the anticipated average level of unemployment will have adverse effects on production and employment regardless of whether and how they are shifted. It seems clear that many of these taxes during a period of economic slack.

Abnormal recession loss

The current recession is abnormal in comparison with earlier postwar recessions. As a consequence of this, the trust fund accounts have been much more severely depleted than had been anticipated. As a result, the tax rates that would be needed to catch up with and increase the cumulative deficit would be so burdensome that they would act as a serious impediment to recovery and price stability. Recovery then requires that other fiscal measures such as income tax reduction and expenditure expansion be used to offset the adverse impact of the higher payroll taxes. Elimination of the trust fund deficits would therefore merely change the composition of the deficit without having much effect on its overall magnitude.

Mr. EAGLETON. Mr. President, I am finished with what I have to say on this. I think the Senator from Wisconsin wishes to say something. I will leave my motion to report back forthwith.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. DOLE. Mr. President, does a motion to postpone take precedence over a motion to recommit?

The PRESIDING OFFICER. It does. The Chair advises that it does.

Mr. NELSON. Mr. President, there is no time limitation on this, I understand.

1 See U.S. Senate Committee on the Budget, Budget Issues, "Policies To Reduce Inflation", 1976, pp. 104—105, for qualitative estimates of the unemployment and inflation effects of alternative policies and discussion of the effect of payroll tax changes on the economy.
theless, I think the committee was over-whelming in feeling that one of the two should be approved. The Curtis proposal is the traditional approach that has been used for a number of years.

Mr. CURTIS. I think the record should be corrected in that regard. What should have said is that those of us who had the benefit of the hearings and worked for this for sometime should have strived a little harder to get a substantial majority in support.

Mr. LONG. Let me make it clear that even though I will vote to support the position of the present manager of the bill, I think the Curtis amendment should carry I will still vote cheerfully and enthusiastically support the bill. It does not bother me particularly which of these two approaches we use, provided we are responsible and undertake to raise the money to pay for these benefits.

What I think we should avoid should be anything else is what they did in England. They would in effect pay for the benefits out of inflation.

That is basically what you are doing when you try to finance a social security program with deficit financing. Some people talk about a social security out of the general revenue." But there is no general revenue to pay for it.

Mr. CURTIS. That is right.

Mr. LONG. The general revenue funds this year are about $66 billion. So all one can do, if he says not to put the tax money up and pay for it out of our pockets, is to tell the Federal Reserve to print more money. After a while, you will find that you cannot run the printing presses as fast as the value of your money declines, and you will meet yourself coming back.

If we want to avoid the mistake that imperiled Britain, before it began to move back toward fiscal responsibility, we had better not get into that trap to begin with.

Mr. CURTIS. I thank the distinguished Senator.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. CURTIS. Not yet.

Mr. GOLDWATER. Mr. President, at this point in the debate, I should like to have a few questions cleared up that have been bothering me for a number of years. I think that with the chairman of the Finance Committee, the chairman of the subcommittee, and the ranking Republican, I should be able to get an answer which I have not been able to obtain.

In the last 4 or 5 years, we have had several commissions meet on the subject of social security. Some of them have said that social security is in no danger. Others have said that social security is in danger.

Last week or 10 days ago, in Arizona, the minority leader of the House said that the social security fund was more than 2 billion in the red. I cannot verify that one way or the other. I should like to have these very simple questions answered.

First, where are funds held?

Mr. CURTIS. The reserve is held in the Treasury of the United States, in a special account, in Government bonds.

In the opinion of the Senator from Nebraska, there is no place else to put them.

Mr. GOLDWATER. Has the Senator ever verified that?

Mr. CURTIS. I beg the Senator's pardon.

Mr. GOLDWATER. Has this ever been verified?

Mr. CURTIS. No. I have not gone down there and looked around.

Mr. GOLDWATER. Has any member of the committee or the committee staff actually seen any bookkeeping that would say, "$2 billion of dollars are held in Government bonds for social security?"

Mr. NELSON. There is an annual trustees' report filed each year on the status in each of the four funds.

Mr. GOLDWATER. Where is it filed? I have asked for Social Security for these answers, and I have not received them, and they do bother me.

The purpose of my questioning is not to be critical—I think that period passed long ago—but to find out the truth is before we embark on a long, extended period of debate which intends to solve a social security problem, if one exists, and I think it does.

Are the members of the committee satisfied that there is money in the social security account to pay the recipients of social security?

Mr. GOLDWATER. I am told there is enough money in there, together with what will come in, to pay through 1983. The present reserve, plus anticipated receipts, will carry us through to 1983.

Mr. GOLDWATER. When this social security system started, if my memory is correct, the theory was that every four people donating to social security—

Mr. GOLDWATER. I should say investing in social security, because it is not a donation—

Mr. GOLDWATER. Not yet. Mr. GOLDWATER. Not yet. But we are coming to that.

Mr. CURTIS. That depends on what Congress does.

One of the most distinguished men who ever served in this body was a gentleman from New England, Senator Saltonstall. He was not one of those hardline Arizona conservatives. He was so right.

I wish to reply to that. The situation is bad; there is no question about that. Anytime you have an operation that is running behind $5 billion a year and never run before in the future unless we do something, it is bad.

One of the mistakes that have been made is that social security was conceived as a plan whereby people paid in their taxes and their employer paid in his taxes and that money would be held and it would grow and pay their benefit. It has never been that. It is not like tax funds. It is not in the general revenue. It is the Social Security tax of every worker in the wealthiest country in the country if they happen to be over 65, and many people over 65 are being hit off than they have ever been in their lives. Senator Saltonstall was so right.

Mr. GOLDWATER. Just one more question. I did not want to get off into another subject, but I agree with Senator Saltonstall. He was one of my idols when I came here as a relatively young man many years ago, and he has been proven right time and again.

What concerns me—and I think we should level with the American people—is we are going to sit here and have a lot of debate, a lot of rhetoric, and we are not going to do much about the situation that we have.

In my humble opinion, the social security fund is nearly bankrupt and some might even argue that it is that way today.

I have no way of proving it, and when I find that the committee can only offer the fact that an annual report is made, I take their word for it, but I still believe that we have to do something far more than we are aiming at. This is another example of the rationing suggested and made by the Senator from Oklahoma, Senator Robertson, and others. If the bill should go back for full hearings and it should not be reported back to this body until we have something concrete to offer the American people, not just upping the taxes—taxes are too high now—but making sure that we can say to all of us, to all people who are looking forward to social security being recipient, in their older ages that they are going to get the money. This really disturbs me because social security, in my opinion, is not the only retirement fund in trouble, but it is one fund that should be reliable because this money was never intended to be used for any other purpose than to pay back the people who paid it in. It is not like tax funds. It is not in the general revenue. It is the Social Security tax of every worker back who wanted to invest in it for a retirement. So I think we should level with the American people, and I hope that in the debate we can get back to this central question. Is that the shape we are in? I think to happen it is pretty bad.

Mr. NELSON addressed the Chair.

Mr. GOLDWATER. Mr. President, I think the Senator from Nebraska has the floor.

I wish to reply to that. The situation is bad; there is no question about that. Anytime you have an operation that is running behind $5 billion a year and never run before in the future unless we do something, it is bad.

One of the mistakes that have been made is that social security was conceived as a plan whereby people paid in their taxes and their employer paid in his taxes and that money would be held and it would grow and pay their benefit. It has never been that. It is a social program levying a tax on everyone who works to pay a social benefit to those who do not.

Some years ago when Commissioner Cohen appeared before our committee, he and I disagreed on many items of social security, but he would always give you an answer. He was honest as he saw it. I said:

What assurance do the future beneficiaries have that they will ever get their benefits?
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He said:

The assurance is that a particular generation of taxpayers will tax themselves to pay it.

And that is honest.

Now we have reached a point where people say, “We do not want to pay it any more.”

I think that much of the blame belongs to the politicians who have gone out and told the people, “This is an insurance plan, this money is there, it is going to pay your benefit,” rather than telling them that this is a tax, and this is the reason that you find the social security tax in two places in the book. The social security tax can be found in the Internal Revenue Code and also in the social security provisions.

It is not an insurance plan at all. Maybe it should have been. I do not know. I believe if they had and the Governor had collected all this money and held it and caused it to grow until people got old enough to retire pretty soon the Social Security Administrator would have sufficient wealth at his command to give it to them. If he invested it in anything other than Government bonds, he would have controlled every corporation in the land. The Government cannot run a business. They have never been able to do those theories are just theories at this point.

We come back to the pending business of the move by the distinguished Senator from Missouri and the issue is clearcut: Shall we pay social security benefits from the general fund under an understanding that we will not increase the general fund but will merely add to the deficit and to the debt? I think it would be well that the Senate have a vote on that and find out.

The Senator from Nebraska has voted against so many social security benefit bills. I do not know where he has been in a campaign where I have not had to defend the position that I was against all social security.

Just before the 1972 election, we had a vote to raise benefits by 20 percent. That vote is part of our trouble today. A distinguished Member of the other body sent us a bill to increase benefits by 5 percent and made a tax adjustment for it. In the meantime someone whispered to him that he could be President of the United States and so he announced, “I am for a 20-percent increase, and my original tax computations will take care of it.” They did not. We are $6 billion short this year. I voted against that on the eve of my last election, but I tell you it gives me a good feeling. I sleep better and every time I think of those things I believe with Senator Saltonstall that we should not tax the workers of the land to pay hospital medical bills for everyone just because they happened to be at a certain time. That is part of our trouble. But I am not here to spend my time telling you “I told you so.”

Mr. MORGAN. Mr. President, will the Senator yield?

Mr. CURTIS. I will yield in just a moment.

A few minutes ago I was called to the telephone, and one of the broadcasting networks asked me my position on this bill. I told them. Their representative said:

Well, Senator, if it goes on like this we are going to have the welfare state in a few years.

I said:

The trouble with the alarm back home is that it is 10 or 15 years late. I am not critical of the people because they did not get the facts.

Now I yield.

Mr. MORGAN. The Senator alluded to the fact that in 1972 before the election Congress increased the benefits by 20 percent. I wonder, perhaps, if that is one of the reasons why the increased taxes recommended in this bill do not become effective next year, which just happens to be an election year, but are put off until the following year? Do you think maybe the election year had something to do with it?

Mr. CURTIS. I do not think there is any question about it.

Mr. MORGAN. The fact that we are not in need of the increased taxes sufficiently to put them in effect immediately, would not that indicate that the urgency of this bill is not such that it would require us to act immediately?

Mr. CURTIS. A part of the Senator’s question should be directed to the Budget Committee. I think they have some ideas on that.

But while I have no objection to current increases in taxes we need to think that we are going to have $50 billion to $60 billion in the general fund under an understanding that we will not increase the general fund but will merely add to the deficit and the debt?

Mr. CURTIS. I think that represents a feeling that it is bad politics to raise taxes. Well, I think that that is part of the reason why we have no objection whatsoever to the conference committee. It will act out with the conference committee. It will all come out in the wash. Take our word for it.

That was at a time when we already had $50 billion to $60 billion in the red in this Congress, and now I do not know where we are going to come out.

Now we are saying we have to have more money. I am ready and willing to vote the necessary taxes to carry on the social security program in the way in which it was intended to be carried out. But it ought to be done on a permanent basis, with a full understanding of what we are doing.

Mr. President, this afternoon, since I have been sitting here, the Committee on Finance bill has been placed on my desk. For several days we have been trying to find out what was in it. We were told by one of the staff members of the Committee on Finance, “You do not need the printed language of the bill to know whether or not you are going to vote for it.” I guess we were supposed to find out from the newspapers, and I did find out some of the things from a newspaper in North Carolina this morning.

When I arrived at my desk I had a call from Tabor City from a small businessman who said:

We were down at the coffee shop this morning for a coffee break, and we read in the Charlotte paper that you are now going to have to begin to pay a greater share of the unemployment tax.

He said:

Mr. President, we are having to pay unemployment taxes; we are having to pay social security taxes. We are about taxed out of business. I run a small florist shop with 15 employees, and I cannot take any more.

But here we are with a bill delivered to the desk at 1:50, and we are supposed to be able to pass intelligently on this
Mr. President, I respect my leadership, and I know the leadership has a job to do. We have legislation to get out of the Senate. But there comes a time when I just think we ought to stop and say, "We are not going to get into this matter until we know what it is all about," and if it means staying here until Christmas day, then, fine. I do not mind staying here until Christmas day. I would rather not do it, but I think it is important for us to do that, if necessary, so that we will have some understanding of what is going on.

So I am going to vote, whenever the time comes and in whatever way, against the Senator from Missouri's motion to commit mainly because I do not believe we ought to go into the general revenue fund. But I am prepared to vote to postpone or to commit or to stay here until Christmas day until we come out with a social security bill that will have the confidence of the people of this Nation.

Mr. EAGLETON. Mr. President, I shall speak for a minute, and after a minute and a half, and then, if no other Senator wishes to speak, I presume Senator NELSON will make his motion to table my motion to commit.

Senator LOWE, Senator CURTIS, and Senator GOLDWATER, in succession, had a brief colloquy with respect to being candid with the American people. Mr. GOLDWATER said he wanted to level with the American people. I think that is commendable, and I think that is what we should do.

So let me level with the American people as to what the result will be if we do not pass either the Nelson plan or the Curtis plan, because we will have a vote on the Curtis plan sometime today or tomorrow.

If either of those plans is adopted, we go to conference with the House of Representatives, and the social security tax bill comes back from the conference, it is inevitable that next spring, maybe in March or April or so, there will have to be a tax cut in order to rectify the negative economic impact that will come about as a result of either the Nelson or the Curtis plan, or the House plan.

So let us do level with the American people. Once these plans are adopted, at the end of the year, in January, there is going to be a technical amendment. It is necessary, we were told, only because Congress made a mistake 5 years ago.

Well, if we pass this bill this week, we are going to be making some more technical mistakes and more technical errors and they are going to have to be corrected somewhere down the line.

I agree with a great deal that my distinguished friend from Missouri had to say in his remarks concerning the Curtis plan, and the Nelson plan, because we will have a vote on the Curtis plan sometime today or tomorrow. He called it a technical amendment. It is necessary, we were told, only because Congress made a mistake 5 years ago.

If we ever get into the general revenue fund to support the American people—that if we do not want to put general revenue into this fund, and it is insurance, and all of the other appropriate cliche's. The most forthright, direct, and candid way to level with the American people is to say that we do not want to put general revenue into this fund. I think perhaps these are the things, and—further leveling with the American people. Mr. GOLDWATER said he wanted to level with the American people. I think that is commendable, and I think that is what we should do.

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directly or indirectly, as the Senator from Missouri suggests, probably does not make too much difference.

Mr. MORGAN. Mr. President, will the Senator yield for a question?

Mr. DOLE. I certainly agree with the Senator from North Carolina. I have learned more and more about what a great State North Carolina is.

Mr. MORGAN. Will the Senator from Wisconsin explain the $400 million package, what the purposes of it are, and how it works?

Mr. NELSON. That is not part of the social security package. I am only handling social security. The Senator is talking about an amendment to another part of the bill before the Senator.

Mr. MORGAN. Is it an amendment to the bill which is pending now, or is it an amendment which came out of the Finance Committee? I am going by the Washington Post, which is not always authoritative.

Mr. NELSON. I do not have any material on that amendment since I am only handling the social security tax aspects of the bill.

Mr. MORGAN. I appreciate the position of the distinguished Senator.

What I am trying to say is that this bill contains so much and we have had so little time to digest it, that is one more reason why we should delay it. It also points out the sincerity of the statement made by my staff member by one of the Finance staff members that you really do not have to go through a bill to find out whether it is right or wrong.

Mr. NELSON. That particular bill is a welfare fiscal relief proposal. It was a separate piece of legislation added to the social security bill after some lengthy negotiations with the Carter administration, in which I was not in any way involved. The Senator is referring to that legislation. It is not part of the social security legislation we are talking about. It is merely an amendment to it. My preference would have been to handle it separately.

Mr. MORGAN. I am somewhat of a neophyte in the procedures of the Senate. I am sure that this is a matter which probably should be considered by the Appropriations Committee. Does that make any kind of sense to the distinguished Senator? That is, rather than being considered by the Finance Committee.

Mr. NELSON. Once it is authorized, the money will have to be approved by the Appropriations Committee. The Finance Committee is the appropriate committee.

Mr. MORGAN. If I pursue it a little further, maybe the Human Resources Committee would be more properly the authorizing committee.

Mr. NELSON. As a matter of fact, the welfare reform legislation has been referred to both the Human Resources Committee and the Finance Committee, but the Finance Committee is responsible for those aspects of the legislation which involve taxes and welfare benefits.

Mr. MORGAN. But normally speaking, an appropriation of $400 million for fiscal relief would not have been authorized by the Human Resources Committee?

Mr. NELSON. No. Mr. MORGAN. The Finance Committee would normally be the authorizing committee.

Mr. NELSON. Yes. Mr. MORGAN. That would be for operating the local welfare departments and State and local welfare departments. The Finance Committee has more expertise than the Human Resources Committee.

Mr. NELSON. That is within the Finance Committee.

Mr. President, I move to lay this motion on the table, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion of the Senator from Missouri. The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CULVER), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. INOUYE), the Senator from Arkansas (Mr. McCLELLAN), and the Senator from Montana (Mr. Melcher) are necessarily absent.

I also announce that the Senator from Maine (Mr. Muskie) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. Humphrey) would vote "yes."

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. Scott) is absent on official business.

The result was announced—yeas 74, nays 16, as follows:

[Vote listed]
So the motion to lay on the table the motion to commit was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to table was agreed to.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CURTIS. Mr. President, I ask unanimous consent that Senator GRIFFIN'S staff, Alan Holmer and John Calvin of Senator Packwood's staff, be granted privilege of the floor during consideration of this measure and voting.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Gale Picker of Senator Bentsen's staff be granted privilege of the floor during the course of any exemptions or this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DeCONCINI. Mr. President, I ask unanimous consent that Romano Romani of Senator Javits' staff, be granted privilege of the floor during debate and votes on the social security financing bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURKIN. Mr. President, I ask unanimous consent that Hargrave McElroy, of my staff, be granted privilege of the floor during consideration of this issue and votes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HEINZ. Mr. President, I ask unanimous consent that Connie Maffin, of my staff, be granted privilege of the floor during any business undertaken today.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THURMAN. Mr. President, I ask unanimous consent that a member of Senator Hansen's staff, Margo Carisle, be accorded the privilege of the floor during discussion of H.R. 9346 and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS addressed the Chair.

The PRESIDING OFFICER. The Senate is not in order. Will the Senator from Nebraska delay until the Senate is in order?

Would the Senators in the aisles take their seats?

The Senator from Nebraska.

Mr. CURTIS. Mr. President, I will be introducing an amendment which will meet this problem, social security financing. We are increasing the tax rate on employers and employees by a half of 1 percent, half of 1 percent, on each.

Mr. President, this amendment will be submitted today. I am perfectly willing that we agree on a time to dispose of it tomorrow, but I would want a little while to discuss it again tomorrow.

At this point, I ask unanimous consent that a point of order be considered by me, entitled "Social Security Financing," which discusses the problem, the suggested solutions, desirable guidelines, and some of the chief aspects of the proposals, which contains the rationale and the necessary facts for my amendment be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

SOCIAL SECURITY FINANCING PROPOSALS

This year the Social Security Fund will pay out about six billion dollars more than it takes in. Next year it is expected to be a little larger deficit and there are long range implications.

COERCED CONTRIBUTIONS

Payments From the General Fund.—The objection to this are self-evident. The General Fund has such a huge deficit; it would also make the program a welfare program rather than a self-financing retirement program.

Overload the Employers.—The majority opinion of the Finance Committee is that you have you raise on employers only the present wage base of $16,500 per year to $33,000 in 1979 and $75,000 in 1981, 1983, and 1985. This will place an intolerable burden on employers. It will discriminate against employers who have a salable portion of their employees in higher brackets. It would be very burdensome on colleges, universities, states and municipalities and on mutual life insurance companies that relates the long-procted pattern of equal sharing of the load between employers and employees.

Overload the Middle Class.—The present wage base to which the tax is applied is $16,500. If a financial need is met by increasing the wage base, it is at the expense of the lower paid. The lower paid will pay more, but by the year the higher paid employees. An example of these factors can be illustrated as follows:

Under existing law the wage base will automatically be increased to $28,400 per year in the year 1983. Under the House bill they would raise the wage base to $33,400. In increase would mean a raise in social security taxes for the employees effected of this raise of about $300 per year. It would not mean any raise for those employees who are paid less than the current wage base. In effect, if in 1983 the employee receiving $23,400 had his wage raised one-half of one percent, his increase would only be $017. It would mean that there would be an increase in tax for all social security taxpayers. The justification for that is mentioned below.

Transfer of Funds.—Right now the health insurance fund in the financed medica is having a slight surplus while the retirement and disability fund has the deficit. A transfer of funds would relieve the present deficit but when both funds would run out of money, they could be taken upon at the same time or five years from now.

BALANCED BUDGETS

Retirement benefits are now received by our people with dignity because it is a self-substantive system. The people are uneasy by reason of the problems in financing. We need to restore their confidence. This involves the confidence of people of all ages and is not limited to the retired or those who will retire. It may be taken that a courageous and forthright position on social security financing will be a political plus rather than a political liability. The guide-
EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX

Section 3101 (a) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1978, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1979, the rate shall be 5.535 percent;

"(3) with respect to wages paid during the calendar years 1980 through 1984, the rate shall be 5.535 percent;

"(4) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent.

(2) TAX ON SELF-EMPLOYMENT INCOME.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended by inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1978 and before January 1, 1980, the tax shall be equal to 7.952 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1979 and before January 1, 1985, the tax shall be equal to 8.302 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1984 and before January 1, 2001, the tax shall be equal to 10.325 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 7.685 percent;

"(6) with respect to wages paid after December 31, 2010, the tax shall be 7.00 percent.

(3) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of subsection (b) of section 1111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar year 1978 through 1980, the rate shall be 1.10 percent;

"(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.550 percent of the amount of the wages (as so defined); paid after December 31, 1980, and before January 1, 1985, and so reported, (K) 1.900 percent of the amount of the wages (as so defined); paid after December 31, 1984, and before January 1, 1990, and so reported, (E) 2.100 percent of the amount of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, and (L) 2.700 percent of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2001, (M) 2.025 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (N) 2.750 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, (O) 3.000 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (P) 3.250 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, and (Q) 3.500 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (R) 3.750 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, and (S) 4.000 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (T) 4.250 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, (U) 4.500 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (V) 4.750 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, (W) 5.000 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (X) 5.250 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, (Y) 5.500 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (Z) 5.750 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2001, and (AA) 6.000 percent of the amount of the wages (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001.

(4) with respect to wages paid after December 31, 1984, the rate shall be 1.50 percent.
Mr. CURTIS. I yield the floor, Mr. President.

Mr. NELSON. Mr. President, social security is one of this Nation's most important Government-sponsored programs. It is a retirement program providing financial security for older workers, their dependents and spouses. It is a disability insurance program providing workers of all ages with monthly benefits if they become disabled. It is a hospitalization program providing social security beneficiaries with hospitalization insurance, and it is a program providing monthly benefits to the family of a deceased worker who has been covered by social security.

Over 33 million people will receive social security benefits this year, while about 104 million workers and their employers will pay social security taxes in 1977.

The importance of the social security program to today's and tomorrow's retirees is underscored by the following statistics:
The average monthly benefits are $323 for a retired worker; $262 per month for a disabled worker, and $223 for an aged widow.

Forty percent of all American workers pay more in social security taxes than they do in Federal income taxes.

For about 70 percent of all single beneficiaries, and for some 50 percent of all couples, social security benefits are the major sources of retirement income. ("Major source" of income is defined as at least 50 percent of all annual income.) One out of every 4 individual beneficiaries, and one couple out of every 12 depend upon social security for their sole source of retirement income. ("Sole source" of income is defined as at least 90 percent of all annual income.)

The social security programs are financed from an earmarked payroll tax in which is referred to as the social security tax. Social security payroll taxes are paid by employers, employees, and self-employed individuals. The social security payroll tax is a composite of three separate tax rates supporting: The old age and survivors insurance program (OASI); and the hospital insurance program (HI or part A of medicare). Part B of medicare or supplementary medical insurance is also considered a social security program but is financed from premiums and general funds rather than from payroll taxes.

Each of the three components of the overall social security tax—OASI, DI, and HI—is a separate trust fund which receives all of the taxes generated by its portion of the overall tax and which can use those funds only to operate its own program. The two cash benefit programs, OASI and DI, are frequently considered together. Therefore, except where otherwise specified, the OASI and DI systems will be combined (OASDI) for purposes of discussing social security financing in legislation, and will exclude the HI system.

**HOW SOCIAL SECURITY IS FINANCED**

The social security program is financed by a tax on earnings paid by employees, employers and the self-employed. The schedule of taxes in present law is shown in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee-employer</th>
<th>Self-employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Hospital</td>
<td>Cash</td>
</tr>
<tr>
<td>benefits</td>
<td>insur. Total</td>
<td>benefits</td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.9</td>
</tr>
<tr>
<td>1978</td>
<td>5.30</td>
<td>1.1</td>
</tr>
<tr>
<td>1979</td>
<td>5.65</td>
<td>1.3</td>
</tr>
<tr>
<td>1980</td>
<td>6.00</td>
<td>1.5</td>
</tr>
<tr>
<td>1981</td>
<td>6.35</td>
<td>1.7</td>
</tr>
<tr>
<td>1982</td>
<td>6.70</td>
<td>1.9</td>
</tr>
<tr>
<td>1983</td>
<td>6.95</td>
<td>2.1</td>
</tr>
<tr>
<td>1984</td>
<td>7.20</td>
<td>2.3</td>
</tr>
<tr>
<td>1985</td>
<td>7.45</td>
<td>2.5</td>
</tr>
</tbody>
</table>

For 1977 the tax rate is paid by employers and employees each on the first $116,500 of an individual's earnings. In 1978, the amount will rise to $177,000. In future years the amount of earnings taxed will rise depending on the rise in average earnings from year to year. Estimates of actuaries of the social security system show that the taxable amount will rise as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Taxable earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$61,500</td>
</tr>
<tr>
<td>1978</td>
<td>$69,000</td>
</tr>
<tr>
<td>1979</td>
<td>$76,500</td>
</tr>
<tr>
<td>1980</td>
<td>$84,000</td>
</tr>
<tr>
<td>1981</td>
<td>$91,500</td>
</tr>
<tr>
<td>1982</td>
<td>$99,000</td>
</tr>
<tr>
<td>1983</td>
<td>$106,500</td>
</tr>
<tr>
<td>1984</td>
<td>$114,000</td>
</tr>
<tr>
<td>1985</td>
<td>$121,500</td>
</tr>
<tr>
<td>1986</td>
<td>$129,000</td>
</tr>
<tr>
<td>1987</td>
<td>$136,500</td>
</tr>
<tr>
<td>1988</td>
<td>$144,000</td>
</tr>
<tr>
<td>1989</td>
<td>$151,500</td>
</tr>
<tr>
<td>1990</td>
<td>$159,000</td>
</tr>
<tr>
<td>1991</td>
<td>$166,500</td>
</tr>
<tr>
<td>1992</td>
<td>$174,000</td>
</tr>
<tr>
<td>1993</td>
<td>$181,500</td>
</tr>
<tr>
<td>1994</td>
<td>$189,000</td>
</tr>
<tr>
<td>1995</td>
<td>$196,500</td>
</tr>
<tr>
<td>1996</td>
<td>$204,000</td>
</tr>
<tr>
<td>1997</td>
<td>$211,500</td>
</tr>
</tbody>
</table>

*These figures are calculated under the intermediate set of assumptions (used by the Social Security Trustee) which incorporates ultimate annual increases of 5 percent in average wages in covered employment and 4 percent in CPI, and ultimate unemployment rate of 5 percent. That is, the social security program is maintained at a constant fertility rate of 2.1 children per woman.

Under current law, social security is facing several financial difficulties, both in the short term and in the longer range. Therefore, it is necessary to make changes in the law to provide adequate financing for social security. The social security trust funds do not have current income sufficient to meet the obligations made to beneficiaries, and the trust funds do not have sufficient reserves to carry the social security program for much longer. In 1977 and 1978, the social security trust funds will run a $5.5 billion deficit of OASDI. Under projections of the current law, the actuarial estimates indicate that the disability insurance program will not have sufficient income to meet its obligations, and the trust funds will not have sufficient reserves to pay benefits provided under present law. The hospital insurance trust fund is projected to be depleted in 1987. It is projected that trust fund reserves in the DI program will run out in 1979, and the OASI will exhaust its reserves in 1983.

The long-run, 75-year projection of the social security program also indicates that the present social security cash benefits program is seriously underfunded. The Board of Trustees of the social security program has reported that there is a long-term deficit in the OASDI program of 1.6 percent of taxable payroll. This deficit would be eliminated solely by increasing tax rates and which increase of 4 percent on employers and employees each would be required in 1977 and in each of the next 74 years. A rate increase of this magnitude would increase OASDI revenues by $66 billion in 1977 and even more in future years.

Over the 25-year period covered by the cost estimates, the HI program has an average deficit of 1.16 percent of taxable payroll. This is equivalent to $9.3 billion per year based on the 1977 taxable payroll.

To a great extent these deficits reflect an overindexing problem in calculating future benefits. The legislation reported by the Finance Committee solves this overindexing problem.

These statistics represent the magnitude of the financing problems facing the social security programs when averaged over the entire valuation period. The deficit at present and in the years immediately ahead is much smaller, but the ultimate deficit is much larger. The following table shows the deficits at various points in the future for the OASDI and HI programs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit of the social security cash benefits program (OASDI) (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>(2) $184.36</td>
</tr>
<tr>
<td>1980</td>
<td>$35.29</td>
</tr>
<tr>
<td>1983</td>
<td>$66.84</td>
</tr>
<tr>
<td>1986</td>
<td>$117.20</td>
</tr>
<tr>
<td>1990</td>
<td>$234.70</td>
</tr>
<tr>
<td>1995</td>
<td>$443.00</td>
</tr>
<tr>
<td>2000</td>
<td>$734.00</td>
</tr>
</tbody>
</table>

1 Percent of taxable payroll.

2 Dollar equivalent based on 1977 payroll levels (in billions).

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit of the hospital insurance trust fund—estimates under present law (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>(1) $4.95</td>
</tr>
<tr>
<td>1980</td>
<td>$13.50</td>
</tr>
<tr>
<td>1983</td>
<td>$27.00</td>
</tr>
<tr>
<td>1986</td>
<td>$45.00</td>
</tr>
<tr>
<td>1989</td>
<td>$66.84</td>
</tr>
<tr>
<td>1992</td>
<td>$100.20</td>
</tr>
<tr>
<td>1995</td>
<td>$100.20</td>
</tr>
<tr>
<td>2000</td>
<td>$100.20</td>
</tr>
</tbody>
</table>

Actuarial balance: $1.16.

Hospital insurance trust fund balances under present law (in billions)
The point of this table is that additional funding would have to be provided to meet benefit costs over and above current revenues if the benefit structure of the cash benefits program was left unchanged. The amount of additional funding would be $8 billion in 1977 increased to $121 billion (in constant 1977 dollars) by 2050. The alternative to providing this much additional funding is to change the structure of the program so that it pays out less in benefits.

**CAUSES OF SOCIAL SECURITY’S FINANCIAL PROBLEMS**

Over the past year or so, many people have questioned how the social security system got into its present condition. To answer this question, and to explore alternative solutions to the financial troubles of the social security system, the Senate Finance Committee’s Subcommittee on Social Security held 5 days of hearings earlier this year. At these hearings, testimony was received from the administration, leaders in business, labor, and small business, social security experts, the insurance industry and organizations representing older Americans. These witnesses agreed that the short-range problems of the social security system are the result of three factors: high rates of unemployment, excessively high inflation, and a mechanical problem of overindexing social security benefits for future beneficiaries.

As everyone knows, inflation and unemployment have caused severe dislocations throughout our economy. These related problems have plagued the social security system, and are the result of three factors causing the social security trust funds' short-range financial shortfalls. Because unemployment has been higher in the last few years than anticipated, fewer people than expected have been contributing social security taxes to the trust funds, more have retired, or claimed disability insurance. High inflation, which has not been fully offset by rising wages, has only made matters worse. In 1972, Congress enacted an automatic cost-of-living adjustment to raise social security benefits automatically as the Consumer Price Index (CPI) increases. Due to high inflation, social security benefits have been automatically increased to a greater extent than had been projected just a few years ago.

Compounding social security's problems is a severe long-range deficit in the program. This deficit is the result of changing economic and demographic assumptions used for long-range projections of the social security trust funds' solvency, and can also be attributed to a faulty mechanism designed in 1972 to calculate future social security benefits.

In 1973, when the Congress last enacted major social security legislation, the estimates of the cost of the cash benefits programs were based on demographic and economic assumptions which no longer appear realistic. At that time, social security cost projections assumed that the ultimate fertility rate would be 2.65 children per woman. Subsequent cost estimates were based on lower fertility rates. The initial reduction came in 1974 when a rate of 2.1 was assumed and a further reduction was made in 1976 when an ultimate fertility rate of 1.9 was used for the 1976 assumptions.

As for the economic assumptions made in 1973, the most significant were that after 1977 average earnings would increase at an annual rate of 5 percent while the CPI would increase at 2.5 percent a year. As early as the end of 1973, these projections were perceived as unrealistic. Therefore, the 1974 estimates were based on the assumption that the annual rise in the CPI would average 3 percent a year. The effect of this change, however, was offset to some degree by eliminating an 0.35 percent additional cost which had been included as a "safety factor" for years prior to 1971 in the 1973 estimates. By 1976, the assumptions had been changed to a 5.75 percent annual increase in average wages and a 4 percent annual rise in the CPI.

The long-range economic assumptions used for the 1977 estimates are basically those used for the 1976 estimates. Significant changes, though, were made in the mortality and fertility assumptions. Mortality was assumed to improve, thus raising the cost of the program by 0.64 percent of taxable payroll. This increase in cost was offset by assuming that the fertility rate would rise to 2.1, the approximate rate at which the population eventually would neither grow nor decline.

The social security benefits formula also is the source of much of the long-term deficit. In 1972, the social security benefits formula was made too sensitive to changing economic conditions. The benefit formula was intended to keep future benefits on a par with those benefits being received by present beneficiaries, but in fact has not worked that way. Future benefits are increasing more rapidly than intended. This is because the formula for calculating future benefits is tied to increases both in prices and wages. Because wages go up partly as a reflection of prices, workers retiring in future years receive double adjustments for inflation.

This problem has become known as overindexing or double-indexing. Without corrective action by Congress, future retirees could receive social security benefits exceeding the highest wages they earned before retirement. This factor alone causes one-half of the long-term deficit.

The following table indicates how benefit levels and program costs have increased in the past and are projected to increase in the future if the present benefit formula is left unchanged.

**PROJECTIONS OF PRESENT PROGRAM**

<table>
<thead>
<tr>
<th>Year</th>
<th>Worker with average earnings:</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASI expenditures</th>
<th>Worker with average earnings:</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASI expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>$2,141</td>
<td>31</td>
<td>45</td>
<td>$2,141</td>
<td>31</td>
<td>45</td>
</tr>
<tr>
<td>1970</td>
<td>$2,350</td>
<td>33</td>
<td>45</td>
<td>$2,350</td>
<td>33</td>
<td>45</td>
</tr>
<tr>
<td>1975</td>
<td>$2,566</td>
<td>34</td>
<td>46</td>
<td>$2,566</td>
<td>34</td>
<td>46</td>
</tr>
<tr>
<td>1980</td>
<td>$2,878</td>
<td>35</td>
<td>47</td>
<td>$2,878</td>
<td>35</td>
<td>47</td>
</tr>
<tr>
<td>1985</td>
<td>$3,193</td>
<td>36</td>
<td>49</td>
<td>$3,193</td>
<td>36</td>
<td>49</td>
</tr>
<tr>
<td>1990</td>
<td>$3,525</td>
<td>37</td>
<td>51</td>
<td>$3,525</td>
<td>37</td>
<td>51</td>
</tr>
<tr>
<td>1995</td>
<td>$3,864</td>
<td>38</td>
<td>53</td>
<td>$3,864</td>
<td>38</td>
<td>53</td>
</tr>
<tr>
<td>2000</td>
<td>$4,224</td>
<td>39</td>
<td>55</td>
<td>$4,224</td>
<td>39</td>
<td>55</td>
</tr>
<tr>
<td>2005</td>
<td>$4,605</td>
<td>40</td>
<td>57</td>
<td>$4,605</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td>2010</td>
<td>$4,998</td>
<td>41</td>
<td>59</td>
<td>$4,998</td>
<td>41</td>
<td>59</td>
</tr>
<tr>
<td>2015</td>
<td>$5,413</td>
<td>42</td>
<td>61</td>
<td>$5,413</td>
<td>42</td>
<td>61</td>
</tr>
<tr>
<td>2020</td>
<td>$5,849</td>
<td>43</td>
<td>63</td>
<td>$5,849</td>
<td>43</td>
<td>63</td>
</tr>
<tr>
<td>2025</td>
<td>$6,311</td>
<td>44</td>
<td>65</td>
<td>$6,311</td>
<td>44</td>
<td>65</td>
</tr>
<tr>
<td>2030</td>
<td>$6,796</td>
<td>45</td>
<td>67</td>
<td>$6,796</td>
<td>45</td>
<td>67</td>
</tr>
<tr>
<td>2035</td>
<td>$7,315</td>
<td>46</td>
<td>69</td>
<td>$7,315</td>
<td>46</td>
<td>69</td>
</tr>
<tr>
<td>2040</td>
<td>$7,868</td>
<td>47</td>
<td>71</td>
<td>$7,868</td>
<td>47</td>
<td>71</td>
</tr>
<tr>
<td>2045</td>
<td>$8,448</td>
<td>48</td>
<td>73</td>
<td>$8,448</td>
<td>48</td>
<td>73</td>
</tr>
<tr>
<td>2050</td>
<td>$9,064</td>
<td>49</td>
<td>75</td>
<td>$9,064</td>
<td>49</td>
<td>75</td>
</tr>
<tr>
<td>2055</td>
<td>$9,717</td>
<td>50</td>
<td>77</td>
<td>$9,717</td>
<td>50</td>
<td>77</td>
</tr>
<tr>
<td>2060</td>
<td>$10,400</td>
<td>51</td>
<td>79</td>
<td>$10,400</td>
<td>51</td>
<td>79</td>
</tr>
</tbody>
</table>

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate estimates (Alternative II) of the 1977 OASDI Trustees Report. These estimates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.
DEALING WITH SOCIAL SECURITY'S FINANCIAL PROBLEMS

The goal of social security financing is to provide enough income to meet benefit payments, and to maintain a reasonable fund balance as a contingency reserve to carry the program through a recessionary period. In the past, it was believed that a fund equal to about 1 year's benefit payments was appropriate. In 1972, when the last major financing changes were made, the Social Security Advisory Council recommended that the fund be maintained at a level of 75 percent to 125 percent of 1 year's benefits. The administration has indicated that it would be appropriate at this time to aim for a goal of about 50 percent of 1 year's benefits.

Dealing with the long-range deficit requires that additional revenues be made available to the trust funds in future years and that a structural change be made in the way of computing initial social security benefits, thereby reducing the overall cost of the program and making the social security benefit formula less sensitive to economic changes.

There are three basic methods to reduce short-range and long-range deficits in the social security program:

First. Increase revenues by adjustments in the social security payroll tax and the wage base upon which these taxes are paid.

Second. Reduce social security benefits.

Third. Infuse general revenues directly into the social security programs or authorize the social security trust funds to borrow from Federal general revenues.

The Senate Finance Committee has agreed to a series of changes in the financing of social security designed to solve both the short-term and long-term deficits of the social security trust funds. The Finance Committee plan produces sufficient income to meet benefit obligations, and OASDI reserves sufficient to prevent the need for a direct infusion of general revenues, or the need to establish a borrowing authority from Federal general revenues for the social security trust funds. Moreover, the Senate Finance Committee plan is in actuarial balance for the next 75 years, through the year 2051.

The committee plan increases social security revenues over and above the revenues which would accrue under present law. It would do so with the following five changes:

First. Increase in the amount of earnings subject to employer tax.—Under existing law, the employer share of the social security payroll tax is collected on the first $16,500 earned by each employee. This amount increases automatically in future years as wages rise and will increase to $17,700 in 1978. The Finance Committee provision would raise the base for employer taxes to $20,400 starting in 1979. The employer base will remain at $50,000 through 1984 and then increase in 1985 to $75,000. The base will remain at $75,000 until such time as the employer wage base reaches a level of $75,000. Current projections estimate that this will occur in the year 2002. Thereafter the two bases would be equal and would rise together in relation to the increases in average wages.

Second. Increase in amount of earnings subject to employee (or self-employment) tax.—In addition to increasing the amount of wages subject to the employer tax, the committee bill also includes an increase in the amount of annual earnings subject to the employee or self-employment tax. Under this provision, there will be a total of $2,400 in employee wage base increases over and above present law. Approximately $600 in increases are scheduled in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases:

<table>
<thead>
<tr>
<th>Years</th>
<th>Present law (employers)</th>
<th>Committee bill (employers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$17,700</td>
<td>$20,400</td>
</tr>
<tr>
<td>1979</td>
<td>19,500</td>
<td>22,500</td>
</tr>
<tr>
<td>1981</td>
<td>21,000</td>
<td>24,000</td>
</tr>
<tr>
<td>1983</td>
<td>23,100</td>
<td>27,100</td>
</tr>
<tr>
<td>1985</td>
<td>27,000</td>
<td>30,000</td>
</tr>
<tr>
<td>2001</td>
<td>71,700</td>
<td>99,700</td>
</tr>
</tbody>
</table>

The Social Security Advisory Council recommended that the one and one-half times the employee rate be increased as wage levels rise. The committee bill provides for an increase in the amount of wages subject to the self-employment tax. The self-employed tax rate would increase to 12.4 percent in 1985, with a further increase to 15 percent in 1988, and 1990. The self-employed tax rate would remain at this level for future years.

Under the committee plan, the 1989 rate for the cash benefit programs (OASDI) would be 5.65 percent each and 1.40 percent for Medicare. These rates are compared with those under present law in the table below:

<table>
<thead>
<tr>
<th>Years</th>
<th>Present law</th>
<th>Committee bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>4.95</td>
<td>5.65</td>
</tr>
<tr>
<td>1981</td>
<td>5.35</td>
<td>6.05</td>
</tr>
<tr>
<td>1983</td>
<td>5.70</td>
<td>6.45</td>
</tr>
<tr>
<td>2001</td>
<td>7.00</td>
<td>7.70</td>
</tr>
<tr>
<td>2011</td>
<td>7.70</td>
<td>8.40</td>
</tr>
</tbody>
</table>

Projections of the hospital insurance program are made for only 25 years into the future, whereas projections of the OASDI programs are made for 75 years. Neither present law nor the committee plan deals with the needs of the HI program beyond the mid-1980's. The committee plan, however, provides sufficient financing for the OASDI program to be fully funded for the next 75 years, through 2051.

The following schedule of tax rates has been approved by the committee. These rates are compared with those which already are provided in present law.

The committee approved a tax rate increase for self-employed persons, and to restore the individual's self-employment tax rate for cash benefits in the original ratio of one and one-half times the social security rate effective in 1981. When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the total payroll tax rate has increased.

Fifth. Elimination of certain dual taxation requirements.—Under existing law, business enterprises are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. Under the committee bill, the tax base for the employer share of the social security tax would be increased to $50,000 effective in 1979. The base for Federal unemployment taxes is $6,000 after 1983. Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were
employ each of the corporations for which he performs services. Consequently, if his total wages from affiliated companies exceed the tax base, social security and unemployment taxes may be required to be paid in excess of an individual's wage base. The employer share of these taxes over the wage base is refunded, while the employee share is refunded. The committee agreed to a provision under which social security and unemployment taxes in excess of the taxable earnings base would not be paid in this type of situation.

**Increasing the Employer's Wage Base**

The traditional approach to financing the social security cash benefit programs has been to levy an equal tax on employers and their employees. In considering how best to raise the funds needed to meet the short-term financial soundness of the system without at the same time providing an intolerable tax burden either now or in the future, the Finance Committee plan proposes to apply temporarily the employer share of these taxes over the Individual employee's wage base. The committee plan proposes to apply temporarily the social security cash benefits programs that provide an intolerable tax burden either now or in the future, the Finance Committee plan as reported to Senate.

**Table 1:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Wage</th>
<th>Increase Over Present Law</th>
<th>Higher than Present Law</th>
<th>Lower than Present Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$10,001</td>
<td>$1,451</td>
<td>$451</td>
<td>$5,550</td>
</tr>
<tr>
<td>1978</td>
<td>$12,001</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$8,000</td>
</tr>
<tr>
<td>1979</td>
<td>$14,001</td>
<td>$3,451</td>
<td>$3,451</td>
<td>$10,550</td>
</tr>
<tr>
<td>1980</td>
<td>$16,001</td>
<td>$4,500</td>
<td>$4,500</td>
<td>$13,000</td>
</tr>
<tr>
<td>1981</td>
<td>$18,001</td>
<td>$5,551</td>
<td>$5,551</td>
<td>$15,550</td>
</tr>
<tr>
<td>1982</td>
<td>$20,001</td>
<td>$6,601</td>
<td>$6,600</td>
<td>$18,000</td>
</tr>
<tr>
<td>1983</td>
<td>$22,001</td>
<td>$7,651</td>
<td>$7,650</td>
<td>$20,550</td>
</tr>
<tr>
<td>1984</td>
<td>$24,001</td>
<td>$8,701</td>
<td>$8,700</td>
<td>$23,000</td>
</tr>
<tr>
<td>1985</td>
<td>$26,001</td>
<td>$9,751</td>
<td>$9,750</td>
<td>$25,550</td>
</tr>
<tr>
<td>1986</td>
<td>$28,001</td>
<td>$10,801</td>
<td>$10,800</td>
<td>$28,000</td>
</tr>
<tr>
<td>1987</td>
<td>$30,001</td>
<td>$11,851</td>
<td>$11,850</td>
<td>$30,550</td>
</tr>
</tbody>
</table>

This table demonstrates that the committee plan is less expensive for an average worker or the worker earning the maximum taxable wages under social security than is a plan that is almost exclusively on tax rate increases. The table also indicates that the committee plan, when compared to a plan that includes equal employer-employee wage base increases, has a similar effect on the average wage earner, but is significantly less expensive for a worker earning the maximum taxable wage under social security.

**Fiscal Relief for State and Local Governments and Private Nonprofit Employers**

The Finance Committee recognized that raising the employer wage base would have a detrimental effect on certain employers who cannot pass on the increased costs of social security except by increasing tuition rates, local or State taxes, or reducing their current level of services. Therefore, the committee plan would give fiscal relief to State and local governments, public and private colleges and universities, and other private nonprofit institutions. Fiscal relief would be offered to these categories of employers by authorizing tax rebates to be paid out of general revenues in the amount of the difference between the aggregate liability of the employer and the aggregate liability of its employees.

The cost of this fiscal relief would be

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**Sources:**
- The data is from the report of the Senate Finance Committee on Oct. 21, 1977.
- The figures are based on the actuarial tables prepared by the Social Security Administration.
- The data is adjusted for inflation using the Consumer Price Index.

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**Note:** The table above shows the increase in tax payments for workers earning the average wage under the committee plan. The effect of the plan on employers and employees earning above the average wage is also shown.
In 1979, for example, employers will pay social security taxes on the first $3,000 of an employee’s salary. Employers will pay social security taxes on their first $19,500 of earnings. Under the Finance Committee’s fiscal relief proposal, eligible employers would receive a tax rebate of 50 percent on all tax contributions they make on their employee’s wages between $19,500 and $50,000.

This fiscal relief proposal would, therefore, provide approximately the same financial benefits to eligible employers on the additional taxes to be imposed by increases in the employer wage base as are currently available only to private, profit-making employers, who receive a Federal income tax deduction based on their social security tax contributions.

**Social Security Benefit Adjustments**

The committee plan adjust social security benefit payments through the following changes:

First, Decoupling and Instituting a New Wage Indexed Benefit Formula. The procedure used to compute social security benefits for new retirees would be decoupled effective in 1979. This would solve the unintended effect in the present law that overcompensates for inflation. Social security replacement rates would be set at 1976 levels, an amount calculated to be about 43 percent of an average worker’s earnings the year before retirement. These replacement rates would be held constant thereafter.

Existing law calls for automatic cost-of-living increases in benefits effective each June and for increases in the tax base (based on changes in wage levels) each January (assuming that the Consumer Price Index rises by at least 3 percent). Each benefit increase is put into effect by a revision of the table in the law. Thus, each increase applies not only to people entitled to benefits for the month the increase is effective but also to everyone who will become entitled to benefits in the future.

The automatic cost-of-living benefit increase mechanism incorporated into the social security program by the 1972 amendments operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The committee bill proposes no change in this concept.

The cost-of-living adjustment mechanism, however, also increases the percentages in the formula for determining initial benefits in the future. Future benefits, however, are based on earnings which rise in part, as the result of increases in prices. Thus, wages which were increased to take account of rising prices are multiplied by a benefit formula which was also increased to take account of the same increase in prices.

For an example of how benefits are increased under present procedures, assume a program with a benefit equal to 50 percent of wages. In such a program wages of $100 would produce a benefit of $50. If wages and prices both rise by 10 percent, the individual who is on the benefit rolls will have his $50 wage increased to $55 and the person who is still working will have his $100 wage increased to $110. If the benefit formula is left unchanged, both individuals would qualify for a $55 benefit. But under present procedures the benefit formula is also increased to 55 percent and the person who will retire in the future with wages increased from $100 to $110 will get a benefit of $60.50 (55 percent multiplied by $110).

Under most reasonable projections of future economic conditions, benefit levels determined by the present-law mechanism will be much higher than what would be under the committee bill. The present-law method would adjust for inflation and will represent an ever-increasing percentage of the new retiree’s wages in the year before he retires. For significant numbers of people, the benefits payable just after retirement would approach—and in many cases exceed—their wage levels immediately before retirement. It is this part of the current cost-of-living provisions that the committee bill changes.

The starting point for most proposals for dealing with the current long-term deficit of the social security system is a concept called decoupling. Decoupling means that the automatic benefit increase mechanism in present law would continue to apply to keep benefits inflation-proof after a person retires and begins to draw his benefits, but the formula for initially determining benefits at the time of retirement would no longer be automatically increased.

Decoupling by itself would make a substantial reduction in the long-term cost of the program but would also cause a significant reduction in the real value of future benefits. In order to forestall a reduction of this nature, the committee bill would provide that future benefits be based on “indexed” wages, rather than the actual earnings that are used under the present law. This procedure involves the adoption of a new automatic mechanism for adjusting the benefit formula for computing initial benefits which is designed to keep replacement rates at about existing levels.

The following table indicates the benefit structure that the automatic benefit increase mechanism in present law would have produced, as well as the current replacement rates under the Finance Committee bill:

<table>
<thead>
<tr>
<th>Year</th>
<th>Aggregate OASDI expenditures</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASDI expenditures</th>
<th>Replacement rate for worker with—</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$14,444</td>
<td>46</td>
<td>35</td>
<td>10.24</td>
</tr>
<tr>
<td>1985</td>
<td>4,711</td>
<td>58</td>
<td>10.54</td>
<td>4.3</td>
</tr>
<tr>
<td>1995</td>
<td>5,180</td>
<td>43</td>
<td>11.09</td>
<td>4.6</td>
</tr>
<tr>
<td>2000</td>
<td>6,097</td>
<td>31</td>
<td>11.31</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Average medium-range cost (1977-2001) 13.85%
Average long-range cost (1977-2051) 13.85%
Average long-range revenue 13.05%
Average medium-range revenue 13.61%
Average long-range deficit 13.85%
Average medium-range deficit 11.85%
Average long-range expenditure 13.05%
Average medium-range expenditure 11.85%

Note: The estimates in this table are based on the economic and demographic assumptions in the intermediate Cost estimates (alternative II) in the 1977 OASDI Trustees Report.

A basic change such as that which would be provided by the committee bill also requires many substantial changes in provisions of present law, transitional provisions for the period during which the new system is implemented, and a number of conforming amendments to minimize possible disruptions that so basic a change in the benefit structure might otherwise produce.

First, Offset for pensions received from noncovered employers.—In response to recent Supreme Court decisions, which held unconstitutional the dependency test applied to men only, a new offset against pensions received from employers not covered by the social security system would be introduced. The committee bill includes a provision which would reduce benefits payable under social security to dependent spouses by the amount of any pension received from a noncovered employer (Federal, State, or local) retirement benefit payable to the spouse. The provision would

**TABLE 7—BENEFITS, REPLACEMENT RATES, AND EXPENDITURES UNDER COMMITTEE BILL, 1979-2050**

<table>
<thead>
<tr>
<th>Worker with average earnings</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASDI expenditures</th>
<th>Worker with average earnings</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASDI expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Annual benefit in 1979 prices</td>
<td>Replacement rate</td>
<td>Low earnings</td>
<td>High earnings</td>
<td>As percent of GNP</td>
</tr>
<tr>
<td>1979</td>
<td>$14,444</td>
<td>46</td>
<td>58</td>
<td>10.24</td>
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<td>1985</td>
<td>4,711</td>
<td>58</td>
<td>10.54</td>
<td>4.3</td>
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<tr>
<td>1995</td>
<td>5,180</td>
<td>43</td>
<td>11.09</td>
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</tr>
<tr>
<td>2000</td>
<td>6,097</td>
<td>31</td>
<td>11.31</td>
<td>4.6</td>
<td>94</td>
</tr>
</tbody>
</table>

Average medium-range cost (1977-2001) 13.85%
Average long-range cost (1977-2051) 13.85%
Average long-range revenue 13.61%
Average medium-range revenue 13.05%
Average long-range deficit 13.85%
Average medium-range deficit 11.85%
Average long-range expenditure 13.05%
Average medium-range expenditure 11.85%

Note: For 1979 and later, based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

For the present law benefit formula for all workers attaining age 62 before Jan. 1, 1979

apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a claimed earned income based on his or her own earnings in public employment which was not covered under the social security system.

As an example of how this provision will operate, assume the following facts: a widower, age 65, retires and is eligible to receive $600 a month from a public pension. He is not eligible for any social security benefits. His deceased wife was covered by social security and therefore, under current law, the widower is entitled to a surviving spouse benefit of $136 a month. Because of the dollar for dollar public pension offset provided in this legislation, the widower will not be able to collect any of the social security benefit he otherwise would be entitled to based on his wife's record of employment.

Second, modification of retirement test and financing of the provision. Social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount. This is referred to as the social security retirement test. It is adjusted annually under law but it leaves no change reflects in average wage levels.

In 1977, the amount which may be earned with no reduction in benefits is $3,000; it is expected to increase to $3,240 in 1978 and to $3,480 in 1979. The committee agreed to a provision under which the retirement increment is added to the individual worker's benefit when he retires or reaches age 72. At present, this retirement increment applies only to the worker's earnings from work that is not transferable to his survivors. The committee adopted a provision under which any retirement increment would be added to the benefit payable to the widow or widower of such an individual.

Using general revenues to help finance the social security program has been debated back and forth for many years. The President's legislative proposal on social security would have infused general revenues into the social security trust funds during periods of high unemployment. This approach was supported by many of the witnesses who testified at the Senate Finance Committee's hearings on social security earlier this year.

Before the August recess, however, the Senate Finance Committee voted 11 to 4 to modify the general revenue to fund the social security cash benefits program. This vote reflected the strong sentiment of members of the Finance Committee that the social security cash benefits program should be financed totally by payroll taxes. It was the general feeling among Finance Committee members that using Treasury funds to support the present social security cash benefits program would create pressures in the future to increase benefits for social security recipients by the use of general revenues.

I supported the Finance Committee's position that general revenues should not be used directly to subsidize the cash benefits program.

In my judgment, however, a distinction must be made between using general revenues for the hospital insurance program and using them for the cash benefits program. Whether a beneficiary becomes ill and must enter a hospital or not are very different contributions. Rather, it is an incidence of one's health. Cash benefits, on the other hand, should and do reflect the earnings of the employee.

Under present law, the hospital insurance program (part A of Medicare) will be depleted in 1987. Under the Finance Committee bill the hospital trust fund will be depleted in 1988. This means that prior to 1987 or 1988, limited sources of revenue must be used to prop up and secure the solvency of the hospital insurance program.

Right now, general revenues are used to support a portion of the medical insurance program (part B of Medicare). In 1976, general revenues were used to support 70 percent of the cost of the medical insurance program. And in 1977, general revenues will be used to support almost 80 percent of the program.

I believe that Federal general revenues should be used to support a part of the financing of the hospital insurance program. It should be emphasized, however, that the Senate Finance Committee bill does not include any general revenues for the support of the cash benefits program or for the use of the hospital insurance program.

It should be noted that general revenues support the social security system indirectly under present law. When employers deduct social security payments they contribute on behalf of their employees their Federal income tax returns. This deduction costs the general fund revenues it otherwise would receive. In the committee bill, employers with high-paid employees will have to pay social security taxes on the earnings of these employees to a greater extent than they now contribute under current law. This will create an additional tax burden on these employers, but the increased burden will be fully deductible on these employers Federal income tax returns. Therefore, the additional burden will be paid for, indirectly, by general revenues.

Mr. President, one of the most difficult decisions public officials have to make is the decision to increase the amount of taxes their constituents have to pay. Every tax dollar paid by a wage earner means less money that can be used to pay for essential goods and services like food, clothing, housing, and schooling. As the Senate Finance Committee considered the problems of the social security system, and finally adopted a financing bill, we continually kept in mind the goals of protecting the social security system from any threats of bankruptcy, maintaining uniform benefit levels on a par with today's benefit levels, and renewing the American public's confidence in social security. In doing all of this, we also tried to keep additional taxes on every wage earner to a minimum.

The Finance Committee's bill requires every wage earner to pay more in taxes for the social security system. I was necessary to increase taxes because right now the social security system is inadequately financed. We felt that American workers would be willing to pay additional tax dollars if they could be assured that their parents and grandparents would continue to receive their monthly social security benefit checks and if they could be assured that the
benefits to which they are entitled would not be diminished in the future.

In raising social security taxes for every American wage earner covered by social security, I believe we worked out a plan that would distribute the additional burden in a fair and equitable manner. Some people may argue over the method we used, but no one can say that we have not taken the difficult political route and raised the additional money necessary to finance social security through taxes rather than turning to the general fund or by increasing the national deficit.

Mr. President, the financing plan adopted by the Senate Finance Committee is a responsible, comprehensive proposal to assure American workers and their families and all social security beneficiaries of a sound and secure social security program. The short-term deficits confronting the social security trust funds will be eliminated. The threat that the social security trust funds will go bankrupt has been eliminated. The Senate Finance Committee plan will place social security cash benefits programs in actuarial balance for the next 75 years based on current economic and demographic assumptions. No present beneficiary will suffer a social security benefit reduction, while future beneficiaries will be assured that their social security benefits will be available to them and their families should they retire, become disabled, or die.

These are the kinds of assurances all Americans have sought. They deserve no less.

Mr. HARRY F. BYRD, JR. Mr. President, in my judgment, the social security program is more important to more people than any other Federal program.

Social security was enacted in 1935. During the intervening 42 years it has become a basic and integral part of the lives of the American people.

Social security benefits are paid to American who receive social security benefits—Americans who pay into the program with the expectation of ultimately receiving social security benefits. Americans who pay into the program are helping to finance social security through their own payrolltax. Each employee’s portion of the tax, each have an important stake in social security.

The Congress has a deep obligation to protect the solvency of the social security trust fund.

When social security was established 42 years ago, it was funded on the principle that one-half of the total social security tax paid by the employer and one-half would be paid by the employee. The employee, of course, would be the beneficiary of the total amount.

This basic principle continues to this day.

For many years the social security tax on both employer and employee was fixed at a figure that would provide the social security trust fund with a balance equal to approximately 1 year of benefits. We raised that figure to $80 billion of benefits are to be paid over a period of a year, then the reserves in the trust fund would approximate that amount.

What has happened in the last few years is that Congress has increased benefits to a greater degree than taxes. Thus, at the present time the social security trust fund has reserves of somewhat less than 6 months.

So that we do not deteriorate further, it is necessary that the trust fund be replenished.

Although the income will not quite equal the outlays for 1977, there still will be a reserve in the trust fund of approximately $36 billion.

It is important for the Congress to address the question of additional funds before the reserves drop significantly below 5 percent of security benefits.

The Carter administration has responded to this question by proposing the use of general revenues to finance social security. This approach has been rejected for the same reason that the social security trust fund was established. The principle of self-funding, which is that social security taxes are used to pay for social security benefits, is a basic and integral part of our social security system. And the Carter administration alternative, which would use general revenues, would mean that social security benefits would not be paid for by the total tax, but by the general revenue system. It would mean that contributions to the trust fund would be made at the whim of political decisions on an annual basis. This could seriously jeopardize the stability of the program, and could transform social security into a welfare-type program.

The Finance Committee under Senator Lax’s leadership wisely rejected the use of general revenue funds for social security.

I want to pay tribute to the committee chairman, Senator Lax, for his leadership in strong opposition to using general revenues.

In that plan to use general revenue, the committee has approved a carefully thought out plan develop by the able Senator from Wisconsin (Mr. Nelson).

The plan approved by the Finance Committee would increase the social security tax rate for both employers and employees in stages rising from the present level of 6.7 percent in 1981 and to 9.2 percent by 2011.

But the tax burden would not fall equally upon employers and workers. The rates would be the same for both groups, but the Nelson program would boost the wage base—the maximum amount of pay subject to the tax—much more rapidly for employers than for employees.

The employer wage base, now $16,500, would shoot up to $50,000 in 1979 and to $75,000 in 1985. In contrast, the employee wage base would not reach $33,900 until 1987 and would not equal the employer rate of $75,000 until after the year 2000. The result, of course, would be that between 1979 and 2000, employers would be carrying a significantly larger share of the direct cost of social security than would employees.

The primary rationale for such an approach is that a greater tax upon employers than upon employees would be politically more acceptable than taxing both groups equally.

I am prepared to support an increase in social security taxes to finance the increase in benefits voted by the Congress. But my main concern about the Nelson proposal is that the social security beneficiaries, present and future, would be much better off were the Congress to adhere to the traditional social security concept of taxes shared equally by employees and employer.

I have considerable reservations about tinkering with the philosophy of share-and-share-alike in financing of social security.

The primary rationale for such an approach is that the social security beneficiaries, present and future, would be much better off were the Congress to adhere to the traditional social security concept of taxes shared equally by employees and employer.

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The social security program is too important to too many people to allow the reserves to drop to dangerously low levels.
SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The question now recurs on the amendment offered by the Senator from Nebraska (Mr. Curtis).

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Mr. Williams be recognized for 3 minutes.

The PRESIDING OFFICER. The Senator from New Jersey (Mr. Williams) is recognized.
SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The PRESIDING OFFICER. The Senate will now return to the unfinished business, which the clerk will state by title.

The assistant legislative clerk read as follows:

A bill (H.R. 9348) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes,

The Senate continued with the consideration of the bill.

The PRESIDING OFFICER. The pending question is on agreeing to the amendment of the Senator from Nebraska (Mr. CURTIS).

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.
Mr. MATHIAS. Will the Senator withhold that?
Mr. ROBERT C. BYRD. I withhold that.
Mr. MATHIAS. Mr. President, I ask unanimous consent that during the debate on the social security bill and votes thereon, Ralph Oman and Kent Stein Kamp of my staff be granted the privilege of the floor.
The PRESIDING OFFICER. Without objection, it is so ordered.
What is the will of the Senate? The pending business is H.R. 9346, an amendment by the Senator from Nebraska.
Mr. CURTIS. Mr. President, I suggest the absence of a quorum.
Mr. HELMS. Will the Senator withhold that?
Mr. CURTIS. Yes.
Mr. HELMS. Mr. President, I ask unanimous consent that Mr. Howard Segermark of my staff may be granted the privilege of the floor during discussion of the social security measure and any votes thereon.
The PRESIDING OFFICER. Without objection, it is so ordered.
Mr. HELMS. I suggest the absence of a quorum, Mr. President.
The assistant legislative clerk proceeded to call the roll.
Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.
The PRESIDING OFFICER. Without objection, it is so ordered.
SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the unfinished business, which the clerk will state.

The second assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954, to strengthen the financing of the social security system, and so forth, and for other purposes.

The Senate resumed the consideration of the bill.

The PRESIDING OFFICER. The
Pending question is the amendment by the Senator from Nebraska (Mr. Curtis) on which there is a 30-minute time limit.

Mr. BROOKE. Mr. President, I ask unanimous consent that Lawrence Grieb-hom of Senator Passey's staff and Barbara Harris of my staff may be granted the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THURMOND. Mr. President, I ask unanimous consent that John Napier of the staff of the Committee on the Judiciary and Hargrave McElroy of my staff be granted the privilege of the floor today and tomorrow on all matters to come before the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. McINTYRE. Mr. President, I ask unanimous consent that Tony Mazzaschi and Marc Scheer of my staff be granted the privilege of the floor during the consideration of the Social Security financing bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LUGAR. Mr. President, I ask unanimous consent that Robert Kabel of my staff may be accorded the privilege of the floor during debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.
SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 3446.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished Senator from Nebraska (Mr. CURTIS) for allowing the Senate to impose on his time. His amendment is before the Senate, and I hope we may proceed now.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, I yield myself 5 minutes.

Mr. President, I ask for the yeas and nays on the pending amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, we are about to vote on a very important issue. Social security is complex. But sometimes a problem can present itself in a simple way, and it calls for a simple but straightforward answer.

We hear all sorts of scare stories. This morning I heard a commentator say that the social security system was bankrupt. I do not think that added a service to the general public, particularly to the beneficiaries.

We are collecting about $82 billion in social security every year, but this year we are going to be short a little over $6 billion. Next year it will be a little more.

In the long range, we have got some problems. It is just that simple.

Where do we get the $6 billion? I do not think that this Congress wants to lower benefits. We have got to increase income.

Yesterday, we voted overwhelmingly against dipping into the general Treasury. Now the issue is, Shall we soak the employers rather than face this problem? That is what it amounts to.

I carry no brief for employers, but I do say that this amendment will create havoc and if it becomes the law of the land the Congress will be here repealing it in less than 6 months.

To raise the base on employers only abandons the guideline of a contributory system, half by employers and half by employees.

Furthermore, when we raise the wage base clear up to $75,000, we discriminate against companies. Concerns that employ a great many high paid and skillful people will have a tremendous tax increase. Others may not.

In other words, Mr. President, it is an effort for an easy answer: How do we propose to impose this half percent on each one? The total on the payroll of 1 percent will bring in about $8 billion in full force. We propose that beginning in 1979, and we should never make these things retroactive, this gives a year lead time after the conference acts, that in 1977 we raise the tax a simple 0.2 of 1 percent.

In the individual making $10,000, it amounts to $20.

Also, keep in mind, Mr. President, that, very properly, we have tilted the benefits in the social security in favor of the lower paid. We have also enacted the earned income credit. So the individual who has nothing but earned income and does not make more than $4,000 gets a credit that is refundable for $400. If he makes $7,000, he will still get a refund of $100, to compensate for the fact that the social security tax is a tax on the first dollar that he earns.

Now, no one likes taxes. No one likes to increase taxes. But what are we going to do? Here is a system, and, as the distinguished Senator from North Carolina said yesterday, more people depend on the social security than on any other program we have.

Mr. President, I think smart politics in this deviates from the pattern in the past of trying to avoid things, to conceal the true cost of social security and find an easy answer.

The Nation is alarmed about the situation, and I believe they are expecting the Congress to meet it forthwith and forthright.

All we are asking here is a raise in the social security tax on employers of one-half of 1 percent in two steps, and a raise of a similar amount on the employers. It will keep all of the benefits flowing. It will take care of our immediate problem.

It will conform to all the guidelines that we follow.

Yesterday there was circulated in the Chamber a statement from the leading municipalities carrying a list of cities that would pay more under my proposal than under the committee proposal.

The committee would load it all on employers. I would vote half on. Now, when does half of a sum exceed the whole? I had it checked. They admit now that they have made a mistake; but they got it mixed up: that they took part of my plan one and combined plan two with it and came up with such an answer.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. CURTIS. Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. I yield 3 minutes to the distinguished Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, in my judgment, the social security program is more important to more people than any other Federal program.
November 3, 1977

CONGRESSIONAL RECORD—SENATE
S 18595

Social security was enacted in 1935. During the intervening 42 years, it has become a basic and integral part of the lives of American people.

When social security was established, it was funded on the principle that one-half of the total social security tax would be paid by the employee and the other one-half would be paid by the employer. The employee, of course, would be the beneficiary of the total amount. The basic principle continues to this day.

What the Senate Finance Committee in its most recent substitute proposes to do is to maintain this principle. I feel that that is a very important concept to maintain. The social security program is of such vital importance that I feel it unwise to depart from the fundamental concept as to financing.

The social security fund, as the able Senator from Nebraska just pointed out, can be replenished appropriately by an equal increase in the tax on employer and employee. Such a tax, I feel, would be preferable to the bill recommended by the Senate Committee on Finance. So I support the substitute offered by the distinguished Senator from Nebraska (Mr. CURTIS).

The social security program is too important to too many people to allow the reserves to drop to dangerously low levels.

The PRESIDING OFFICER. Who yields time?

Mr. NELSON. Mr. President, is there a time limitation?

The PRESIDING OFFICER. Fifteen minutes to a side.

Mr. NELSON. Mr. President, there are several ways and combinations of ways to provide funding to secure the social security trust funds.

I will repeat what I said in the Finance Committee and what I said on the floor today. The proposal of the Senator from Nebraska does levy the tax and provide the necessary funds to secure the social security fund, based upon the intermediate assumptions of the Social Security Administration, through the year 2050.

The proposal that the Finance Committee reported to the Senate does the same thing. Both proposals accomplish the result, based upon the intermediate assumptions, without a deficit 75 years from now. That is to say, the fund will be in balance, based upon those assumptions, in the year 2050.

In plan No. 2—what is called plan No. 2—of Senator CURTIS, there will be a plus 0.4 percent balance of taxable payroll in the social security trust funds. Under Senator Curtis’ alternative plan, there would be a deficit of 0.27 percent of taxable payroll. Under the House bill, there would be a deficit of 1.62 percent of taxable payroll, which is fairly substantial. Under the Finance Committee plan, there would be a long-term surplus of 0.06 percent of taxable payroll.

So both the Curtis plan and the Senate Finance Committee plan finance the social security fund and insure its security for the next 75 years and beyond. This is an important objective to achieve for the purpose of assuring everybody who contributes to the fund—104 million Americans who are now contributing—and the 33 million who are now beneficiaries that their retirement is not in jeopardy, that the money will be on hand for them when they retire. It is important that we give that assurance, and there has never been any doubt in my mind that Senator Curtis would do so.

The point I am making is that both Senator Curtis’ plan and the Finance Committee plan went to great care to levy the taxes, to be sure that we could guarantee the security of social security for the people in the way to the year 2050. I believe it was a wise move to do so on the part of Senator Curtis in his plan and the Finance Committee in its plan.

As I suggested, there are several ways to finance social security; this problem is not a different impact. You can dramatically raise the wage base on employers and employees—that is, more dramatically than it is being raised—as the House Finance Committee plan shows. There is a significantly higher burden of cost on those in income brackets $20,000 and above.

Social security could be financed by just increasing taxes, which places a heavier burden on only one of the Social Security Groups. A combination of increased payroll taxes and increased employer and employee wage bases could finance social security. A variable employer/employee wage base, as is the Finance Committee plan, could also be used.

The social security fund got into this declining financial situation because of three or four factors. Two of these factors were high unemployment and excessive inflation. Another factor was the double indexing of future benefits, which was not intended at the time it was adopted by Congress; Congress was aware of that.

In order to take care of the short-term financing problem without placing too heavy a burden on the contributing employees, I proposed, and the Finance Committee, I believe, in the Finance Committee plan, went to great care to do the same thing. The House bill, as I suggested, does not have the same mandatory assignment to balance the fund.

In the meantime, under the current law, employees’ wage bases continue to rise with increases in average wages. For example, the wage base of employees under the Finance Committee proposal goes from $16,500 in 1977 to $33,900 in 1987. It is projected to reach $75,000 by the year 2002.

On the other hand, the House bill provides for wage base jumps from $16,500 to $24,800 in that same period. Senator Curtis’ plan No. 2 has the same employee wage base on the Finance Committee plan.

Under the differential wage base in the committee bill, the employer and employee wage base will again be equal in 25 years. It is not a permanent differential on the wage base between the employer and the employee as was proposed by the Carter administration. The administration’s bill that was submitted to Congress provided that there will be a differential that can be taken off the employer totally, so that those who are earning $500,000, $600,000 or $700,000—the highest paid people in this country—would pay on that whole wage base on the employer’s side. It did not accept that in the Finance Committee bill.

Instead of no limit on the employer’s side, we set a limit of $50,000 and $75,000. Under current economic projections, the wage base of the employer will be at $75,000 ‘79 years from now, and the employee wage base will have risen to $75,000. Therefore, they will be back in parity, and in the meantime, a method of meeting the short-term deficit in the social security trust fund will have been met. At the same time, there will be less of a burden upon the employee.

I do not believe the floor should be pointed out that a substantial majority of all employers in the country pay less under this plan with a higher employer wage base than the one which the wage base for employers and employees increases equally, that 87 percent of all wage rates are already covered by the current employer wage base. As of next year, employers whose employees are earning less than $17,500 will incur no increase on their employer’s side; whereas, if we levied the tax equally there would be an increase on both the employer and the employee and that would cost most employers more because increasing payroll taxes affects all employers, regardless of their salaries. Only employers of high payroll, employers will be affected by the Finance committee bill.

So, as to a substantial percentage of the employers in this country the Finance Committee bill would cost them less money than if we levied the payroll tax equally on each side.

What is the impact on the employee of these plans?

The Finance Committee bill, in 1979, the increase in the tax on the employee earning an average wage of $11,653 over and above the scheduled increases which are substantial, would be $10. Under the House bill, the additional cost is zero. Under the Senator Curtis plan No. 1, the cost is $33; and under Senator Cururs’ plan No. 2, the cost is $39.

In 1981, the increase on the Finance Committee bill is $40 on the average worker, $33 on the House bill, $78 under Curtis No. 1, and $73 under Curtis No. 2.

In 1987, the increase on the individual will over the current scheduled increases in the law, which are the really substantial increases, is $121 a year under the Finance Committee bill, $165 under the House bill, $165 under the Curtis plan No. 1, and $177 under Curtis plan No. 2. That tells us the impact on the average worker.

Next, let us look at the impact on the annual tax payments of workers earning the maximum base. In 1977, the employee earning base is set at $16,500. The taxable earnings base will increase...
Mr. CURTIS. For instance, the House raised the wage base by $8,400 effective a few years down the line and that would bring the cost to $529, for the highest paid employee while mine would only create an increased cost of $117.

Mr. NELSON. The maximum base for those employees earning high wages under the Finance Committee proposal in 1987 will be $33,900, compared to $31,200 under Curtis plan No. 1 and $42,600 in the House bill.

Under the Finance Committee plan, the employee earning the maximum will be paying $378 a year more than the current scheduled social security tax. Under the House bill, the maximum earner will pay $1,012 more on a maximum base of $42,600.

Under Senator Curtis' plan No. 1, the maximum earner will pay $276 more on earning those earning the maximum versus $378 a year more than the maximum earner will pay $1,012 more on a maximum base of $42,600.

The maximum base for the Curtis plan No. 1 is $42,600, compared to $31,200 under the Finance Committee plan and $42,600 in the House bill.

Mr. NELSON. The maximum base for the Curtis plan No. 1 is $42,600, compared to $31,200 under the Finance Committee plan and $42,600 in the House bill.

In conclusion, the Curtis plan No. 1 provides a more fair and equitable approach to social security taxes while maintaining a lower cost for the average worker.
The proponents of the $75,000 wage base for employers started out with $100,000. Well, there are not too many being paid more than $75,000, so the result is just about as bad.

At that time I gathered information from all across the land as to what would be the impact. These figures that I am about to insert in the Record relate to the $100,000 ceiling rather than the $75,000 ceiling. But I think they would be almost the same. However, I want to be fair about it. A major private university in the State of New York, it would cost them $1.1 million; a leading national rubber company, $6 million; a major trunk airline, based in the Southeast, $11 million.

Mr. NELSON. Mr. President, will the Senator yield for a question?

Mr. CURTIS. Yes.

Mr. NELSON. I have not been able to get figures together, but how much will it cost these same groups based upon the Senator's proposal, how much additional taxes would they be?

Mr. CURTIS. Well, it would be very much less, very much less. I cited the figures a bit ago that the raise of the base for only $8,000 results in increased taxes of over $500, while half a percent on payroll is about $117. Here is the thing, we are trying to raise about $8 billion and you have got to have a broad base, have it reach everybody.

Mr. President, I ask unanimous consent that the list of examples I started to be read printed in the Record in full. There being no objection, the list was ordered to be printed in the Record, as follows:

A major private university in the State of New York: $1.3 million.

A leading national rubber company: $6 million.

A major trunk airline, based in the Southeast: $11 million.

A Nebraska-based major construction company: $2 million.

A Midwestern state university: $1.4 million.

A textile company in the South: $2 million.

A leading manufacturer of copromaking equipment, headquartered in Connecticut: $27 million.

Two Texas-based national oil companies: $9.1 million and $20 million, respectively.

Two Oregon educational facilities: $2 million and $683,000, respectively.

Mr. CURTIS. Mr. President, I am not overly devoted to computer projections because they depend on what you put in there. Nevertheless, there are some very well-qualified ones. One of them is by the Chamber of Commerce of the United States. They point out, and I quote, speaking of the committee's proposal, "because investment would be less and inflation somewhat higher the Senate Finance Committee substitute bill would cause the economy to grow slower by 0.8 percent by 1980, family income to be $237 billion, and 400,000 fewer jobs."

Mr. President, if we raise the wage base on employers from its present $16,500 up to $75,000, even though we take it in two steps, what do you suppose we would do?

Mr. NELSON. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 6 minutes.

Mr. CURTIS. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. Have the 15 minutes expired?

The PRESIDING OFFICER. The Senator from Nebraska has 6 minutes. Mr. CURTIS. And no time remaining over here.

The PRESIDING OFFICER. That is what the record shows.

Mr. CURTIS. Mr. President, I would say that is a well-earned advantage. I had to listen for 15 minutes to understand philosophy and confusing figures, and by reason of that I get 6 minutes more to respond.

Mr. President, if we raise the wage base on employers from its present $16,500 up to $75,000, even though we take it in two steps, what do you suppose we would do?

Think of your State university, an employer that has many high-paid professors, instructors, and administrators. I know what it does to the University of Nebraska. It puts $1 million a year on them. That is not meeting the situation.

They encourage a resolution, and here is what two points in them say: One, "Equal employee and employer contributions," and the next one says, "No use of general funds for continued support of the social security system."

Mr. President, I ask unanimous consent that that resolution be printed in the Record. There being no objection, the resolution was ordered to be printed in the Record, as follows:

RESOLUTION

A resolution requesting the Congress of the United States to consider certain concerns of the Committee on Intergovernmental Relations and the Executive Committee of the National Association of State Budget Officers during its consideration of amendments to the Social Security Act and the financing thereof.

Whereas, the Congress of the United States has now before it several proposals regarding the financing of the Social Security System.

Whereas, state and local governments of the United States are vitally affected and concerned with these proposals, now, therefore,

Be it resolved by the Committee on Intergovernmental Relations and the Executive Committee of the National Association of State Budget Officers:

That we urge the Congress to act expeditiously to assure the soundness of the Social Security System and that in this enterprise it adhere to the following:

1. There be no mandatory coverage for state and local units of government. Currently these units have the option of undertaking with reference to the mandatory coverage whether or not it would benefit without any corresponding decrease in the benefits previously negotiated and paid, whether or not action is to be taken during the next session of Congress to control wage and salary matters of state and local governments were declared unconstitutional, the event that mandatory coverage is the final action of Congress. It is suggested that the effective date be made several years in the future. This will allow for the necessary financial adjustments to be made within the state and local jurisdictions. Further, it will allow adequate time for court tests to be undertaken with reference to the mandatory coverage.

2. Further, the Committees believe the cost of participation in the Social Security System should continue to be an equal partnership between the employer and the employee. It would be unfair to require the employer, because they are fewer in number, to bear a disproportionate share of the burden.

3. Further, the Committees believe General Revenue Funds should not be used on a continuing basis for support of the Social Security System. It may be necessary and
desirable in some instances to use General Revenue Funds to meet certain shortfalls in income; however, the rates should at all times be adequate to meet the benefits which Congress provides. Further, it would be desirable in some way to require the Congress by law to increase rates to meet any increased benefits. Any action which increases benefits without providing the increase in rates to finance those benefits is irresponsible and will continue to erode the public's confidence in financing the system.

4. Further, the Committee believes that in any discussion of the Social Security Act as it relates to state and local units of government, Congress should recognize that basically the budgets of these units of government are fixed and as such are in a very poor position to respond to Congressional enactments during the year in which their budgets have already been enacted. This is very crucial to these units of government; and Congress should consider the timing of these enactments and should delay the implementation date until such times as these units can respond to the appropriation of funds to meet the actions Congress has taken in this legislation.

Mr. CURTIS. Now, Mr. President, when this matter was heard before the Committee on Finance—how much time do I have left?

THE PRESIDING OFFICER. The Senator has 1 minute remaining.

Mr. CURTIS. Mr. President, when this matter was before the Committee on Finance I asked one of the top actuaries of the United States who, for many years, was the chief actuary of the social security system, to illustrate how we had constructed the benefits schedule so it was the most generous to people of low income.

I ask unanimous consent that my question and his answer and illustrations found on pages 222 and 223 of those hearings be printed in the Record.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

Senator CURTIS. As I say—I do not mention this in any way as criticism—I think that a national policy that is a social system should give preferential treatment to those persons who must rely upon that solely, and the individual with resources and higher earnings can better be able to add things for his own retirement where many of the people cannot. I don't want to take the time right now but, Dr. Myers, you give, for the record, two or three illustrations both in retirement and in reference to survivors, the dollar amounts of some hypothetical cases which will illustrate that for the committee in the printed record.

Mr. MYERS. Yes, sir. I will be glad to do so, Senator.

[The following was subsequently supplied for the record:]

ROBERT J. MYERS.

Subject: Illustrations of social security benefits for persons at different earnings levels.

The attached table presents data on retirement and survivor benefits under the Social Security program for persons at different earnings levels.

The attached table presents data on retirement and survivor benefits under the Social Security program for persons at different earnings levels. In summary, these figures indicate very considerable heavier weighting of benefits applicable to persons with low earnings.

The retirement case is for a man retiring in January 1977 at age 65, primary benefit only:

<table>
<thead>
<tr>
<th>Earnings category</th>
<th>Earnings in 1976</th>
<th>Replacement rate</th>
<th>Benefits payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>$185,300</td>
<td>22.4%</td>
<td>$412.70</td>
</tr>
<tr>
<td>Average</td>
<td>9,296</td>
<td>43.6%</td>
<td>335.10</td>
</tr>
<tr>
<td>Low</td>
<td>4,600</td>
<td>56.9%</td>
<td>218.30</td>
</tr>
</tbody>
</table>

Person dying in 1977 at age 35, family benefit for widowed spouse and 2 children:

<table>
<thead>
<tr>
<th>Earnings category</th>
<th>Earnings in 1976</th>
<th>Replacement rate</th>
<th>Benefits payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>15,300</td>
<td>67.2%</td>
<td>1,020.20</td>
</tr>
<tr>
<td>Average</td>
<td>9,820</td>
<td>56.6%</td>
<td>687.10</td>
</tr>
<tr>
<td>Low</td>
<td>4,600</td>
<td>41.5%</td>
<td>385.40</td>
</tr>
</tbody>
</table>

1 Assumed at $4,600 in 1976 and following the trend of the average wage in previous years.

Mr. CURTIS. As an illustration, a man retiring in 1977, age 65, if his earnings averaged $15,000, his social security benefit would be 32 percent of his earnings; if he only made $4,000 it would be 36 percent of his earnings. There are similar illustrations, but it will all show up in the record.

Mr. President, Thanksgiving is about on us. I would like to have the people of the United States, when they sit down to their Thanksgiving dinner, be thankful for the fact that Congress did not run away, that it did not try to raid the general fund or soak the people, but that they levied the tax necessary to pay these benefits.

THE PRESIDING OFFICER. The Chair is advised that the Senator from Nebraska's time has expired, with 1 minute extra for Thanksgiving. [Laughter.]

Mr. CURTIS. I am sure many people are thankful that my time has expired. [Laughter.]

Mr. NELSON. No, I wish the Senator had more time.

Mr. President, I move to table the amendment, and I ask for the yeas and nays.

Mr. CURTIS. I think this is an important issue, and it should not be tabled, but the Senator has that right.

Mr. NELSON. Everybody knows the Senator is for his amendment and I am against it. If it move to table the Senator's amendment, it is an amendment I am against. If it is straight up and down—

Mr. CURTIS. The Senator is right. It carries a complication and, for tactical reasons, it is used. It should not be used on this amendment. It is used many times, but I will not make any objection. It takes one more vote to table it than to pass it. Go ahead.

Mr. NELSON. Mr. President, with the consent of the Senator from Nebraska, I move to table and ask for the yeas and nays. [Laughter.]

The PRESIDING OFFICER. Is there a sufficient second? Is there a sufficient second?

The yeas and nays were ordered.

Mr. STENNIS. Mr. President, the social security fund paid in is a trust fund for the benefit of the recipients. They have earned their payments.

Heretofore, I have voted against some of the increases in the benefits. The reason was, and I gave it at the time, that the added programs and benefits would cost more than the increase in taxes provided and the fund would become fi-
The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Wisconsin to lay on the table the amendment of the Senator from Nebraska. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. Abourezk), the Senator from Arkansas (Mr. Bumpers), the Senator from Iowa (Mr. Culver), the Senator from Minnesota (Mr. Humphrey), the Senator from Hawaii (Mr. Inouye), and the Senator from Arkansas (Mr. McClellan) are necessarily absent.

I also announce that the Senator from Maine (Mr. Muskie) is absent because of illness.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. Goldwater), the Senator from Kansas (Mr. Pearson), and the Senator from New Mexico (Mr. SchmintValue) are necessarily absent.

I also announce that the Senator from Virginia (Mr. Scott) is absent on official business.

Mr. DOLE. Regular order, Mr. President.

The PRESIDING OFFICER (Mr. Bayh). The regular order has been called for, but that does not speed up the clerk's addition.

The result was announced—yeas 44, nays 45, as follows:

<table>
<thead>
<tr>
<th>YEA</th>
<th>44</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Anderson</td>
<td>Hart</td>
</tr>
<tr>
<td>2. Bayh</td>
<td></td>
</tr>
<tr>
<td>3. Benenstine</td>
<td></td>
</tr>
<tr>
<td>4. Biden</td>
<td></td>
</tr>
<tr>
<td>5. Brooke</td>
<td></td>
</tr>
<tr>
<td>6. Burdick</td>
<td></td>
</tr>
<tr>
<td>7. Cannon</td>
<td></td>
</tr>
<tr>
<td>8. Church</td>
<td></td>
</tr>
<tr>
<td>9. Clark</td>
<td></td>
</tr>
<tr>
<td>10. Cranston</td>
<td></td>
</tr>
<tr>
<td>11. DeConcini</td>
<td></td>
</tr>
<tr>
<td>12. Durkin</td>
<td></td>
</tr>
<tr>
<td>13. Eastland</td>
<td></td>
</tr>
<tr>
<td>14. Ford</td>
<td></td>
</tr>
<tr>
<td>15. Gravel</td>
<td></td>
</tr>
</tbody>
</table>

The PRESIDING OFFICER (Mr. Bayh). The regular order has been called for, but that does not speed up the clerk's addition.

The result was announced—yeas 44, nays 45, as follows:

<table>
<thead>
<tr>
<th>NAY</th>
<th>45</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allen</td>
<td></td>
</tr>
<tr>
<td>2. Baker</td>
<td></td>
</tr>
<tr>
<td>3. Bartlett</td>
<td></td>
</tr>
<tr>
<td>4. Bellmon</td>
<td></td>
</tr>
<tr>
<td>5. Byrd</td>
<td></td>
</tr>
<tr>
<td>7. Byrd, Robert C. Heinz</td>
<td></td>
</tr>
<tr>
<td>8. Case</td>
<td></td>
</tr>
<tr>
<td>9. Chafee</td>
<td></td>
</tr>
<tr>
<td>10. Chiles</td>
<td></td>
</tr>
<tr>
<td>11. Clark</td>
<td></td>
</tr>
<tr>
<td>12. Domenici</td>
<td></td>
</tr>
<tr>
<td>13. Eastland</td>
<td></td>
</tr>
<tr>
<td>14. Ford</td>
<td></td>
</tr>
<tr>
<td>15. Gravel</td>
<td></td>
</tr>
</tbody>
</table>

So the motion to lay on the table was rejected.

The PRESIDING OFFICER. The question now recurs on the amendment of the Senator from Nebraska. The yeas and nays have previously been ordered and the clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. CURTIS. Mr. President, I move to reconsider the vote by which the motion was rejected.

Mr. METZENBAUM. Mr. President, was the rollcall started?

Mr. PELL. Regular order, Mr. President.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Chair is advised that the point of order has been taken.

The second assistant legislative clerk called the roll and the following Senators answered to their names:

[Quorum No. 65 Leg.]

<table>
<thead>
<tr>
<th>Senator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abourezk</td>
</tr>
<tr>
<td>Bumpers</td>
</tr>
<tr>
<td>Culver</td>
</tr>
<tr>
<td>Goldwater</td>
</tr>
<tr>
<td>Anderson</td>
</tr>
<tr>
<td>Barry, Robert C.</td>
</tr>
<tr>
<td>Bayh</td>
</tr>
<tr>
<td>Benenstine</td>
</tr>
<tr>
<td>Biden</td>
</tr>
<tr>
<td>Bartlett</td>
</tr>
<tr>
<td>Bellmon</td>
</tr>
<tr>
<td>Byrd</td>
</tr>
<tr>
<td>Byrd, F. Jr.</td>
</tr>
<tr>
<td>Byrd, Robert C. Heinz</td>
</tr>
<tr>
<td>Case</td>
</tr>
<tr>
<td>Chafee</td>
</tr>
<tr>
<td>Chiles</td>
</tr>
<tr>
<td>Clark</td>
</tr>
<tr>
<td>Cranston</td>
</tr>
<tr>
<td>DeConcini</td>
</tr>
<tr>
<td>Durkin</td>
</tr>
<tr>
<td>Eastland</td>
</tr>
<tr>
<td>Ford</td>
</tr>
<tr>
<td>Gravel</td>
</tr>
</tbody>
</table>

The second assistant legislative clerk proceeded to call the roll.

The assistant legislative clerk proceeded to call the roll.

The PRESIDING OFFICER. The Chair is advised that the point of order has been taken.

The second assistant legislative clerk called the roll and the following Senators answered to their names:

The quorum is present.

The question is on agreeing to the amendment offered by the Senator from Nebraska. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. Bumpers), the Senator from Iowa (Mr. Culver), the Senator from Minnesota (Mr. Humphrey), the Senator from Hawaii (Mr. Inouye), and the Senator from Arkansas (Mr. McClellan) are necessarily absent.

I also announce that the Senator from Maine (Mr. Muskie) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. Humphrey) and the Senator from Iowa (Mr. Culver) would each vote 'nay.'

Mr. STEVENS. I announce that the Senator from Michigan (Mr. Griffin), the Senator from Kansas (Mr. Pearson), and the Senator from New Mexico (Mr. SchmintValue) are necessarily absent.
I also announce that the Senator from Virginia (Mr. Scott), is absent on official business.

The result was announced—yes 40, nays 50, as follows:

[Rollcall Vote No. 612 Leg.]

**YEAS—40**

Allen
Baker
Bartlett
Berenson
Byrd
Harry F. Jr.
Robert C.
Chafee
Chase
Curtis
Danforth
Dole
Domenici
Eastland

**NAYS—50**

Abourezk
Anderson
Bayh
Biden
Boumediene
Burkhard
Burr
Cannon
Casey
Cassidy
Cleary
Collins
Cranston
Church
Clyde
Crandon
DeConcini
Durkin
Eagleton
Eastland
Easley

Mr. McINTYRE. I yield first to the Senator from Arizona.

Mr. DeCONCINI. Mr. President, I ask unanimous consent that Lois Pfaul, of my staff, be accorded the privilege of the floor during debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McINTYRE. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I ask unanimous consent that Polly Gaul, of Senator Schwarzew's staff, Dave Rust and Jack Coleman, of the staff of the Aging Subcommittee, and Nancy Barrow, of Senator Chafee's staff, be accorded the privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McINTYRE. Mr. President, I yield to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Arizona will be in order.

Mr. McINTYRE. I yield to the Senator from Wyoming.

Mr. WALLOP. Mr. President, I ask unanimous consent that Bob Reynolds of my staff, be accorded the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McINTYRE. I yield to the Senator from Kansas.

Mr. CURTIS. Mr. President, I ask unanimous consent that Thomas Dougherty, of my staff, be accorded the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONYHAN. Mr. President, I make the same unanimous-consent request for Mr. Finn and Miss Bardacke, of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that Jack Hunter, of my staff, be accorded the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Gary Sellers, of Senator Cranston's staff, be accorded the privilege of the floor during consideration of this pending legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the Senator from New Hampshire has the floor, and the Senate will be in order before we will proceed.

Will Senators take their seats so that the Senator from New Hampshire may proceed.

The Senator from New Hampshire.

**AMENDMENT NO. 1580**

Mr. McINTYRE. Mr. President, I call up amendment Nos. 1580 and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

"The Senator from New Hampshire (Mr. McINTYRE), for himself and Mr. Durkin, proposes an amendment numbered 1580."

Mr. McINTYRE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

**VETERANS' PENSION AND COMPENSATION**

SEC. 204. (a) Subsection (g) of section 415 of title 38, United States Code, is amended by adding at the end thereof the following new paragraph:

"(4) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying paragraph (1) (D) of this subsection, shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215 (I) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for dependency and indemnity compensation under this section.

(b) Section 503 of title 38, United States Code, is amended by inserting at the appropriate place the following:

"(e) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215 (I) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for pension under this chapter.

(c) In determining the annual income of any person for purposes of sections 411 and 415 (g) of the Veterans' Pension Act of 1959, the Administrator of Veterans' Affairs shall disregard, if that person is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215 (I) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for pension under this chapter.

(d) The amendments made by this section shall apply with respect to annual income determinations made under sections 415 (g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9 (b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

(e) The amendments made by this section shall apply with respect to annual income determinations made under sections 415 (g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9 (b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

(f) The amendments made by this section shall apply with respect to annual income determinations made under sections 415 (g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9 (b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

(g) The amendments made by this section shall apply with respect to annual income determinations made under sections 415 (g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9 (b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

(h) The amendments made by this section shall apply with respect to annual income determinations made under sections 415 (g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9 (b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.
living increase to help social security recipients keep up with inflation, and yet the Government through the Veterans' Administration and Congress may cause the veteran's pension to be reduced by forcing the veteran's pension. Often the pensioner receives no increase. Clearly this is not what Congress intended.

Veterans' pensions, except in cases of death or disability, are awarded in cases of great need or advanced age. The veteran's pension is equivalent to an amount which maintains his entire income at not less than $3,540 and his total income from other sources. Since social security benefits are included in the sum of "other sources," the pension allowance is reduced by an increase in social security benefits. The social security system was established by Congress to protect citizens and their families when earnings are stopped or reduced because of the citizen's death, disability, or retirement. Benefits are paid to those who contributed a set minimum to the social security system during their working years or to their beneficiaries.

These two systems are the foundation of the Federal income insurance program in this country. Ideally, these systems, along with other social service programs such as medicare, medicaid, and veterans' medical services, should work in harmony to insure that those Americans who need assistance can obtain it. However, that is not the case today.

I know that each and every one of my colleagues has received many letters from constituents concerning this unfairness. I personally find it impossible to respond in any rational way for this unfairness. Members of the House and the Senate have introduced over 90 pieces of legislation in the 95th Congress to change this practice. There are three bills pending in the Senate Veterans' Affairs Committee that are similar to my amendment.

The Senate Veterans' Affairs Committee, under the most able leadership of Senator CRANSTON, has been wrestling with this problem for a long time. Clearly an overall reform of the pension program is in order and I know that this is the committee's No. 1 priority now that the GI Bill Improvement Act has been approved by the Senate. But even the committee cannot assure us that pension reform will pass both the House and the Senate next year. If that pension reform is approved, this amendment will merely assist in the course of its actions. But until that happens, I want to be able to tell New Hampshire's veterans the Senate realized there was an overall problem and that we made the law more equitable.

The Senate Veterans' Affairs Committee has not endorsed any of the bills offered by Senators Durkin, McIntyre, and Martinaga. I believe the committee is aware of the difficulties it sees in each. My amendment is modified in such a way as to make it more financially amenable. These bills have made the cost-of-living pass-through retroactive. My bill does not. Only cost-of-living increases after the enactment of this bill would not be counted in determining the veteran's pension. The problem of administrative simplification and the cost of the administration has been further reduced by amending that the pension of any veteran joining the veterans' pension plan after the enactment of this bill would be determined on the basis of the amount of social security benefits at the time they join the plan. However, any cost-of-living increases after they joined the veterans' pension program would not be counted in determining the pension level.

This amendment would add no further burden on the already overburdened social security system. The amendment would add, I admit, some cost to the veterans' pension program. However, if Congress and the Senate are sincere in their attempts to help veterans and the elderly maintain inflation, the higher costs of food, rent, and especially fuel, this amendment must be passed.

Mr. President, we must put an end to this absurd system with its ravaging inequity by disregarding cost-of-living increases under the social security system after the enactment of this bill. Mr. President, I urge the Senate to pass this amendment as a means of correcting this absurd system with its ravaging inequity by disregarding cost-of-living increases.

Mr. DURKIN. Mr. President, will the amendment simply say that the Government should not give with one hand and take with the other? The purpose of social security increases is to maintain an income from eroding the value of these hard-earned benefits. Yet the intent of these increases has been frustrated by a system under which the benefits are reduced by any corresponding increase in monthly social security benefits.

The Congress has made a determination that cost-of-living increases are essential for those receiving benefits and struggling to live a decent life on fixed incomes. A result which takes away these increases is not only unfair to millions of veterans, but it also clearly denies the congressional purposes in allowing cost-of-living increases.

Mr. President, we have here an opportunity to end a system which unfairly depriv es veterans of the full value of their benefits. I, therefore, strongly urge my colleagues to join in adopting this amendment as a means of correcting this long-standing inequity.

Mr. MCKINSTY. Mr. President, I thank my colleague for his support.

I ask unanimous consent that the distingushed Senator from New Hampshire.

Mr. DURKIN. Mr. President, I yield to the distinguished Senator from New Hampshire.

Mr. DURKIN. Mr. President, I yield to the distinguished Senator from New Hampshire.

I ask unanimous consent that the distinguished Senator from North Carolina.

Mr. President, I urge the Senate to pass this amendment as a means of correcting this long-standing inequity.

Mr. MCKINSTY. Mr. President, I thank my colleague for his support.

I ask unanimous consent that the distinguished Senator from New Hampshire.

Mr. President, this amendment simply says that the Government should not give with one hand and take with the other. The purpose of social security increases is to maintain an income from eroding the value of these hard-earned benefits. Yet the intent of these increases has been frustrated by a system under which the benefits are reduced by any corresponding increase in monthly social security benefits.

The Congress has made a determination that cost-of-living increases are essential for those receiving benefits and struggling to live a decent life on fixed incomes. A result which takes away these increases is not only unfair to millions of veterans, but it also clearly denies the congressional purposes in allowing cost-of-living increases.

Mr. President, we have here an opportunity to end a system which unfairly depriv es veterans of the full value of their benefits. I, therefore, strongly urge my colleagues to join in adopting this amendment as a means of correcting this long-standing inequity.

Mr. MCKINSTY. Mr. President, I thank my colleague for his support.

I ask unanimous consent that the distinguished Senator from New Hampshire.
amounts to those pension recipients with the least need, the amendment would have the effect of reducing the opportunity to provide substantial increases to those pension recipients who need it most—the veterans with little or no income other than their pension.

The impact of this amendment will, in fact, render it difficult if not impossible to achieve the much needed reform of the pension program, by setting up arbitrary classes of protected pensioners.

Mr. CRANSTON. Mr. President, while I share the Senator's deep concern that needy veterans and survivors receiving pension, who also have social security income, not be deprived of the full benefit of a social security cost-of-living increase because of the lack of coordination between the social security system and the way in which veterans' pension payments are determined, I do not at all agree that the approach contained in this amendment is a constructive solution to the problem, or, indeed, a solution at all. As I have many times reiterated, a major task for the Committee on Veterans' Affairs is the restructuring of the need-based pension program. The pension reform bill which I intend to introduce will restructure the system in a way that will provide the same social security cost-of-living increase to veterans with the social security system so that no pensioner receiving pension under the new program can ever lose the benefit of even $1 of a social security cost-of-living increase. I have directed the staff of the Veterans' Affairs Committee to investigate ways in which this problem could be solved for those pensioners who do not elect, or who are not eligible for, pension under the new program we will be proposing.

This amendment would substantially interfere with the goal of making the pension system more equitable, because it benefits only those who have social security income, and does nothing to assure those whose social security income is thus a hoax in terms of reducing the constraints of time, to obtain an estimate of the cost of this amendment for future fiscal years, we are informed by CBO that the 5-year cost would probably be in the billions of dollars. The vice of allowing future pensioners to exclude only prospective social security cost-of-living increases has very little effect on the very high cost in future years. And most significantly, the cost does not begin to go down in future years; it would rise continuously.

Mr. President, as chairman of the Veterans' Affairs Committee, I strongly oppose this amendment. It seems to deal with a very real problem, but in an inequitable and unrealistic way.

As to the effect of last July's social security 5.9 percent increase in the House and Senate have just agreed to a 6.5 percent pension increase bill, H.R. 7345, which would insure that almost all of the more than 200,000 pensioners who also receive social security benefits will have their pension benefits increased in January, 1978, because of the change in pension rates contained in H.R. 7345, and the average annual increase will be $95.

This amendment is neither fair nor equitable. I, therefore, hope it will be tabled, and I intend to move to do so in just a moment.

Mr. DURKIN. Mr. President, will the Senator yield for a question?

Mr. CRANSTON. I yield to the senior Senator from California in speaking on this amendment.

Mr. DURKIN. As you know, I serve on the Veterans' Committee, and I strongly oppose this amendment. It seems to deal with a very real problem, but in an inequitable and unrealistic way.

As to the effect of last July's social security 5.9 percent increase, the House and Senate have just agreed to a 6.5 percent pension increase bill, H.R. 7345, which would insure that almost all of the more than 200,000 pensioners who also receive social security benefits will have their pension benefits increased in January, 1978, because of the change in pension rates contained in H.R. 7345, and the average annual increase will be $95.

This amendment is neither fair nor equitable. I, therefore, hope it will be tabled, and I intend to move to do so in just a moment.

Mr. DURKIN. Mr. President, will the Senator yield for a question?

Mr. CRANSTON. I am happy to yield to the senior Senator from California.

Mr. DURKIN. Mr. President, I rise in opposition to this amendment.

The McIntyre amendment has clearly been written to circumvent the budget process. There is not sufficient room in the 1978 second budget resolution to fund the full year effect of the McIntyre amendment. To delay the effective date of fiscal 1979—beyond October 1, 1978—would require an extension of the calendar. The September 1, 1978, date will result in no fiscal 1978 spending. Therefore, it is
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technically consistent with the budget resolution and the provisions of the Budget Act. Such action would seriously violate the spirit of the Budget Act and distort the intent of the budget resolution. I believe creating a substantially higher entitlement base on which fiscal 1979 spending decisions will be made was not anticipated by Congress in adopting the 1978 budget resolution. I am troubled by the fact that different figures of what this is likely to cost, but my estimates are that the first-year cost will be somewhere around $200 million.

Because I continue to believe that the budget resolution as passed is substantially inconsistent with the spirit of the 1978 budget resolution, I favor Senator McINTYRE'S amendment because it will eliminate this system. I have discussed this problem with members of the Veterans' Affairs Committee in the past, and know that some prefer to address this problem in the context of overall pension reform. Personally, I see no need to wait. The issues involved are simple and straightforward, familiar to every Member of the Senate. There is no need to delay any further, so I urge others to also support this amendment.

The PRESIDING OFFICER. If the Senator from New Hampshire will permit the Chair to clarify a point, the Senator from New Hampshire earlier asked for the yeas and nays on his amendment or any motion in relation thereto. The Chair would state to the Senator from New Hampshire that such a motion would require unanimous consent for it to be in order. The Senator could ask for the yeas and nays on his amendment separately without unanimous consent.

Mr. McINTYRE. Mr. President, the Senator from New Hampshire asks for the yeas and nays on his amendment.

The PRESIDING OFFICER. The motion to dispose of the amendment is in order.

Mr. McINTYRE. Mr. President, I yield the floor.

Mr. BELLMON. Mr. President, on behalf of myself, Mr. Eagleton, and Mr. Domenici, I send a motion to the desk and ask that it be reported.

The PRESIDING OFFICER. The clerk will report the motion.

The legislative clerk read as follows:

1 move to commit the pending bill to the Committee on Finance, with instructions to report the bill during the month of February 1978.

Mr. DURKIN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DURKIN. Is that motion in order? The PRESIDING OFFICER. The motion is in order.

Mr. CRANSTON. Would the Senator mind withholding until we dispose of the pending amendment?

Mr. BELLMON. Mr. President, it would seem to me it would be advantageous to dispose of the motion before we dispose of the amendment.

Mr. President, H.R. 9436, the social security financing bill, is intended to be the major piece of social security legislation maybe the most significant we shall see for the balance of the 20th century. It is clearly a highly significant bill and may be the most significant bill that has been considered since social security was created. It is intended to solve the financial defects of the present system for at least the next 30 years. I believe that, as Members of the Senate, we owe it to ourselves and to our constituents to make certain that the costs and the full implications of this bill and the amendments thereto are fully understood before we vote on them. The bill, Mr. President, was taken up by the Senate the very day it was reported. Copies of the bill were not available until the middle of the afternoon yesterday.

Mr. President, does it take unanimous consent to put my motion over until after the vote on the McIntyre amendment? The PRESIDING OFFICER. Yes, it would. The motion of the Senator from Oklahoma takes precedence.

Mr. ALLEN. Mr. President, I ask unanimous consent that the Bellmon motion be temporarily laid aside until after disposition of the McIntyre amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Without objection, it is so ordered.

The question is on agreeing to the amendment as offered by the Senator from New Hampshire.

Mr. BELLMON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ALLEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.
The Senate continued with consideration of the bill.
Mr. CRANSTON. Mr. President, is it in order now to ask for the yeas and nays on a tabling motion on the McIntyre amendment?

The PRESIDING OFFICER. It is. The tabling motion has not yet been made. It will take unanimous consent to ask for the yeas and nays.

Mr. CRANSTON. I want to make one statement about the effective date and the question of whether or not we are holding anybody hostage.

The date of the first social security cost-of-living increase after September 1, 1978, is July 1, 1979. That is the first increase to be affected by the pending amendment by its own terms. It will not affect the payment of pensions until February 1, 1980. The results from the fact that even though the social security cost-of-living increase occurs in July 1979, it cannot have any effect on the pension payment until after the end of the following calendar year. That is, January 1, 1980, and even then, under the law, would not affect the pension payable until February 1980, because a rate increase is only payable for the month following the month in which it becomes effective. Not one pensioner will benefit from this amendment until that time.

I move to lay on the table the pending amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment. I ask for the yeas and nays.

Mr. CRANSTON. Mr. President, I move the adoption of my amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the order for the yeas and nays be vitiated.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the names of the following Senators be added as cosponsors of the amendment: the Senator from South Carolina (Mr. TRUMBOLD), the Senator from Oregon (Mr. HAYFIELD), the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MCLELLAN), and the Senator from Kentucky (Mr. POFF).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I wonder whether the Senator from New Hampshire will yield for a question, just for my information.

Mr. MCINTYRE. I am happy to yield.

Mr. NELSON. What is the fiscal projection of the cost of this bill when the 14 million World War II veterans reach age 65?

Mr. MCINTYRE. I do not know. The cost projected for 1978 would be $200 billion.

Mr. NELSON. In 1979, and most of the World War II veterans have not yet reached age 65. Does the Senator have any idea of what we are doing with our money?

Mr. MCINTYRE. Will the distinguished Senator listen for a minute to the reason for this?

What this amendment attempts to do is to address an inequity which has been going on for years. We all heard the distinguished Senator from California say that his pension reform bill is in the works. That bill treats all the equitably and correctly. It will be able to diminish some of the financial blow of this bill.

In the meantime, the amendment allows for a year's election with a pension reform bill; and if it does not do so, then, we think this inequity should be corrected, and that is the reason for this amendment.

Mr. NELSON. I should like to make one point on this matter.

I am sure there are inequities. I never saw the amendment until an hour ago.

But I make the point that it is time that the U.S. Senate and Congress passed a rule that said that no amendment affecting pensions can be adopted without being referred to an appropriate pension community, with a fiscal note.

I do not know how many billions we are dealing with. In the Wisconsin State Legislature, any amendment offered on the floor on a pension proposal is out of order. But they have at least had some idea of what they are doing.

I do not think we are doing as high a job as they are and if we are, why the hell don't we say so?

Mr. CRANSTON. I am happy to yield for the point of order.

Mr. MCINTYRE. Mr. President, I move reconsideration of the vote by which the amendment was agreed to.

Mr. DURKIN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CRANSTON. I announce that the Senator from Minnesota (Mr. INOUYE), and the Senator from Washington (Mr. MOSKOWITZ) have announced that they will vote "nay."
The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The question occurs on the motion of the Senator from Oklahoma.

Mr. BEILMONT. Mr. President, is it necessary that the motion be restated?

The PRESIDING OFFICER. It is not necessary. It can be done if the Senator so chooses.

Mr. BEILMONT. Then for the enlightenment of the Members in the Chamber let me say that this is simply a motion to commit H.R. 9346 to the Finance Committee to report it back during—

Mr. NELSON. May we have order so we can hear the Senator?

Is this the Senator's motion to refer the social security bill to the Finance Committee?

Mr. BEILMONT. That is true.

Mr. NELSON. With a report-back date of what?

Mr. BEILMONT. During the month of February.

Mr. NELSON. During the month of February.

Mr. BEILMONT. It gives the committee a good bit of flexibility.

Mr. President, I pretty well made my arguments.
I sum up by saying that this bill was brought out from the committee the same day it was brought to the floor. We did not have copies of it until mid-afternoon yesterday. The committee report was put on our desk this morning. It is 180 pages long. There are many amendments attached to it. We are going to be subject to points of order and to some other get the Budget Committee together to consider all of these amendments and try to determine what these amendments mean. It will be seen to me that there is no hurry on this legislation, that it does not go into effect until toward the end of next fiscal year. There is ample time to consider the legislation in question, and it is my feeling that the big hurry is. I believe it would be very much in the interest of getting a better bill to commit it to the committee and give them time to consider it and then take it up in an orderly way.

Mr. President, I ask for the yeas and nays on my motion.

Mr. PRESIDENT PRO Tempore. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ALLEN. Mr. President, I support the motion to commit and, in fact, I am privileged and honored to be a cosponsor of the motion.

There is no reason at all to speed this bill through the Senate, to the conference committee, and for final adoption before we adjourn here later this month, I assume.

The provisions of the bill do not become effective until October 1 of next year. Therefore, nothing will be lost by waiting until next year to give the Finance Committee ample opportunity to study this measure more carefully.

We have the matter before us. The committee report came in only this morning. Senators have not had an opportunity to study it. In addition, it seems to me that the bill is going to become something of a trial in the Senate, and I think in the interest of having a sound bill it would be much better if the Finance Committee had further opportunity to consider it. There is, too, Mr. President, Congress is apparently embarking upon the largest tax-raising program in history, and this bill forms a major part of that tremendous tax increase. No one knows what the energy package is going to cost the taxpayers of this country. I would dare say, before it is over, in excess of $50 billion a year is a ball park estimate.

The distinguished manager of the bill in colloquy with me on yesterday conceded that through 1983 this bill before us would raise the tax burden on the workers of this country and their employers over and above what the present law provides and the increases provided by the present law, in just 5 years through 1983, the tremendous sum of $72 billion.

We are hopeful that Congress is going to adjourn soon and give us an opportunity to go back to talk with our constituents, talk with the people whom we represent and give them some opportunity to have some input into our deliberations. They have not had that opportunity up to now. And that is one of the main reasons why we should take a little more time to consider this matter more fully. I do not believe the people are going to look with a great deal of favor on Congress ramming this bill through with little opportunity for individual Senators to master the complexities of the legislation and to come up with sound legislation.

What is the crisis? Is there a crisis? Is there a crisis that demands action now rather than in the second quarter of next year as the motion provides? It has been established in colloquy on yesterday that there is in the social security fund at this time some $449 billion, and it is being depleted at the rate of $8 billion a year. That depletion amount really has nothing to do with it, because waiting until February will not deplete the fund $1 cent more than does action on the bill at this time, because it will also not take effect until October 1 of next year.

So either way, acting now or acting in February, there is no difference between either form of action in the impact on the social security fund. We are running the risk of anyone being denied his social security benefits, that would be one thing. That is not correct.

I feel that this measure, imposing this tremendous tax burden on the people, should be considered more to see if there is another angle that might be pursued. I have an amendment. I do not know whether my amendment would be ruled to be in order or not. But I want the Finance Committee to consider this if we postpone the measure until February. The bill would not stay before the Senate under this motion. It would go back to the Finance Committee where they would have ample opportunity to study it, analyze it, and report it back in an approved fashion. I would hope. But the amendment that I have to offer, if it is to be in order I will certainly offer it. As we all know, the individual employee and self-employed persons who are independent of each other for themselves, cannot deduct from Federal income tax the social security payments; whereas, of course, the employer of employees and self-employed persons to deduct from taxable income 50 percent of the social security taxes. But I have an amendment that would allow employees and individual self-employed persons to deduct from taxable income 50 percent of the amount they have paid in social security taxes. I think that is on fair, because the social security tax skims the money off the top of a person's earnings. He has no deduction, whereas I think it was a tax on a tax, in fact, because he has to pay a tax on that income that he earns even though he pays it out in social security taxes.

My amendment would allow him to claim as a deduction—not a credit but a deduction—half of the amount he pays in social security taxes. I think that is only fair. But that could be misleading on unless it is ruled to be not offensive to the Budget Act.

I believe we come up with a better bill. Everyone has the opportunity of having to do something in time, but it is a matter of timing. I do not believe there is any necessity whatsoever of ramming this through at this time.

Why is this delay being provided? Well, it is being provided, as I see it—that is, the delay until October 1 of next year—to let the people more or less graduate into this tax. And I hope we will not have the people more or less graduate into it, and they would not be able to put the finger on just where the increase came from.

But I believe the people are a whole lot smarter than that. They are going to know it came from action here in the Senate right at this time, if that is what the Senate elects to do.

I will not do any violence, sending it back to the committee with instructions to report it back in February, to the bill. It will not do violence to the Committee on Finance, but it would give us an opportunity to have a better considered piece of legislation, and I hope the Senate will agree to send the measure back to the Committee on Finance for further study and further action.

Mr. President, I have an amendment on the floor which is another angle that might be considered. I am asking unanimous consent that a Dear Colleague letter dated November 3, 1977, be printed in the Record.

The being no objection, the letter was considered to be printed in the Record, as follows:

WASHINGTON, D.C.

DEAR COLLEAGUE: We believe it would be a grave mistake for the Senate to hastily vote out the Social Security Financing Bill, in these last hours, as has been indicated. The social security taxes are very significant economic costs and political considerations in this bill. All key effective dates in the reported bill are in 1978 which will not begin until next October 1. Thus a postponement of consideration for three months, until February 1, 1978, would have no effect on the anticipated implementation of the key provisions of the bill. Postponement of consideration of the bill until February 1 will allow time to study the report on this bill and allow time for careful analysis. As you know the bill was taken up by the Senate the very day it was reported, and a printed report has only now become available.

A more orderly consideration of this bill will have no impact on the solvency of the Social Security trust funds and will not adversely affect any retirement or social security benefits. On the contrary, the rushed consideration of the bill now underway is far more likely to add to the budget results, both for long-term solvency of the trust fund and the adequacy of benefits for beneficiaries of the Social Security system.

Under these circumstances, we plan to move to recommittal the bill to the Finance Committee with instructions to report the bill back on February 1, 1978. Our recommittal motion will not impair consideration of the Social Security Act in question.

Rather, it assures orderly passage of the best possible bill in considered circumstances.

We hope you are able to join us in our recommittal motion.

Sincerely,

HENRY BELL MON.
BABY GOLDWATER.
THOMAS F. Eagleton.

Mr. DOMENICI, Mr. President, will the Senator from Oklahoma yield? Is there any time limit on this motion?

The PRESIDING OFFICER. There is no time, there is no order entered on it. Mr. DOMENICI. Mr. President, I thank the Senator from Oklahoma.
November 3, 1977

I am privileged to be a cosponsor of this motion to reconsider the pending bill with instructions. I commend the Senator from Oklahoma for bringing this matter to the Senate for deliberation at this time.

I agree wholeheartedly with the Senator from Alabama (Mr. Allen) that there is no urgency to acting on this bill now. Having read that in the newspapers, I would like to discuss with the Senate a few of the serious liabilities that I see ensuing from proceeding with this bill so late in the session.

First of all, Mr. President, no one would disagree that this bill has come before us without a full and open debate across this land. It is a major tax measure estimated to raise anywhere from $50 to $70 billion between now and 1989.

A tax is a tax whether it is a social security tax or an income tax.

We are talking about taking away from the American people, the middle class, the poor, the businessmen of all types, a vast amount of money in new and higher taxes.

Why do we have to do this now before we even know whether or not Congress is going to impose high energy taxes on the American people? If the House version of the energy tax bill is approved by the conference committee and becomes law, we are talking about another $70 billion taken from the American people—out of the American economy—in the next 3 to 5 years.

Mr. President, the American people can only take so much. There is one group of Americans about whom we ought to be very concerned when we talk about social security, and that is the older, retired Americans.

Let me tell you, the American people who are working, the sons and daughters of the older Americans, want to help them. But if we want to trigger an anti-social security attitude among the American people, for individual Senators to announce they are going to sock it to you with about $70 billion in higher social security taxes, just because we are going out of session, and we wanted to do it right now, we are going to let the same conference, who are working on the energy bill, find a little time before Christmas to work on a social security tax bill.

I am just not willing to do that. I want it done in a more calm, deliberate manner. I do not want to be doing this today. We have been considering a $70 billion increase in social security taxes yesterday and today without a printed copy of the bill on its report.

I have no personal concern about the Committee on Finance. They generally do their job well. The facts of the matter are that no group of human beings, on my committee, could handle all the legislation they have handled in the last month—and do it right.

There is just no conceivable way that the members of the Finance Committee are going to handle the huge energy tax bill, and this social security tax bill in an orderly manner between now and Christmas.

So I ask why rush this bill through at this time? I honestly believe the American people are concerned about the impact this bill will have on small businessmen. Under the committee bill, the employer will be responsible for the first time the employer's tax burden at his employee's ear. Who do we think these people are who are going to bear this burden? They are the same people who are asking to crank up their economy, and we are asking to employ more people.

They are the same people we are asking to invest more money so that our economy will grow.

Then we come along with this bill, right after the minimum wage increase, to be followed by an energy tax bill, and then maybe sometime next year or the year after, the tax reform and perhaps we will take away any incentive they have for future growth.

Mr. President, everyone knows the impact of this bill. I have stated it in every figure, but it seems to me that individual Americans have to know the impact it will have on them. Some individual out there who are now paying $20,000 in social security will be paying $2,000 or $3,000 by 1987.

I, for one, want to see the fund solvent; but I am not convinced we have explored, in a proper and reasonable manner, all the options and alternatives. We are kind of stuck late in this session with hardly any flexibility. It is a kind of take-it-or-leave-it situation.

I will close with just one final comment.

In this Senator's opinion, it is good that the Senate stay on schedule. It is good that our leaders urged us to do this. But it absolutely is futile to insist that we can get this done by this Friday night, so that we will have completed something this year, so that we will have social security behind us so Congress can get home; let the people digest and think, "We have had a busy year."

That is absolute and utter nonsense, in my opinion. We do not have to do that. We have had a busy year, and we will be a conference on the energy bills for another month. I do not believe the American people will buy the argument that staying on some kind of schedule that says we have to finish the security bill will make this a better year for our people or for Congress.

This is absolutely the wrong time and the wrong circumstances, for the American people to have to go home without a full and open debate. We are talking about taking away $70 billion from the American people—one thing to spend? Then we wonder why the headlines of the newspapers began to carry something about the Senate provisions of the social security amendments, and the newspapers carried more, and my phone began to ring, and I asked questions that I cannot answer. Mr. President, I cannot answer them because I do not have the answers.

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Yesterday at 1:30 p.m. this $5-page bill was placed on my desk. As I said earlier, my staff assistants had been told earlier that we really did not need the bill to know whether or not we should support it, but I challenged that, because during the same colloquy yesterday, I asked the distinguished Senator from Wisconsin (Mr. MONGAN) if I have the greatest confidence, who is one of the most enlightened and informed members of the committee, what this $400 million appropriation for fiscal relief portended. I got three or four floor of the Senate, and I did not get any answer, except that this was something that Mr. MONGAN and Mr. LONG had probably called upon.

Well, I got my answer last night about 7 o'clock, when I finally got a copy of the Senate Finance Committee report.

I know where the $400 million is going. Why, I can understand why, in the name of common sense, the U.S. bill that is designed to increase the social security tax to make it sound and solvent.

Mr. DOMENICI. Mr. President, will the Senator yield for a comment?

Mr. MORGAN. Be delighted to.

Mr. DOMENICI. The Senator was talking about whether or not we all know what we were doing, or whether we even had been told what we were doing.

In a few moments, the Budget Committee will meet. I would remind my good friend from South Carolina, when we have three or four waivers that we have to consider for the bill, to see whether or not we are going to grant waivers under the Budget Act so that certain amendments can be considered. This bill was tailored very carefully so that it would fit the Budget Act, but hardly any of the major amendments fit the Budget Act, and a Senator can hardly be considered without calling the Budget Committee to see whether it fits or not.

I assure the Senate that confusion is rampant. Nobody is going to be able to understand what we are not going to get a vote today.

Mr. MORGAN. I thank my distinguished colleague for raising that question. I had intended to and wanted to, because I think it is important that the Budget Committee play a role in this legislation.

The Budget Act has been talked about all across America as the one instrument of hope toward bringing some form of fiscal responsibility to the Congress. As I campaigned across my State in 1974, and as I campaigned for my colleagues in 1976, the question of deficit in 1974, and as I campaigned across my State of fiscal responsibility to the U.S. Government toward bringing legislation.

I had intended to and wanted to understand it, and we are not going to get a vote today.

Mr. MORGAN. I yield to the Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I would only make one statement, because we are going to get into some particular waivers and requests.

It is not the Budget Committee saying what you can and what you cannot do; it is the U.S. Senate. It is the U.S. Senate and the members of the Budget Committee that require us to at least know what we are spending and what the income is going to be.

Yet time and time again, since the Budget Act came into effect, I have seen waivers granted. I have seen it by-passed, and even yesterday, at the luncheon table, I heard it stated, "We cannot get anybody to serve on the Budget Committee; so as to get off the committee, and we cannot get anybody to serve on anything.

Why? Because in the short span of 2 years, it has become meaningless, because we continue to bypass it.

Mr. LIECHTENSTEIN would not want to serve on a committee that is not going to have any real effect on legislation. Mr. LONG. Mr. President, will the Senate yield at that point?

Mr. MORGAN. Mr. President, I am happy to.

Mr. LONG. Let me say to my able friend from North Carolina, and I hope this will allay his concern somewhat: that the Finance Committee recommended was modified in order to conform to what the Budget Committee recommended.

We wanted to raise more money and raise it sooner, because the social security trust fund is in a critical position. But the Budget Committee advised us that they felt, with their study of economics, that if we raised taxes as quickly as we thought they should be raised, it would have an adverse effect on the economy.

So part of the reason we are not raising money earlier is that we followed the advice of the Budget Committee. If I had my way, we would be putting the tax rate up on January 1 of next year, just a few months from now. But the Budget Committee felt that might have an adverse effect on the economy, that we ought to have from the time we moved the date back until January 1, 1979.

The Budget Act is complicated, and it is sometimes difficult for me to know exactly how to comply with it. But when we are told just exactly what the Budget Act does require, we comply. The able Senator from Maine is absent for health reasons; I wish we were here because he is a very great country and a very able leader. In his absence the committee is badly led by the Senator from South Carolina. When the Budget Committee laid down terms and conditions, and they laid down what we could do, we did it as they recommended; and it seems to me, with all the advice and the experts that they have, the Senator would want to know that we have gone before the Budget Committee and have complied.

As far as the budget resolution on the bill is concerned, they rejected the version we sent them. We asked them, "What do you want us to do with our resolution? Just tell us how you want us to change our resolution, and we will do it."

Several Senators addressed the Chair. Mr. MORGAN. I yield to the Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I would only make one statement, because we are going to get into some these particular waivers and requests.

But the real question here is that we are meeting now in the Budget Committee, not based on what you sent. We are meeting now based upon all the other items that Senators who have disagree-
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ment with what you sent to the Budget Committee and to the floor want to introduce. So, as a practical matter, by "letting you know"—you, the Finance Committee—that we on the Budget Committee say that this falls within the budget process, we have opted out every other option. What we have done in responding to our duty—and as the Senator from Louisiana has skillfully pointed out, he has enabled the Senate to act on nothing else but what he has sent to us by use of the Budget Committee mechanism, because now, anyone else who wants to move in with a different, alternative, or increased tax base will have now to go through the mechanism.

The reason why I am going to vote to recommit and join the Senator from Oklahoma is not because I agree with the Senator from New Mexico, who raises all these other items. It is very simply because I do not know what in this world they are going to do. I do not know whether I am helping those dear old folks or hurting those new beautiful people.

I am not worried about the old folks, or about the young folks. They are going to get their check. What I am worried about is me. I am worried about my kids. I am worried about what in the devil they are going to pay. What am I committing to pay? What am I committing them to do?

The old folks are in good shape, solvent or insolvent. The 65-year-old people sitting in the gallery do not have anything to worry about, I can guarantee them. But all of them up there who are 18, they had better watch their pockets. They had better cover them up tight. Because I do not know what this does. Neither do most of the other people on this floor.

So I am going to vote to recommit, because I am worried about the young folks. I am going to vote to recommit because I am worried about this already having been a busy year. We would be blown on so many amendments, too. The Budget Committee said, "We cannot even give you a waiver on some of the things the Finance Committee are concerned with. We cannot even give you a waiver on the 3-day rule on a committee report." I am not supporting that amendment, but it lost on a tie vote in the committee. We thought since we voted on it in the committee, the Senate might want to vote on it too. That amendment would lift completely all earnings limitations so a person might be practicing law and making $150,000 a year, and still get his full social security benefit at age 65.

We said to the Budget Committee, let the Senate create its own rules. They have done that now. They put in a 3-day rule, too. The Budget Committee said, "We cannot even give you a waiver on some of the things the Finance Committee agreed to. Knock those out. We cannot even give you a waiver on the Curtis amendment; we asked for a waiver on the floor amendment. I am not supporting that amendment, but it lost on a tie vote in the committee. We thought since we voted on it in the committee, the Senate might want to vote on it too. That amendment would lift completely all earnings limitations so a person might be practicing law and making $150,000 a year, and still get his full social security benefit at age 65."

What am I saying? I am saying please give us an opportunity to study it. There are some assumptions in this bill which I am not sure that I agree with.

My staff has been trying to work on them and to give me some advice. For instance, I understand it, some underlying assumptions in the entire bill on economic predictions, predictions of inflation, of the birth rate. For instance, it talks about economics. The figures are assuming an unemployment rate at 5 percent per annum and an inflation rate of 4 percent and a wage increase of 5.75.

Well, we have not reached these figures yet. We do not know that until we go into that. I do not know whether we have some opportunity to study it, I do not know whether they are realistic predictions, or not.

It talks about the birth rate of the country. It talks about the birth rate of 21 children per woman, but currently the birth rate in this country is 1.7, and has been declining for 120 years. I can only assume that the Finance Committee took into consideration a birth rate that would normally be required to maintain a constant population, but it is well known that the birth rate has not normally increased with influence.

It talks about the mortality rate. It uses an average life expectancy to be 78 years for men and 80 years for women. Yet in some countries in Europe, we know that it is greater than that.

I come back to the $400 million fiscal relief program which, the best I can figure from reading the report, is that it is sort of a handout to my State and to other States in an effort to ease some of the burden of carrying out the welfare programs.

I can understand the distinguished Senator from New York's concern about it, but the President has sent to the Congress a welfare reform bill that takes into
Mr. MOYNIHAN. Will the Senator yield?

Mr. MORGAN. In a minute.

But I know it is going to give some money to my State. I have had welfare superintendents, or social workers, or what have their official titles are, come up here and urge me to vote for it.

I find today it originally started out to be $1 billion. I know when word gets back home tomorrow that I am here arguing against a $75 million appropriation for North Carolina, some of my people will say, "Why are you doing that?"

But, Mr. President, there comes a time, if we are going to be fiscally responsible, that we simply have to take the responsibility.

I just happened, while I was waiting for this matter to come up, to clip a letter to the editor in the Charlotte Observer in which it says, "Let's Say No to Federal Expenditures."

I will read just a bit of it. It says:

I would like to challenge local and state government to refuse to accept a penny from the so-called federal largesse and replace it with realistic taxes and fees to meet their needs.

If all local and state government would agree to target 1978 as the year of divorce from dependence on federal handouts, a net saving of 25 percent of the bill, or over $33 billion, would be realized.

It goes on to make some good arguments, and I agree with it. Maybe this is not one of those to turn down, but it is the wrong time and the wrong place and the wrong bill.

If I am wrong in these assumptions, then let us have 2 or 3 months to consider it and to study it. If I come back after doing that, and I am wrong, I will be willing to say so.

Mr. President, I urge that we adopt the motion of the distinguished Senator from Florida so that whenever we do pass a bill we will not have to come back, as we are doing in this very bill. I would make technical amendments for errors that were made 5 years ago, because I assume Senator that if we pass this bill this week we will be coming back correcting mistakes and errors we overlooked that we should not have.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. STONE. Mr. President, I will speak very briefly.

I considered voting to put this bill back in committee. I had considered the concept of delay until next year. But it seems to me that this is an unpleasant, difficult task that we have to do now or we have to do it next year. We have to do it.

If the reading of the report which was available only recently slows us down so that we might have to work on it in the next several weeks during some of these sessions that we have to come back to vote on. If we need more time as a full Senate to look at each provision, it seems to me that, unpleasant as it is, we better do the job.

Why will a delay hurt? I can think of one provision, at least, in which a delay will hurt.

There are old people who clip coupons and do not suffer any reduction of their social security check at all, while there are new people who have to work and if they earn at the rate of $3,000 a year, they lose their money.

They lose money and a delay of several months could lead to a delay of 6 months or a year more.

There are those people who could use some relief, whether we go for a complete removal of the cap or a lifting of the ceiling.

They people deserve some relief now.

This is an unpleasant job that we ought to stay with until we do it properly and send this bill to conference.

That is why I am not going to vote to delay.

Mr. BELLMON. Will the Senator yield?

Mr. STONE. Yes.

Mr. BELLMON. If the Senator will look at the provisions of this act, he will find it does not offer immediate relief to any recipient. It does not go into effect until the late fiscal year.

If we come back in February, we can deal with the question and get the relief to the people.

Mr. STONE. I think people would like the reassurance to know, and furthermore, there are some amendments that will be offered. I know the senior Senator from Arizona has one in which the Senator from Florida will join in which that relief ought to be vouchsafed and guaranteed to those folks.

I just feel we ought to stay with it. I do.

Mr. GOLDWATER. Will the Senator yield?

Mr. STONE. Yes.

Mr. GOLDWATER. The Senator mentioned a point I have noticed for many years, the fact there are some older people who clip coupons and collect social security, if they can collect the entire social security.

Mr. STONE. That is correct.

Mr. GOLDWATER. Now, the fellow that retire without any pension, without any securities, without any real estate, who cannot live, frankly, on social security, has to suffer $2 for every dollar he makes over $3,000.

Mr. STONE. That is right.

Mr. GOLDWATER. I think this is morally wrong. I am not going to stand still and hear Mr. John Califano tell falsehoods about efforts to make it possible for American people to live.

I think it is time we do remove that earnings limitation and I am hoping the Budget Committee this afternoon will find in their good judgment to give us a waiver so that we can at least overcome that hurdle.

But I differ with my friend in that I want to vote against this back to committee. I think we have to have more time.

In fact, if we had more time, I think people down there will begin to realize how wrong, wrong, wrong, are they when they are dealing not with Federal funds, these moneys do not belong to the Treasury. These are funds that all of us have put in a trust, supposedly.

I asked the committee yesterday where the money is. They do not know. I have been here 25 years and I have not found out.

So I do not see where taking a few more months, added on to 25 years, is going to hurt anything.

I think we would come up with a piece of legislation that we could work on.

In fact, I have been amazed ever since this bill finally hit the floor to find out who is going to amend the Tariff Act for little—whether or not it speaks Spanish or English, for the edification of my colleagues, it is from the cactus and we use it in the Southwest to make baskets. I think the social security people may become a basket case. (Laughter.)

So this would be a proper place to amend it.

I thank the Senator for yielding.

Mr. STONE. I thank the Senator. We may differ on the question of whether or not to delay but I believe that we have to do something.

Are we going to take the position that we are going to send back to the committee every intricate piece of legislation that comes from the Armed Services Committee, until we all understand about bombs and weapons and so on? Or are we going to follow the committee system, whereby matters are referred to a committee; they hold public hearings—they are public, all right; and arrive at a conclusion and bring in legislation? Are we going to recommit every proposal to a committee; they hold endless public Hearings, until we all get our Ph. D.'s in legislation?

But I think the Senator from Arizona.

Mr. CURTIS, Mr. President, as I understand this proposal, it is to postpone this matter until certain people understand it. That is equivalent to an indefinite postponement. (Laughter.)

Are we going to take the position that we are going to send back to the committee every intricate piece of legislation that comes from the Armed Services Committee, until we all understand about bombs and weapons and so on? Or are we going to follow the committee system, whereby matters are referred to a committee; they hold public hearings—they are public, all right; and arrive at a conclusion and bring in legislation? Are we going to recommit every proposal to a committee; they hold endless public Hearings, until we all get our Ph. D.'s in legislation?

But let us now think about the financial condition of the social security system. In the long range, it is about 8-percent short. There is a provision in here that takes up half of that. The paragraph that describes it is less than a half page. We do not need until February to study it.

It comes about in this way: An amendment was adopted in 1972 that provides that there shall be an increase in benefits for older people automatically, because oftentimes the inflation took place and Congress was delayed in passing a bill to raise their benefits. So it is automatic in there.

It turns out that what it does is to include it twice. This automatic cost-of-living raise is given to a future retiree once, when it is woven into his benefit and then after he goes on the rolls, he gets it twice. The professionals refer to that as decoupling. That is correct in this bill, which sought to be re-committed. It takes care of one-half of the deficit.
Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. CURTIS. I yield.

Mr. LONG. To put it in terms that the layman or I understand, there is a provision in the law for an automatic cost-of-living increase that works out for the benefit of some people so that in effect they get a double dip. They get an adjustment twice for the cost of living.

Mr. CURTIS. That is right.

Mr. LONG. This was an unintended windfall for certain people. We do not propose to take it away. This could be an agreement where the Members of Congress who retire in the future will not get the double dip.

Mr. CURTIS. That is correct. That is in the bill now. It takes care of half of the deficit.

There are some welfare provisions in the bill before the Senate. One has to do with how you handle the disregard for earnings for welfare recipients. The welfare rolls now, it is very loosely drawn. It means that when individuals with rather high incomes go on the welfare roll, it does not only cost the Government a great deal of money but also embarrassed every Member of Congress who reads the paper and hears that people who are not in need are on welfare. That is taken care of in this bill.

Mr. BELLMON. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. BELLMON. I believe the Senator from Oklahoma is trying to make this make a proposal, perhaps one of those bills that ever came before the Senate, but why do the job quickly? We only got it yesterday and got the report this morning. Why is the committee not willing to give us a few days to consider what was done and perhaps improve on the committee's handiwork? So far as the recipients are concerned, there is no reason not to wait until February. Their benefits are not going to be affected until late next year.

Mr. CURTIS. The answer is that I have nothing to do with scheduling legislation here. It is not my bill, perhaps one of those bills that ever came before the Senate, but why do the job quickly? We only got it yesterday and got the report this morning. Why is the committee not willing to give us a few days to consider what was done and perhaps improve on the committee's handiwork? So far as the recipients are concerned, there is no reason not to wait until February. Their benefits are not going to be affected until late next year.

Mr. CURTIS. The answer is that I have nothing to do with scheduling legislation here.

Furthermore, we have worked on this matter for months. It creates more complications if the committee is required to do its work.

Mr. LONG. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. LONG. I ask the Senator if this action was not something people thought — and there was some merit to the suggestion — that we could afford more benefits than we were paying. They contended that the Social Security Act was inadequate in that it did not provide for those people who were paying taxes and wages were static and that if we adopted certain dynamic assumptions, such as the fact that wages will go up and productivity will increase, we really could afford to pay 20 percent more in benefits than we were paying and the automatic cost of living increase provision would go along with it.

With the Commissioner of Social Security saying that this could be done and that you could afford a 20-percent increase and could afford an automatic increase, the amendment was offered. The Advisory Committee for Social Security recommended it, and everybody was told, with the support of the Commissioner of Social Security, that I voted for it. Subsequently, we found that the result was that we were headed for a big deficit and that eventually the fund would be insolvency.

Is it not about time that, whenever we can muster enough votes, we should vote enough revenue into that fund so that from that point forward, we would not be projecting bankruptcy or insolvency in our social security fund? Then all the people who are counting on it could have peace of mind about the matter, rather than have those people told, in a later month in and month out, that the program is not solvent and eventually the fund will go broke.

Mr. CURTIS. I believe that is true. I think there is an unreasoned over the long-range program is half taken care of in here, without either the tax increase on employers which Senator Nelson proposed, or the general tax relief that I proposed. It is already taken care of, with respect to the welfare, the $230 million saving becomes effective immediately.

I have great respect for the Budget Committee. I am very fond of every member of it. But I stood on this floor, trying to get some amendments adopted to the food stamp program. They would have saved $2 billion. I never got a vote on the majority side of the Budget Committee.

I was here last week when a floor amendment was offered that cost $1 billion. But when the Budget Committee challenged the unanimous Committee, they were particularly exempted all of those that had been voted on the floor.

Another thing. Mr. President: The tax proposal that I offered.

Mr. LONG. Mr. President, if the Senator will yield at that point, let me make clear that we do not have any problem with the Budget Committee on this bill. Mr. CURTIS. I see. There are some Senators who wish to offer some additional amendments which the Budget Committee can either waive or not waive. I am not here to tell them what to do about that. I trust their good judgment and commonsense to do what they think is right about it.

But we on the committee are not asking for any special exception. They have given us the data and the attitude we need to propose this bill and they save Senator CURTIS a right to propose his amendment which was a very good amendment. I thought it was better to do the financing the way Mr. Nelson recommended. But they gave us the authority to recommend that the committee wanted to recommend to the Senate, so that we do not really have any conflict with the Budget Committee on this bill. With regular Senators there is also a wish for additional amendments, they can do it however they want to do it. If the Budget Committee wants to give them a waiver, we do not complain; on the other hand, if the Budget Committee feels it should not give a waiver, then, of course, the Budget Committee is within its rights.

Several Senators addressed the Chair. Mr. CURTIS, will the Senator yield?

Mr. CURTIS. I am going to yield the floor in just a minute, and then the Senator may have it.

Mr. President, if I thought that there was going to be a material increase in the course of us all to meet this problem of social security financing by waiting a few months, it would be with the same anxiety with the same situation that I have here ideas here in February as here now. Some of them feel no harm in taking from the social security pension. Some of them think that it is not going to affect the pattern that we have had for four decades of employers paying half and employees paying half, that is not going to change. We cannot run away from this problem by sweeping it under the rug for 4 months.

Mr. President, again I remind Senators that in the long range the 6-percent deficiency in the financing is taken care of in this bill. Before the floor in just a minute, and then the Senator may have it.

Mr. CURTIS. I yield the floor.

Several Senators addressed the Chair. Mr. President, as a member of the Finance Committee, I rise in opposition to the amendment offered by the Senator from Louisiana. It has been said here that no one really understands the bill. As a member of the Finance Committee, I, too, admit that I do not know all about the bill. Perhaps if there is anyone who knows all about the bill that is the chairman, the Senator from Louisiana. There is an old saying, "He who knows and knows he knows is wise; follow him." I am willing to follow the Senator from Louisiana. I worked with him for months on this bill. There were some differences. What we arrived at was the only bill as to which we could get a majority vote in the committee.

Little as I know, I know this for sure, that the social security program is on the verge of bankruptcy, that we must now do something about it in order to retain the confidence of the American people in that great system which has brought more security, more well-being to the elderly than any program in the history of this Nation. We cannot let it die. This year the deficit will be $5 billion
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Mr. ALLEN. Will the Senator explain how action now is something more important than the tangible the Senator refers to. It is the intangible of the confidence in the system which we need to develop even this day because, as the Senator well knows, when you go back to your home State one of the questions that is "Is it true that our social security program is bankrupt? Is it true that I may not be able to depend upon my social security when my time comes?"

Well, if we pass this bill this week, we will regain that confidence so that we can say when we go back to our constituents, "We passed that bill. Now you can rest with confidence."

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. ALLEN. Will the Senator explain how action now is going to bring that about?

Mr. MATSUNAGA. I will yield to the wisest of the wise to answer that question. Mr. LONG. I would just like to get in on this, if I may, because I think my contribution might help a little.

The fact is that in 1972 we received some bad advice. It was well-intentioned advice, but it proved to be unsound. The advice was that we could afford a 20 percent increase in social security and maintain an automatic cost-of-living provision.

Now, you cannot do any better than act on the best advice you have, but the advice was that we could afford to be more generous than was in fact the case.

For the past 3 years, this program has been projecting insolvency because there is not enough revenue to fund all the benefits.

Why did not President Ford get the thing under control while he was President? Well, the fact was that he had all the problems on his hands and more than he could handle, and more than he could, it turned out. He was trying to get himself reelected, and he was in no position at that particular moment to come in here and recommend the sort of tax increases that it would take to make the social security program solvent for the next 75 years, as we are seeking to do.

If anyone here could tell us that there would be some increase in political courage on the part of Senators and Members of the House during the next 3 months, or the next 4 months, then I would say by all means let us wait for the political courage to rise to meet the challenge.

But knowing what the realities of life are, I know that the nearer every Member of this House gets to election, and the nearer every Senator who is running next year gets to the election, the more difficult he is going to find it to vote for the taxes to make this program solvent and to fund these benefits, no matter how politically and fiscally responsible that may be.

So the result is that as far as making the social security program fiscally solvent and responsible is concerned, we ought to do it whenever we can. If we can do it now, let us do it. If we can do it now, let us do it.

But anytime you mustered enough votes, and those men can find enough courage to vote the taxes it takes so that the people who pay into this program will get the benefits they were promised, you ought to do it, and you ought to try to do it now. Oh, no, not now. I cannot vote for it now. I am going to vote for it next year. No, no, not now. I would rather wait and think about it some other time; no, no, I would like to study it." You must resist these pressures if you can because they are easy ways out for the average politician, or even the average statesman, confronted with the duty of voting a big tax to do something that responsibility requires, the biggest problem is procrastination. And if you do procrastinate, you are the part of people who must seek public election. They will want to go back and postpone it, put it off until next year, put it off until 5 months later, and never get around to measuring up to that tough decision.

In my part of the country they have an expression that is also common in the part of the country so ably represented by my very lovable friend from Alabama, Mr. ALLEN. They talk about "come up to that lick log."

I once asked Lister Hill, "What does it mean to come up to that lick log?"

He said that when some farmer would get together to try to clear some land, cut down some huge tree before they had a bulldozer or something like that to try to clear off and clear the land, they would have to cut that tree up into sections so that they could manage it and haul it away.

So those men would stand there all day chopping on that tree, cutting it up into sections. The tree might be 80 feet high. They would chop all day long, chop that tree up into manageable sizes so that they could haul the tree away with their mules. That is what they called the lick log. If some fellow wanted to stop, and he would rest against a tree while the others were chopping, they would say, "Come up to this lick log, you lazy so and so. You have to put your licks in with the rest of us."

So basically we are calling upon Senators and upon Members of the House of Representatives to come up to that lick log. You are going to have to vote for a tax. If this program is going to pay benefits for these old people, the disabled people, and the widows and orphans who were promised those benefits, and you had better do it any time you can.

If you can get the votes now, do it. If you think it would be any easier on you to wait another 5 months until you are just a little closer to the election, and all those people in the whole country, and all those people in the House get 5 months closer to the election, then I would say the Senator is just not the political realist some of us are. The sooner you can vote on it, the better off we all are.

Mr. MATSUNAGA. The Senator from Louisiana in a most interesting and interesting manner has just said what can be summed up in these words: What you can do today do not leave until tomorrow. I think we can do it today.

I would be happy to yield to the Senator from New York.

Mr. MOYNIHAN. I thank my distin-
Mr. President, I would simply like to add to the observations of our distinguished colleague on the committee, the Senator from Hawaii.

Mr. President, I would simply like to add to the observations of our distinguished colleague on the committee, the Senator from Hawaii.

I wish to associate myself with the remarks of the Senator from Kansas, Mr. DOLE, who, I believe, is one of the cosponsors of the motion and, perhaps is supporting—

Mr. President, I yield.

Mr. DOLE. Mr. President, does the Senator wish to speak? Mr. President, I yield to the Senator from Kansas without losing my right to hold the floor, with the expectation of making the motion to table the motion to commit.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. HATHAWAY. Mr. President, will the Senator yield for a unanimous-consent request?

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Mr. ROBERT C. BYRD. Does the Senator wish to speak? Mr. President, I yield to the Senator from Kansas without losing my right to hold the floor, with the expectation of making the motion to table the motion to commit.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

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The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.
new. I have proposed it in the last three Congresses, and have not even been given the courtesy of an invitation to appear before the Budget Committee, nor have the members of the American public who are interested in abolishing the earnings limitation. We have come out here on the floor, on an amendment like this, and I want to read from the minority views of Senators Carl T. Curtis, Clifford P. Hansen, Robert Dole, and Paul Laxalt, the first sentence in the second paragraph.

However, action should not be precipitate or foolhardy.

But that is exactly what we are doing. This report was on my desk this morning. I have not had time to read through the whole thing. Now we have the majority leader standing up and trying to move to table a motion to recommit.

We have heard a lot of chatter on this floor this afternoon about political courage. To me, it does not take any political courage at all to sit down and talk. Why not vote these things up or down, in a fashion our people understand?

I do not criticize the majority leader. It is certainly within his rights to move to take up the floor during the consideration of this bill. I agree with my friend from Kansas that, as he knows, the Finance Committee did recommend that a waiver be granted on that amendment. But the majority leader, as far as I am concerned, was a comment by the Senator from Texas. If the Budget Committee does not issue a waiver, I am going to vote against the legislation, because I cannot think of anything more frightful than listening to the Senator from Texas for a whole week. So at least the Senator from Kansas has my vote, so we cannot be saved from that.

Mr. Dole, we will take it any way we can get it, and that is very helpful.

If the Budget Committee disapproves the resolution, we have a right to bring that to the floor. If the amendment, we act. We can make a recommendation: if they fail to grant a waiver, we can only proceed on the floor or move to discharge the committee from further consideration.

Mr. President, I hope that the Senator from Kansas has responsibly made a point. I don't want to hold up the bill and hold up the Senate of the United States.

There is about as much to be said on one side as the other on the issue of postponement. We are asking for a formal waiver of the type of objective consideration.

The VICE PRESIDENT: Without objection, it is so ordered.

The Senator from Kansas has the floor.

Mr. DOLE. Mr. President, I will take 2 or 3 additional minutes.

First, I ask unanimous consent to add, as additional cosponsors who were original cosponsors of this proposal, the names of the distinguished Senator from Oklahoma (Mr. Bartlett), the distinguished Senator from Alabama (Mr. Allcy), and the minority leader, the distinguished Senator from Tennessee (Mr. Baker).

The VICE PRESIDENT: Without objection, it is so ordered.

Mr. DOLE. Mr. President, the Senator from Kansas has indicated what he believes to be the right course of action. Under the rules, there is no opportunity to present our views and our amendment, we will have no alternative. The Senator from Kansas believes this is a responsible way to proceed. Based on a conversation with the distinguished ranking Republican on the Budget Committee, who may vote against granting the waiver, I believe the waiver will not be approved. It appears it has been cast. The Senator from Kansas thinks the Budget Committee will resolve the matter.

In any event, whether the resolution is granted or disallowed, the Senator from Kansas, speaking from fair with his colleagues, serves notice that unless we can offer our amendment, to discuss our amendment for a reasonable length of time—30 minutes, 45 minutes, an hour—then the majority leader, we are prepared to speak at length. The Senator from Kansas is not in a habit of such conduct, but we can learn.

Mr. NELSON. Will the Senator yield?

Mr. DOLE. Yes.

Mr. NELSON. I say to the Senator from Kansas that, as he knows, the Finance Committee did recommend that a waiver by granted on that amendment. But the majority leader, as far as I am concerned, was a comment by the Senator from Texas. If the Budget Committee does not issue a waiver, I am going to vote against the legislation, because I cannot think of anything more frightful than listening to the Senator from Texas for a whole week. So at least the Senator from Kansas has my vote, so we cannot be saved from that.

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out-years without a single witness or having any idea or chance for the committee to look and give comprehensive judgment on the total fiscal policy.

I thank the distinguished majority leader.

Mr. ROBERT C. BYRD. I promised to yield to the distinguished Senator from Connecticut for not to exceed 10 minutes without losing my right to the floor.

Mr. RIBICOFF. May I have order, Mr. President?

The VICE PRESIDENT. The Senate will be in order.
SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Several Senators addressed the Chair.

The VICE PRESIDENT. The Senator from West Virginia.

Mr. BELLMON. Mr. President, will the Senator allow the Senator from Oklahoma to make a very brief statement before the tabling motion is made?

Mr. ROBERT C. BYRD. How long will the Senator be?

Mr. BELLMON. Two minutes.

Mr. ROBERT C. BYRD. Mr. President, I yield to the Senator from Oklahoma for 2 minutes without losing my right to the floor.

Mr. BELLMON. Mr. President, the motion when drafted referred to H.R. 9346. If I seek unanimous consent that that change in the motion be made, the motion referred to H.R. 9346.

The VICE PRESIDENT. The motion simply reads, the pending bill, and it is in the correct form.

Mr. BELLMON. I appreciate that correction.

Mr. President, I would like to try to straighten out what I am afraid is a misconception here on the Senate floor.

This action I have taken, the motion I introduced, was taken on my own initiative. It has nothing to do with the work of the Budget Committee. In fact, I have not talked with the members. I do not know how those individual members will vote.

I introduced this motion simply because I feel a bill of this importance and a bill as complicated as this is should not be considered in such a hasty manner and that the Members of the Senate need time to consider what the impact is before we vote.

I also want to say that I have no criticism for the way the Finance Committee, or the chairman of that committee, has operated as far as the Budget Committee is concerned. He was totally cooperative and everything as far as those two committees' relationship is concerned is strictly first class.

So I hope nothing I have said or done here in any way infers any criticism of the relationship between those committees.

We have enough problems, necessarily. We certainly do not need more. We do not need to bring up more.

I wanted to make that clear for the record.

The waivers that the Finance Committee requested have been granted I think in a timely way. There is no reason this matter cannot move ahead on that account.

But my reason is that I feel this process is hasty, not orderly, and a matter of this importance deserves time for the Members to fully understand what we are doing and to know what is in the bill and what is in the report.

I simply wanted to point out that I am not acting as the ranking member of the Budget Committee, but simply as the Senator from Oklahoma.

Also, I would like to point out for the information of the Members that after months of hearings the Finance Committee split 9 to 9 on a key vote on this matter. So obviously, after months, they could not make up their minds.

I do not know why they are so insistent that the Members of the Senate settle this matter in 1 or 2 days.

The reason for my motion is to give some time to consider the matter so that we come to the best possible solution.

Mr. ROBERT C. BYRD. Mr. President, does any other Senator wish to address himself to the matter before us before I move to table?

Mr. BAKER addressed the Chair.

Mr. ROBERT C. BYRD. I yield to the distinguished minority leader.

Mr. BAKER. Mr. President, I will take only a moment.

I intend to vote to table the motion to recommit. I share many of the same concerns others have expressed and I am frank to say that yesterday my view might have been very different. My view yesterday might have been to recommit, to give us an opportunity to look at this matter further. We are now almost 2 days into this measure, and for that reason I am inclined to think that we should go ahead and finish the consideration of this bill. Therefore, I will vote to table the motion to recommit.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. DOLE. Will the Senator from Tennessee agree that some of us who are shut out from offering our amendments should have an opportunity to offer them?

Mr. BAKER. I think the Senator from Kansas knows that I have tried my best to get the Budget Committee to grant a waiver so that the Senator can offer the amendment, of which I am a cosponsor.

As a matter of fact, if this bill were re-committed, there would be no opportunity to do that.

The Senator from Kansas knows that I intend to support his amendment, and I will do so as enthusiastically as I can.

I see the Senator from Arizona here. He has a similar amendment of which I am a cosponsor, and I will support it.

The VICE PRESIDENT. The Senator from West Virginia is recognized.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. How long would the Senator like to speak?

Mr. THURMOND. Half a minute.

Mr. ROBERT C. BYRD. I yield to the distinguished Senator from South Carolina.

Mr. THURMOND. I wish to ask a question. I have an amendment to this bill. I am going to vote to act on the bill now. I think we would make a mistake to delay action. We must allay the fears of the millions of people who are on social security and assure them that something is going to be done. At the same time, it seems to me that we should have the time to offer these reasonable amendments.

I have an amendment that concerns a very small class of veterans who are caught in a peculiar situation. It is
something that should be remedied as soon as possible. All I want to know is whether I will have a chance to offer that amendment.

Mr. ROBERT C. BYRD. The answer is, "Yes," I say to the distinguished Senator from South Carolina.

Mr. THURMOND. I thank the Senator very much.

Mr. DOMENICI. Mr. President, will the majority leader yield so that I may ask a question of the minority leader? It will not take more than 10 seconds.

Mr. ROBERT C. BYRD. I yield to the Senator from New Mexico for 2 minutes, if he will adhere to his pledge.

Mr. DOMENICI. I think the minority leader knows how much I respect him. I disagree on this issue, but I wonder what has made the difference. What has caused the difference between yesterday afternoon at 5:30 and this afternoon at 3:30? What has caused the Senator from Tennessee to tell us yesterday he would have voted to recommit and today that he will not? What happened?

Mr. BAKER. Mr. President, my good friend and colleague Mr. Domenici, is from New Mexico, who is such an addition to this side of the aisle and who has been in league with me on many issues, knows that I have the highest affection and regard for him.

Mr. DOMENICI. That does not have anything to do with the question. [Laughter.]

Mr. BAKER. The Senator knows that what I am about to say has no bearing on his views on this subject or my own. The reason, I say to the distinguished Senator from New Mexico, is that I changed my mind. [Laughter.]

Mr. DOMENICI. I am delighted, and I thank the Senator for his frankness.

The VICE PRESIDENT. The Senator from West Virginia.

Mr. LONG. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. LONG. Mr. President, let me say this in all good faith to those who serve on the Budget Committee and those who serve on all the other committees.

I believe that one of the responsibilities is that Congress voted to be too generous. There was a floor amendment offered here that put us in that position in 1972. Now we have to cover the unfunded part of this social security program whenever we can do it.

We can come nearer to mustering the votes now than if we wait 6 months, when one-third of the Senate and every Member of the House will be so that much closer to having to run for reelection. It is a difficult thing for Congress to measure up to, but we can come nearer to doing it now than we will later.

With regard to the Budget Act, I sort of like the idea that the Budget Committee can sometimes protect the Finance Committee and help us defend against an amendment that is going to cost a great deal of money. If the amendment is defeated and motion to table carries, I believe that, in good faith, in order to go along with the business, those of us on the Finance Committee should not support those who want to offer their amendments, if we must go against the Budget Committee, and let the amendments be disposed of on their merits.

In the long run, I do not think we are going to be too concerned involving the Dole amendment by just postponing it because of a technicality or denying somebody the right to have it come to a vote. It seems to me that we should cooperate, however, and I hope I will be on a straight up and down matter involving the resolution that the Budget Committee will report. We should cooperate, and I will do my best to cooperate, to see that everybody has a chance to offer his amendment.

I fully realize how Senators feel when they have an amendment and believe they can muster a majority vote, and the same kind of vote which they cannot be because of a technicality or because of the Budget Committee or because of something else. I will do everything in my power to be sure that those Senators such as Mr. Dole, such as Mr. Boren, when they offer amendments, have an opportunity to do so, and we will vote on them and do what must be done, if the Senate sees fit to go forward and fulfill its duty of trying to provide a social security program is funded. That is so important that we should try to do it any time we can; and I believe we have a better chance to do it now than 6 months from now.

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. ROBERT C. BYRD. I yield for that purpose.

Mr. BELLMON. Mr. President, will the Senate yield now?

Mr. ROBERT C. BYRD. I yield for that purpose, Mr. President.

Mr. BELLMON. The Senator raises the point that we got the social security program in this shape by hasty action in 1972. I am concerned that if we take the actions of action now, we will regret it later.

Mr. LONG. The action we took in 1972 was not hasty action. It was thoroughly examined. The action was well advised. Frankly, I do not think we could have done any better at the time.

At that time, the Advisory Committee on Social Security said we could afford a 20-percent increase in this social security cost-of-living increase provision. They were advising us that we could afford what that amendment provided when it was offered on the floor by the Senator from Idaho (Mr. Craig), on behalf of the Committee on Aging. We went along with it, and I supported it, as did almost every Senator here, because the Commissioner of Social Security and all those who always had been able to give us very solid and reliable predictions and cost estimates said what this was something that we could afford. I hate to say it, but the best experts in America proved to be in error. That is how we got into this situation.

Mr. BELLMON. It was a Committee amendment, brought up on the floor, after the bill came out of committee, and was not carefully considered.

Mr. LONG. That amendment was voted on in the Committee on Finance. Many of us voted for it in the committee, and I voted against it. It was offered on the floor, but there was a lot of reputable advice—in fact, I would say the overwhelming burden of reputable advice—headed by Mr. Robert Ball, the Commissioner of Social Security, and others, to the effect that we could afford it. They said we should adopt these so-called dynamic assumptions. Those assumptions proved to be too dynamic—more dynamic than we could afford. So we found ourselves in the situation we are in today.

Mr. BELLMON. Is the Finance Committee taking Mr. Ball's advice on this bill?

Mr. LONG. On this bill, we are taking the advice of all the experts we can. We are taking the advice of everybody in the Department, including Secretary Califano, and our own experts.

I believe that if the Senator seeks the advice of his committee staff—that is, he starts with Miss Rivlin and works his way down—and if he takes the burden of the best advice that staff can muster, and he has some very fine experts, they will tell him that we must do something immediately so that we can or this program will not be solvent.

Mr. BELLMON. All we are asking is that we have time to consult those experts and find if this bill is the best we can do.

Mr. LONG. The Senator's experts have been advising us that this bill should be passed; so have our experts been advising us that this bill should be passed; and every expert in the Department been advising us that this bill should be passed.

All we are talking about is that Senator and Member of the House should overcome their reluctance to vote for a big tax and overcome the political burdens implicit in all that, to muster whatever it takes to vote the tax to make this program solvent.

Mr. BELLMON. Mr. President, will the Senator yield for an additional question?

Mr. ROBERT C. BYRD. I yield for that purpose.

Mr. BELLMON. Just to be sure my facts are right, I am told that the trust funds at the end of this year, December 31, 1977, the combined trust funds, including disability insurance, will go broke. A few years later, in 1983, the old age and survivors insurance fund runs out of money. The Senator says why can we not wait until then? For one thing, if we wait we are going to have a $1 billion increase in burden because of that. Su- perintendent of Social Security whole rights which is going to load a lot of people on the rolls who do not belong there—which would not happen if this bill becomes law now.
It is a $1 billion windfall that no one ever intended because of the Supreme Court decision. I am not challenging their decision now. Now that we know what it is this bill adjusts for it. That is No. 2, it is purely a matter of what time does the Senator think we can muster what it is this bill even though they know that is a matter of fiscal responsibility.

In the House of Representatives every man over there has to seek reelection next year. There are 435 of them. And the nearer we push those men to election the more difficult it is going to be for them to vote for this bill.

My point is that we should have voted the taxes 3 years ago, we should have voted them 2 years ago, and we should have voted them last year. But for one reason or another, such as the fact that President Ford had a tough race coming up—and it proved to be a very tough race—and because of things of that sort we did not do it.

When can we ever do it? We have a chance right now. No one right now has a tough race on his hands. Next year they will all have opponents beginning to enter the field and announcing their candidacy against many and sundry people for the jobs next year.

We could come nearer passing it right now than we can 6 months or a year from now.

Let me ask, as a matter of political reality, can anyone here muster more courage to vote for a great big tax 6 months from now when we are 6 months closer to an election than right now?

That is as strong a reason as I can figure out why we should do it any time we can.

Would you come nearer passing it right now as a matter of political reality than we can 8 months or a year from now.

Mr. NELSON. Mr. President, will the Senate yield for an observation?

Mr. LONG. Yield to the Senator for an observation.

Mr. NELSON. Mr. President, the Senate will take into account my concerns as they print the money. Sooner or later we will have to be funded by hot checks out of taxes that the American people will make good, not by inflation, but by taxes. To pay for the benefits, you are going to have to vote for a big tax, and there it is right there in this bill. The more you study it the tougher it gets. But at some point you are going to have to march up the hill and find 51 votes to pass that tax. Otherwise, this program will have to be funded by hot checks out of the taxes that the American people will make good. It is not going to be any easier just because you postpone that tough decision.

I believe that our proper course now is to act and to act now to protect the financial soundness of the social security system. The alternate course, which is one of procrastination and delay, can only contribute to a loss of faith by the American people in Congress.

The second reason why I make this motion and urge Senators to support the motion to table is the fact that the President, when he considers whatever tax initiatives he wishes to present to Congress next year needs before him the impact of the social security financing measure and the impact of the energy tax bill, which has been passed by the Senate and which is in conference with the House of Representatives.

Before the President can make a reasonable judgment as to what proposals to send to Congress with regard to taxes next year, he needs both of these matters before him. He needs to know what the impact upon the economy will be. There are at least two measures before him, he will not be in a good position to formulate whatever decisions he feels he has to make in regard to the proposals that he will submit.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MATSUNAGA. Mr. President, I yield to the Senator from Hawaii.

Mr. ROBERT C. BYRD. Mr. President, I yield to the Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, I unicannot urge everyone to vote for the time to table the motions on the table.

As a member of the Finance Committee, who has had the great privilege of serving under the chairman who today is celebrating his 39th birthday for the 29th time by working for the American people, I say happy birthday, Russ.

Mr. ROBERT C. BYRD. Mr. President, I shall shortly move to table the motion to recommit. I do that for at least three reasons.

One, the problems that the system faces today have already been analyzed by the board of trustees of the social security trust fund in its 1977 report to Congress. The board has informed us that the disability insurance trust fund will be exhausted in 1979 and the old age and survivors trust fund will be delinquent.

In that regard, Mr. President, I ask unanimous consent to print in the Record a letter which I have received from the President of the United States, dated November 3.

There being no objection, the letter was ordered to be printed in the Record, as follows:


HON. ROBERT C. BYRD, Majority Leader, U.S. Senate, Washington, D.C.

To SENATOR ROBERT C. BYRD: Enactment of a strong social security financing bill is essential this year.

To avoid unacceptably high costs to the system and unacceptably high taxes on today's workers, the President should retain a reasonable earned income limitation for social security beneficiaries and should include financing provisions such as the so-called Nelson compromise. I hope that the Senate will take into account my concerns in this regard.

Sincerely,

JIMMY CARTER, President.

Mr. ROBERT C. BYRD. Mr. President, I shall read merely the first sentence.

Enactment of a strong social security financing bill is essential this year.

Mr. President, the third reason why I shall move to table this motion is in the fact that now is the time to act. Next February we will have the same problems that we have now except they will be compounded.

There will be those who will say "We still have not had time enough to study." We will have more legislation than we can adequately deal with next February without this problem. We will have the Panama Canal Treaty; we will have whatever tax initiatives the President decides to send up to Congress; we will have the regular appropriation bills we have to deal with; we will have whatever appropriation bills we have to deal with; we will have to meet the same Budget Act deadlines with respect to the reporting of bills and the reporting of legislation that provides for new obligatory au.
thority; we will have all of those deadlines to meet. So we are not lessening our problem by delaying this one until next February.

I say, Mr. President, that Senator Long has put his finger right on the crux of the matter. Next February there will be those who will be facing a filing deadline back in their States; those who have to run for reelection will be facing a filing deadline. They will want to wait until after the filing deadline before they show down on these taxes.

After we get past the filing deadline they will want to wait until after the States Primaries before they showdown on these taxes.

The, of course, after the State primaries they will want to wait until after the fall elections because the argument will then be, "Well, the trust fund"—the argument will run like this—"Well, the trust fund, the disability trust fund, won't be exhausted until 1979, so let us wait until next year."

So, Mr. President, let us have away with this. We are worrying we have for procrastination and we are wondering. We often vote on legislation without having had time to study the committee report, without having had time to study the bill. The attitude of this body is put into that position from time to time, so there is nothing unique, there is nothing new, about this particular situation.

There are those who say, "Why rush this bill?" Well, we have all of tomorrow, we have all day Saturday, and if we stay here until the close of business on Saturday on this bill, that will make a total of 4 days we will have spent on it. If Senators want to consider the bill further, the Senate has been promised by the distinguished minority leader and me there will be no floor action next week in the Senate. But no such promise was made with respect to the week of the 13th through the 19th.

I urge Senators not to commit this bill, because if we do it means we have wasted 3 weeks' worth of our time delay. We could have called up amendments, and we would be putting the bill back into the committee until next February. For what? For additional delay.

I would say, Mr. President, if we want some additional time to debate the bill, we can have it. We do not have to commit the bill. It is the unfinished business, and if action is not completed on it by the close of business Saturday, it will be the business before the Senate when the Senate convenes on November 14, a week from Monday.

If they want additional time and the Senate has not completed action on the bill during that week, the distinguished minority leader and I have assured Senators that the week of Thanksgiving we will have no floor action, but on November 28, Monday, this bill will still be the unfinished business. If Senators wish to come and debate it until that time they may do so. But whatever the delay, the question of committal should not be decided on the point that we are rushing it through, that we are ramming it down the throat of the Senate.

There is plenty of time to debate this bill without putting it over until next February if Senators genuinely want to debate it. We do not have to close up shop Saturday night. We can continue to act on this measure. It is the unfinished business. It will be the unfinished business until it is disposed of.

If the Senate wants to dispose of it by committing it that is one way to dispose of it. If the Senate wants to dispose of it by any way to dispose of it. But it will not be disposed of by virtue of the majority leader Saturday evening saying, "Well, we are just going to put it off until next year." You can just forget that.

I would hate to see tomorrow morning's headlines say, "Senate shelves social security financing bill." How many of you want to be responsible for that headline? How many of you want to respond to the letters that will come to you then? We have a responsibility to face up to this question. The committee has faced up to the problem of what more we can have it. But in any event do not commit this bill; committing it means killing it, that is exactly what it means. If we wait until next February we will be waiting until February 1979.

So, Mr. President, I yield 2 minutes, before I move to table the motion, to the Senator from Wyoming.

Mr. HANSEN. I thank the distinguished majority leader.

Mr. President, I have been tied up in a couple of conferences today, and I have not been able to be on the floor to participate like I would have liked to have done on this bill.

Let me say I voted for the Curtis amendment. Let me say I am disappointed that the Senate of the United States seems to continue in the belief, the mistaken conviction, that we can fool all of the people all of the time.

There is no question at all but what inflation is one of the very major and the most serious problems facing this country. There is an uneasiness in the business community. The stock market is dropping steadily. I do not know what it is doing in general, but the general attitude of the typical businessman is that this is not a very good economic climate.

We are worried about jobs. It has been pointed out earlier today, from what I have been told, that one of the things that is wrong with the approach we are now taking is that it is going to make it more difficult to employ men, to generate the kind of income that can result in more jobs.

I was not on the Committee on Finance too long before 1972, but I recall that when we were discussing the Social Security Amendment there seemed to me to be a consensus, and I think the Rascalov will reveal that a majority of us voted, against the so-called Church amendment. But there were others who did not, and it was said that one of the things that was bound to happen—and I think the distinguished Vice President at that time, revealed in the Committee on Finance, and I suspect he too may recall—it was said that the reason why the Committee on Finance ought to vote to give these extra benefits that now come back to plague us, despite the expert advice we had, was that if we did not do it in the Committee on Finance it would be done on the floor. Indeed, we did not do it in the Committee on Finance and it was done on the floor.

I do not think the solution was ever offering to the American people today is all that good. I would be inclined, if I thought that a better equilibrium could result, if a better sense of balance could occur, to postpone the decision. But I think there is a lot to what my distinguished chairman has said, that if we put it off until next spring we will probably still not come up with as good a solution as we have right now.

I am not happy with it. I did not vote for it, but I am going to vote to table the motion of the distinguished Senator from Oklahoma because I am fearful, being the kind of political animals we all are, that we will probably be less inclined in February to do the honest and decent and long-range good thing that I really want we have not done until now.

So I say with a sense of frustration, that I will support the motion to table the motion of the distinguished Senator from Oklahoma, not because I do not think he is right, but precisely because next spring we will be even more conscious of the illusion that we continue to perpetuate on Americans, that if we do not tax them, but if we can pay them more and more benefits, we are good guys.

I thank my leader.

The Social Security Tax Bill

Mr. CHURCH. Mr. President, I oppose this legislation. I will vote to recommit it because it provides for a huge tax increase—one of the largest in history—and a highly regressive tax, at that. The social security tax, like the sales tax, falls hardest on those less able to pay.

I recognize that the Social Security System must remain solvent. But I had hoped that it would be possible to fashion a bill that would not only meet the fiscal need but also accomplish other objectives as well.

For example, this country needs a much-improved comprehensive medical program for the elderly, the handicapped, and the poor. We need a program that eliminates the gaps that now exist between coverage under Medicare and Medicaid.

We need to know that Medicare should be removed from the social security trust fund and financed, instead, through general revenues. Medicaid is already financed by the states, and the federal government should not be asked to fund a program that comes mainly from the income tax, so that the financing would be made progresive in nature, rather than regressive.

If we were to remove Medicare from social security as part of a general overhaul, it would lift a big burden from the social security system. That, in turn, would make it possible for the system to substantially raise the income taxes in order to fund it.
November 3, 1977

NOT VOTING—9

Bumpers
Clark
Culver
Muskie

Inouye
McClellan
Schumer

Pearson

So the motion to lay the motion to recommit was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The Assistant legislative clerk called the roll.

Mr. SPARKMAN (when his name was called). Mr. President, on this vote I have a pair with the Senator from Maine (Mr. Muskie). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withhold my vote.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CLARK), the Senator from Iowa (Mr. CULVER), the Senator from Hawaii (Mr. INOUYE), and the Senator from Arkansas (Mr. McCLELLAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. Muskie) is absent because of illness.

I further announce that, if present and voting, the Senator from Iowa (Mr. Clark) would vote "yea."

Mr. STEVENS. I announce that the Senator from Kansas (Mr. PEARSON) and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. Scott) is absent on official business.

The result was announced—yeas 54, nays 36, as follows:

Portrait Vote No. 614 Leg.]

YEAS—54

Anderson
Baker
Begg
Bennett
Burk
Byrd
Harry F. Jr.
Byrd, Robert C.
Cannon
Cranston
Curtis
Dole
Durbin
Eastland
Ford
Glenn
Gravel
Hansen
Hart

Hawkins
Hathaway
Hollings
Hudleston
Humphrey
Jackson
Javits
Johnson
Kennedy
Laxalt
Long
Lon
Massachusetts
Meccles
McGovern
McIntyre
McNathan
McNamar
McNamar

Nelson
Nunn
Pell
Percy
Proxmire
Randolph
Ribicoff
Reggie
Barbans
Stafford
Sennett
Stone
Talmadge
Thurmond
Williams
Young
Zorinsky
Metsenbaum
Scott
Oyin

NAYS—36

Abourezk
Allen
Barlow
Biden
Brooke
Case
Chafee
Chiles
Church
Danto
DeConcini

Domenici
Eagleton
Garland
Goldwater
Griffin
Hatfield
Hayakawa
Heinz
Heims
Leach
Lugar

McClure
McClure
Metcalfe
Morgan
Packwood
Roth
Sasser
Schweiker
Stevens
Stevenson
Stevenson
Wallace
Welper

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Sparkman, for.
The effect of this amendment would be to provide a 10-percentage reduction in social security tax rates for State and local governments and not-for-profit employers beginning January 1980.

The reason for the beginning date in January of 1980 is to address myself to a problem with the Budget Act. I do not want to be subject to a point of order. Originally, this amendment would have provided for a refundable tax credit payable to State and local governments and nonprofit employers equal to 10 percent of their total social security liability.

But for reasons having to do with the Budget Act, I have now modified my proposal in the amendment I will send to the desk which will provide for a simple reduction equal to 10 percent of the percentage tax rate which would otherwise be applied to all those classes of employers beginning in 1980.

In 1979 this group of employers would not be subject to the tax increase, social security tax increase, which we are now considering in this particular bill.

Mr. RIBICOFF. I wonder if my distinguished colleague, Mr. President, would yield for a few questions?

Mr. DANFORTH. Certainly.

Mr. RIBICOFF. First, I want to commend the Senator from Missouri for his understanding of the seriousness of this problem and his hard work in bringing about this amendment. I am privileged to be a cosponsor with him. But there are a few questions that should be answered, it seems to me.

Would this amendment in any way reduce any taxes paid below the current obligations?

Mr. DANFORTH. The answer to that question is no. No employer will be paying less taxes in 1979 than he did in 1978. No employer under this amendment would pay less taxes in any year after 1980 than he did in 1979.

That question was raised to me by some people who were interested in the amendment, and we have specifically drafted the amendment to absolutely provide that there is not going to be any windfall for anybody. Nobody is going to be better off than he was in 1979.

As a matter of fact, as a class, this group of employers, governmental employers, and eleemosynary employers, is going to be suffering a tremendous increase in social security tax liability between now and the decade from now.

In 1976, last year, this group of employers paid $6.6 billion in social security taxes. That amount would be increased in 1987 to an estimated $21.6 billion or a total increase of 227 percent if we do not act. If we do agree to this amendment, instead of having the increased social security tax liability for this class of employers go up 227 percent, it would only go up 19 percent.

Mr. RIBICOFF. The Nelson amendment, which addresses the same problem, does it give the same type of relief as given other groups?

Mr. DANFORTH. I am sorry, I missed the question.

Mr. RIBICOFF. Is it not true that only a small part of the huge increase in taxes these groups will pay will remain as in the Nelson proposal?

Mr. DANFORTH. That is absolutely correct. I think this is a very, very important point to be made. Social security taxes are going up no matter what we do in this bill. If we follow the Nelson proposal the social security taxes are going up. If we follow the Curtis proposal social security taxes are going up. If we do not do anything at all, the social security taxes are going up very considerably and, particularly, on this last group of employers.

If we do absolutely nothing, nothing at all, in this bill in 1979 State and local governments and not-for-profit organizations will be paying $2.9 billion in social security taxes more than they are now because of base increases and rate increases that are already programmed in existing law to take place at that time.

Mr. RIBICOFF. I wonder if I could have the applause of the Senator from Missouri as to what happens with his particular group of employers if they have to pay this increase in social security taxes?

Mr. DANFORTH. I think that it is important to recognize that this group of employers very often is existing on a very slim margin. I think anyone who reads the newspapers understands the fact that many city governments and many school districts are having a very difficult time right now. What is happening, for example, in New York City is something that the Senate has concerned itself about in the past.

We read in last weekend's newspapers that Toledo, Ohio, which I guess fortunately for it is not part of the social security system, had to close its public schools last week.

Similarly, the YMCA here in Washington, D.C. operates at a deficit of about $50,000 a year, and has for the last 7 years.

So we have a group of governmental units and not-for-profit organizations which very frequently are operating on a very slim margin, and it is on that group of employers that, with or without this bill, we are about to impose a very large increase in liability.

Mr. RIBICOFF. Is it not true that there is a very different situation as between the private, for-profit employer and the type of employer involved in this amendment? Is there not a benefit that the private for-profit employer receives that this type employer does not receive, and will the Senator please explain the impact on both employers?

Mr. DANFORTH. Yes. If an employer is in a profitmaking enterprise and he pays social security taxes, the amount that he pays in social security taxes may be recouped from Federal income taxes by way of deductions. Social security taxes paid are a deductible expense from the income taxes of a private, profitmaking enterprise.

Obviously, this group of employers is not profitmaking and does not pay Federal income taxes, and therefore it is not able to recoup any portion of the tax increase.

It is said, "Well, it is an advantage to this group of employers that they do not have to pay income taxes."
That is absolutely true; it is a tremendous advantage that Congress, in its wisdom, has given this group of employers. But it is also true that this group of employers, as previously stated, is operating on a very thin margin, and therefore what we are about to do to this group of employers is not as harsh as what we are about to do to the profit-making employers.

A profitmaking employer, if it is a corporation and makes more than $50,000 a year, has an increased social security tax rate of 48 percent. That means that for every dollar in social security taxes paid, they get a deduction which is worth 48 cents. That does not apply, obviously, to not-for-profit employers.

Mr. RIBICOFF. Mr. President, I thank the Senator from Missouri. I share his belief that it is time to provide meaningful relief against our States and localities and to nonprofit organizations. I bear the entire burden. In 1979 they will receive an estimated $23 billion in relief. The Danforth proposal would give State and local governments and our nonprofit employers a 7 percent relief. The Nelson proposal offers some permanent relief to some of these employers — in 1980 than in 1979.

I think that particularly in view of a letter which was sent out by Secretary Calffano last night, it is important to recognize the fact that this proposal would not create a windfall for anyone. Nobody, no employer, is going to be better off than he is now. No employer as a result of this amendment, is going to be better off in 1980 than in 1979.

Again, as a class of employers, State and local governments and not-for-profit organizations are going to witness, in the period of a decade, a 227 percent increase in their social security tax bill. What we are saying is that 27 percent is too much. We cannot afford to do everything for them. We cannot afford to hold them absolutely harmless. But what we can do is reduce the percentage of their social security tax burden from 10 percent, so that, for example, if they have a 7 percent social security tax, it is reduced to 6.3 percent.

The result of this move would be that over the next 10 years, experiencing a 227 percent increase, they would experience only a 197 percent increase, in and of itself is very substantial. That temptation here to talk only in terms of aggregate employers and in terms of generalities. When I came over to the Senate floor yesterday and engaged in a colloquy with the Senator from Wisconsin (Mr. Nixson) on this subject, he said, in essence, "Well, the value of the dollar is shrinking anyhow because of inflation, and when you consider what is going to happen years from now, it really does not matter that much." Mr. President, the fact is that it does matter that much. It does matter a great deal to the individual employers. The question is not simply what is going to happen to the case in the year 1987, which seems a long way away, but what is going to be the case in 1979. What is going to be the difference between the social security tax liability of specific employers between 1976, which was last year, and 1979, when we are about to do takes effect and when increases already programmed in the tax laws take effect?

I would like to give the Senate a number of examples of what is going to happen. The city of Kansas City, Mo., is going to experience, over a 3-year period of time, an increase in its social security tax liability of $812,104. The city of Lincoln, Nebr., is going to have an increase in its social security tax liability of $650,000. For Omaha, Nebr., the increase will be $398,000. Houston, Tex., will have its social security tax liability increase $811,000. Milwaukee, Wis., will have its social security tax liability increase, in 1979, $534,668 on what it is this year.

The story with respect to colleges and universities is even more striking; and I think anyone who has any close connection at all with colleges and universities knows the very serious financial difficulties we are in right now. I am told some 16 universities are now charging annual room, board, and tuition of $7,000 a year or more per student, which has the effect of pricing middle income families, particularly families with more than one child, out of education in those institutions.

Yet what we are now saying, as a result not just of this bill but of what is likely to happen in the future, is that we are going to impose a very substantial increase in social security tax liability on colleges and universities.

The University of Texas—and I see the Senator from Texas (Mr. Bayh), and Mr. President, I believe that it is time to reduce some of our employers' tax liabilities, but this increase on the floor—between 1976 and 1979, will have an increase in its social security tax liability equal to $2.92 million a year.

The University of Missouri at Columbia will have its social security tax liability in 1979 be $2,281,000 more than it was last year. Washington University in the St. Louis area will have its social security tax liability increased by over $1.5 million. This is just the social security tax liability, in addition to all other problems universities are having with the increased cost of energy and inflation in general.

The University of Missouri at Columbia will have its social security tax liability in 1979 increased to a point where it will be more than $3 million more than it was in 1976.

These figures are just 1979. This is just the immediate problem. This is not the problem extended with all of the rate increases that we have programmed into the law between now and the year 2000. The problem will get worse, not better.

All that is being said in this amendment is that we are putting too much of a squeeze on this group of employers who have such difficulty oftentimes passing on the cost to anyone else, and who will not be able to provide the kind of investment of tax from the general revenue by way of a tax deduction.

There has been a lot of discussion on the floor of the Senate about whether or not we should be dipping into the Treasury itself, whether or not we should be drawing upon general revenue. It was part of the administration's proposal that we should be.

My senior colleague from Missouri offered an amendment yesterday to do approximately what the administration has proposed to do, to draw upon general revenue and put that into the social security trust fund.

What is not really widely recognized is the fact that right now under present law we have very substantial general revenue funds used to finance social security, and it works because of the income tax deduction. That is, when there is a tax imposed on a profitmaking employer and he pays the tax into the social security, he is going to recover $8 per cent from the Treasury by virtue of reduced Federal income tax payments.

What we are saying in this amendment is that that is a form of general revenue
November 3, 1977

CONGRESSIONAL RECORD—SENATE

S 18627

Mr. DANFORTH. Certainly. Mr. Packwood. Do I understand correctly that, under the bill as now written, it would be the nonprofit organizations that would receive the biggest breaks in terms of tax breaks?

Mr. DANFORTH. Mr. President, may we have order in the Senate, please?

Mr. PACKWOOD. Those nonprofit organizations that would receive the biggest breaks would be those that have the highest salaried employees. Many of the people that exist do have people salaried at $50, $75, $100, or, in some cases, $150,000 a year. The nonprofit organizations that would be the worst off under this are the ones that are the middle American organizations familiar with—the Goodwills, the Salvation Armies—who generally do not have paid executives in that wage category.

Mr. DANFORTH. If Senator Nelson were the author of the bill, the Senate would have order in the Senate, please?

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Mr. DANFORTH. If Senator Nelson were the author of the bill, the Senate would have order in the Senate, please?
The Camp Fire Girls, for example, in this area, would receive absolutely nothing under the provision that is in the bill now.

Mr. PACKWOOD. I do not mean this in any sense to disparage the Ford Foundations or Rockefeller Foundations of this country, but the very organizations that are helping great group of middle American taxpayers, touch them every day directly—pick up the old clothes or collect the newspapers—the very organizations the Senator says are going to be paying the largest part of the cost, the most difficult time raising funds and have to raise them year after year, because they are not endowed; whereas, the well-endowed foundations are endowed foundations that do not have to raise money every year.

Mr. DANFORTH. That is right. The Senator has raised a good point. There are other things that are inadequate in this, and it is important to recognize that.

Mr. PACKWOOD. I think it is important to point out that there is yet another difference between the profit-making employers and the not-for-profit employers. That is that the profit-making employers and governmental employers have the statutory right to get out of the Social Security System. They can, by filing a notice in a period of 2 years, withdraw from social security coverage. If they have an additional financial burden on them, they will withdraw from social security and the result is going to be counterproductive.

For example, I see the Senator from New York here. New York City, as we know, its various governmental units, filed notice to withdraw and then withdrew their notice. But were New York to withdraw from the Social Security System, funds between 1978 and 1982 would be an estimated $3.1 billion. So if we increase the pinch on this group of employers, it is going to be counterproductive as far as the solvency of the trust funds is far concerned.

(Mr. SASSER assumed the chair.)

Mr. JAVITS. Will my colleague yield?

Mr. PACKWOOD. Mr. President, I might say that I intend, if I am successful in my first amendment, which is nothing more, really, than a social security tax rate reduction for this class of employers, it would then be my intention to offer a second amendment which would authorize an appropriation from general revenue into the social security tax rate reduction for this class of employers. I would like to say to the Senator that having heard him and looked over his amendment very carefully, tested it and presented it to the Senate. I think he is rendering us all a very constructive service in the way in which he proposed his amendment and ask that it be considered forthwith.

Mr. DANFORTH. Mr. President, for that reason, I send now to the desk an amendment and ask that it be considered forthwith.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

(Senator from Missouri (Mr. DANFORTH), for himself and Messrs. Bentsen, Allen, Anderson, Baker, Dole, Eagleton, Ford, Hatfield, Laxalt, Logan, Matsumaka, Packwood, and Sasser), proposes an unprinted amendment numbered 1042.

(Purpose: To reduce the employment tax on States and non-profit organizations by 10 percent of the amount of tax which such State or organization would otherwise pay.)

Mr. DANFORTH. Mr. President, for that reason, I send now to the desk an amendment and ask that it be considered forthwith.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

(The Senator from Missouri (Mr. DANFORTH), for himself and Messrs. Bentsen, Allen, Anderson, Baker, Dole, Eagleton, Ford, Hatfield, Laxalt, Logan, Matsumaka, Packwood, and Sasser), proposes an unprinted amendment numbered 1042.

Mr. DANFORTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Add paragraph (3) to section 106 (a) of the Social Security Act as follows:

(3) by adding into "subject to the provi-

sions of paragraphs (3), (4), and (5)", after "will pay" in paragraph (1) (A) there-

and (2) by adding at the end thereof the follow-

ing new paragraphs:

(8) For purposes of paragraph (1) (A)

Mr. BENTSEN. Will the Senator yield for a unanimous-consent request?

Mr. DANFORTH. Certainly.

Mr. BENTSEN. Mr. President, I ask unanimous consent that Steve Sacher of Senator Williams staff and David Allen of my staff be granted privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DANFORTH. Mr. President, it seems to me that our role here in Washington is to try to be helpful to those governmental agencies and social service agencies throughout the country that provide meaningful services to the American people. Our role in Washington should not be to create emergencies for local governments and emergencies for not-for-profit organizations and then rush in at some later date with emergency cash in order to bail them out, with all of the conditions and strings that are often attached to that kind of bailout situation.

Therefore, it seems to me for the sake of the health of what is going on in the rest of the country, for the sake of the health of communities we simply cannot deal them the kind of blow that we are dealing them, not just by this bill, but by changes in programs, by the law, without cushioning the blow just a little bit. What I would like to do is cushion that blow.

UP AMENDMENT NO. 1042

(SUBSEQUENTLY NUMBERED AMENDMENT NO. 113)

(Purpose: To reduce the employment tax on States and non-profit organizations by 10 percent of the amount of tax which such State or organization would otherwise pay.)

Mr. BENTSEN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 106 and insert in lieu thereof the following:

Reduction in Tax for Certain Public and Nonprofit Employees

Sec. 106. (a) Section 218(e) of the Social Security Act is amended—

(1) by inserting "subject to the provision of paragraphs (3), (4), and (5)\" after "will pay" in paragraph (1) (A) thereof; and

(2) by adding at the end thereof the following new paragraphs:

"(8) For purposes of paragraph (1) (A)\"
in determining the amount of taxes which would be imposed—

"(A) for calendar year 1979, the rates of tax under section 230 and the contribution and benefit base (as determined under section 230) which would have applied for calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 shall be applied; and

"(B) for calendar years 1980 and thereafter, the amount determined under paragraph (A) as the taxes which would be imposed for calendar year 1980 under section 2311 (without regard to the provisions of this paragraph) with respect to such employees shall (except as otherwise provided in paragraph (B)) be reduced by 10 percent.

"(4) Each agreement under this section shall provide that any State whose payments under the agreement exceed the amount determined under paragraph (3) or paragraph (5) shall agree to pay (and any such reduction shall be made on the amount which would be paid by such political subdivision thereof a percentage shall be equal to the percentage of the amount paid by such State under paragraph (1) (A) as the taxes which would be imposed by such political subdivision.)

"(5) The amount of the reduction resulting from the application of the provisions of subparagraph (B) of paragraph (3) for a calendar year shall not be greater than the lesser of:

"(A) the amount determined under paragraph (1) (A) as the taxes which would be imposed by such section 3111 for such calendar year (without regard to the provisions of paragraph (3)); or

"(B) the amount determined for calendar year 1979 under paragraph (1) (A) as the taxes which would be imposed by such section 3111 for calendar year 1979 (after application of the provisions of subparagraph (A) of paragraph (3)).

(b) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employment taxes) is amended by adding at the end thereof the following new subsections:

"(c) Certain Nonprofit Employers—Notwithstanding any other provision of this section, in the case of an organization described in section 501(c)(3) which is exempt from taxation under section 501(a) (without regard to which the taxes imposed by such section are paid, the amount of the taxes imposed by this section with respect to employment taxes with respect to which the State reimburses the taxes imposed by this section) shall—

"(1) during calendar year 1979, be equal to the amount which would be determined if the rates of tax under section 3111 and the contribution and benefit base (as determined under section 300 of the Social Security Act) which would have applied during calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977, and

"(2) for calendar years 1980 and thereafter, be equal to 90 percent of the amount determined under this section (without regard to the provisions of this subsection).

(d) Notwithstanding anything herein to the contrary where the amount of taxes imposed under subsection (c) (2) above is less than the amount of taxes paid under subsection (a) above, an organization described in section 501(c)(3) which is exempt from tax under section 501(a) shall pay the lesser of the amount of taxes which would be imposed under this section (without regard to the provisions of subsection (d) (2)).

Mr. DANFORTH. Mr. President, I ask for the time to respond to the amendment.

The PRESIDING OFFICER. Mr. President, is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DANFORTH. Mr. President, that concludes my argument on behalf of this amendment for the moment.

If the amendment is successful, it is my intention at that time to offer a further amendment which would recoup, by way of transfer from the general fund, an authorization for an appropriation from the general fund of an amount equal to the amount of social security tax revenues lost by the first amendment.

Mr. NELSON. Would that authorize direct that the loss to the fund from a 10 percent reduction in the taxes be paid by the general fund directly, then, to the social security fund, to make up the loss?

Mr. DANFORTH. That is right, yes. Mr. NELSON. So, basically, it is the same as the other Danforth amendment. Mr. DANFORTH. That is correct. Mr. NELSON. In terms of cost to the general fund. It is simply a different approach to achieve it.

Mr. DANFORTH. That is correct. UNANIMOUS-CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President, I understand that the manager of the Senate is prepared to table the amendment by Mr. DANFORTH.

I ask unanimous consent that Mr. NELSON be recognized at 9:45 a.m. tomorrow and that, without further debate, he may proceed to move to table the amendment by Mr. DANFORTH.

Mr. NELSON. I would like, some time this evening, 5 minutes or so, to respond to the amendment proposed by the Senator from Missouri.

Mr. DANFORTH. Mr. President, reserving the right to object, if the vote is going to be set for 9:45 a.m. tomorrow and Senator Nelson is going to respond now, I wonder whether it would be possible to hold the vote at, say, 9:55 a.m. and to have 10 minutes of debate before the vote, evenly divided between Senator Nelson and myself.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that at 9:45 a.m. tomorrow, the Senate resume consideration of the amendment by Mr. DANFORTH; that the time be taken up for debate at that time, to be equally divided between Mr. DANFORTH and Mr. NELSON; and that at 9:55 a.m., Mr. Nelson be recognized to move to table the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that it be in order this time to order the yeas and nays on the motion which Mr. Nelson will make at 9:55 tomorrow morning to table the Danforth amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask for the yeas and nays on the Senator's motion to table.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, the rollcall vote on the motion by Mr. Nelson to table the amendment by Mr. Nelson's amendments.
The PRESIDING OFFICER. The Chair is questioning the Senator from New York as to whether he requests unanimous consent to set aside the pending amendment of the Senator from Missouri, in order that the amendment of the Senator from New York can be considered at this time.

Mr. CURTIS. By being considered at this time, does the Senator mean voted upon?

The PRESIDING OFFICER. No. Just brought up for consideration and discussion at this time.

Mr. CURTIS. Then, an amendment has been confirmed there will be no more votes tonight. If that is not the order of things, I wish to know.

Mr. ROBERT C. BYRD. There might be a voice vote.

Mr. CURTIS. No.

Mr. ROBERT C. BYRD. No. All right.

Mr. CURTIS. Is this the amendment that reduces the recovery of an item in the item from the Treasury favor of the Senator from Missouri, down to about $117 million or $118 million?

Mr. MOYNIHAN. The Senator is correct. I think we had better let well enough alone and leave the amendment of the Senator from Missouri as it now stands. I think we had better let well enough alone and leave the amendment of the Senator from Missouri as it now stands.

Mr. CURTIS. And not foreclose discussion of it tomorrow?

Mr. ROBERT C. BYRD. Exact.

Mr. CURTIS. That is all right.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. I thank the distinguished Senator from Nebraska.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield to me without losing his right to the floor?

Mr. MOYNIHAN. With pleasure.

Mr. ROBERT C. BYRD. I thank the Senator.

Mr. CURTIS. Mr. President, if I may have the attention of Senators, there are a number of budget waiver resolutions at the desk which have been reported by the Budget Committee. I see this evening which would allow and which have certain amendments that Senators want to offer tomorrow or at some point, and the distinguished Senator from South Carolina, who is the acting chairman of the Budget Committee, is here. He is agreeable at this time to our taking up those budget resolutions, and perhaps we could do that with some comments by the Senator from South Carolina; perhaps we could voice vote them singly or en bloc this evening, and we would have that much out of the way for tomorrow.

Will the distinguished Senator from New York allow the Senator from South Carolina to proceed on that basis?

Mr. MOYNIHAN. May I ask how long of a time the Senator from South Carolina expect to take?

Mr. HOLLINGS. Five minutes.

Mr. MOYNIHAN. Of course, with pleasure.

Mr. ROBERT C. BYRD. I thank the Senator from New York.

Mr. HOLLINGS. Mr. President, I thank the distinguished leader. We shall move on. We are hopeful that this continuing resolution will be coming over from the House side. We think the SBA emergency loan disaster fund of $1.4 billion will be in there. If it is in there, we would like to be able to concur or if not at least conclude and send it back to the House before they adjourn. That is one of the things hanging around.

Mr. ROBERT C. BYRD. Still today?

Mr. HOLLINGS. Still today.

Mr. ROBERT C. BYRD. Mr. President, may I have the distinguished minority leader's attention, and still with that the language of the Senator from New York, the distinguished Senator from South Carolina has indicated that a continuing resolution is expected, I believe, still today?

Mr. HOLLINGS. Shortly, that is right.

Mr. ROBERT C. BYRD. From the other body, which has to do with the District of Columbia appropriations bill.
BUDGET WAIVER RESOLUTIONS SUBMITTED RELATING TO THE CONSIDERATION OF H.R. 9346

Resolved. That the amendment in the shape of an amendment to the pending amendment to H.R. 9346 offered by Senator Goldwater relating to modifications in the provisions under which benefits for certain persons under Title II of the Social Security Act are reduced because of their earnings; and (b) that waiver of such Section 303(a) is necessary to enable the Senate to consider promptly changes in the Social Security Act which are provided for in the bill with respect to the consideration to Senate Resolutions 317, 318, 320, and 321.

Resolved. That pursuant to section 303(c) of the Congressional Budget Act of 1974, the provisions of section 303(a) of such Act are waived with respect to the consideration of amendments to either H.R. 5322 or H.R. 9346 offered by Senator Goldwater relating to modifications in the provisions under which benefits for certain persons under Title II of the Social Security Act are reduced because of their earnings; and (b) that waiver of such Section 303(a) is necessary to enable the Senate to consider promptly changes in the Social Security Act which are provided for in the bill with respect to the consideration to Senate Resolutions 317, 318, 320, and 321.

Resolved. That at the end of the bill add the following section:

There is hereby allowed to each individual taxpayer, who has paid Social Security taxes as an employee, as a deduction from income subject to Federal income taxes an amount equal to the product of all Social Security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such Social Security taxes are paid. Self-employed taxpayers may claim as a deduction from income subject to Federal income taxes an amount equal to the product of one-half of Social Security taxes paid by them that would have been paid on their earnings if they had been employees.

Resolved. That pursuant to section 303(c) of the Congressional Budget Act of 1974, the provisions of section 303(a) of such Act are waived with respect to the consideration of amendments to either H.R. 5322 or H.R. 9346 offered by Senator Goldwater relating to modifications in the provisions under which benefits for certain persons under Title II of the Social Security Act are reduced because of their earnings; and (b) that waiver of such Section 303(a) is necessary to enable the Senate to consider promptly changes in the Social Security Act which are provided for in the bill with respect to the consideration to Senate Resolutions 317, 318, 320, and 321.

Resolved. That at the end of the bill add the following section:

There is hereby allowed to each individual taxpayer, who has paid Social Security taxes as an employee, as a deduction from income subject to Federal income taxes an amount equal to the product of all Social Security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such Social Security taxes are paid. Self-employed taxpayers may claim as a deduction from income subject to Federal income taxes an amount equal to the product of one-half of Social Security taxes paid by them that would have been paid on their earnings if they had been employees.

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Resolved. That at the end of the bill add the following section:

There is hereby allowed to each individual taxpayer, who has paid Social Security taxes as an employee, as a deduction from income subject to Federal income taxes an amount equal to the product of all Social Security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such Social Security taxes are paid. Self-employed taxpayers may claim as a deduction from income subject to Federal income taxes an amount equal to the product of one-half of Social Security taxes paid by them that would have been paid on their earnings if they had been employees.
view any bill, resolution or amendment which would have the effect of increasing expenditures or providing new budget authority in a year for which the first concurrent resolution on the budget has not been adopted. In each case, these amendments would first become effective for fiscal 1978. The Budget Committee has by custom of the Senate, disapproved these recommendations on the first budget resolution for fiscal 1979, but that resolution will not be adopted until May 15, 1978.

The Budget Act intended that the Budget Committee act before the Senate could approve the budget resolution. The Budget Committee should have the opportunity to review all spending decisions and all revenue proposals prior to the consideration of legislation which would affect revenues in the new fiscal year. Without this comprehensive review, Mr. President, the Budget Committee and the Senate should have the opportunity to review all spending decisions and all revenue proposals prior to the consideration of legislation which would affect revenues in the new fiscal year. Without this comprehensive review, Mr. President, first, I understand it is particularly desirable for the Budget Committee to have at least a preliminary look at the legislation which would affect revenues in the new fiscal year. Without this comprehensive review, Mr. President, the Senate will have the opportunity to review all spending decisions and all revenue proposals prior to the consideration of legislation which would affect revenues in the new fiscal year.

Mr. President, this recommendation, would not be a question of equity or of the Budget Committee acting because it did not endorse the substance of the amendments. This is not the case. The Budget Act does not allow the Senate to consider legislation before the adoption of the first and second budget resolutions for that year, to that extent Congress loses control of the spending and priority decisions for that year. However, the Budget Act recognized that in some situations it may be appropriate to consider such legislation before the adoption of the first concurrent resolution.

Mr. President, we believe that because of the Budget Act the question of whether or not the Senate should adopt the recommendations presented by this legislation, it is now appropriate for the full Senate to vote on these recommendations.

Mr. McCLURE. Mr. President, will the Senate vote on these recommendations?

Mr. HOLLINGS. I yield.

Mr. McCLURE. I thank the Senator for yielding.

I take this time only to make one very important comment. I am not very certain I know what we have done now as a Budget Committee. Under the Budget Act we are required to make recommendations on waiver resolutions.

When the resolution of waiver comes to the Budget Committee instead of waiving the provisions of the act or falling to, refusing to, waive the provisions of the act, we send a piece of paper back without recommendation. Does that mean the Budget Committee waived the provisions of the act or does it mean the Budget Committee refused to waive the provisions of the act?

It seems to me it does neither. I am not at all certain that the precedent we are establishing, if, indeed, this is any precedent, is superior to the position that might be taken by the Budget Committee to at least say, "This is a unique condition, a unique situation, under which we will waive the provisions because of the unique situation," instead of ducking the issue completely, by saying, "We will return them, but we have neither waived nor refused to waive the provisions of the act."

This is a unique situation, and I hope the Senate recognizes that the committee will not regard the act that has been taken, this act, which was taken by the Budget Committee as a precedent in any way.

I happen to have indicated my approach to tally the vote simply because it was a very difficult situation with which the Senate is confronted, and not because I think it is particularly desirable for the Budget Committee to waive the provisions of the act, and I would not have voted that way except in the very unique situation which confronts the Senate on legislation at this time.

I think the people who objected earlier today, among them my very eloquent friend from Kansas, who was very vocal, and said that the situation foreclosed any options that the Committee on Finance proposal could be approved under the Budget Act. It had no conflict with the budget resolution, but any of the alternatives to the Committee on Finance action would violate the budget resolution.

For that reason, and that reason alone, I voted to waive the provisions of the Budget Act. But I cannot imagine what it means when a committee which is called upon to either waive the act or to refuse to waive the act simply returns the waiver resolution with no recommendation. That is not action, in my judgment. It is not discharging the committee responsibility. I hope we have not established any kind of precedent by this action.

The only way in which it can be read is meeting a very, very unique situation on the floor of the Senate in a very pragmatic way.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. DOLE. Mr. President, first, I understand the distinguished Senator from Oklahoma made his way up to the floor and would like to speak for one moment when he arrives.

The PRESIDING OFFICER. The Senator from Kansas may proceed.

Mr. DOLE. Second, if I can just take a moment to thank my distinguished colleagues on the Budget Committee, the Senator from Kansas, being a member of the full committee, and also a member of the Committee on Finance, understands the problems the Budget Committee has, and I think probably from a technical standpoint they were absolutely right. But the facts are that in the bill wherein a waiver was granted, it contained a provision much like three of those or at least—yes, about three of those were addressed in this fashion by the Budget Committee.

As the distinguished Senator from Idaho has pointed out, I am not certain as to where we are, but at least we resolved without setting a precedent the problem before the Budget Committee at the immediate time.

I would hope the Senate would approve the resolutions or whatever on a voice vote so we might proceed tomorrow to acting upon the complete bill or vote up or down. So I thank my distinguished colleagues from South Carolina, and I again suggest that the Senator from Oklahoma should be heard in just a second. He wanted to be here and wanted to be heard for 1 minute.

Mr. McCLURE. Mr. President, might I address a parliamentary inquiry to the Chair?

The PRESIDING OFFICER. The Senator will state it.

Mr. McCLURE. What is the parliamentary situation? What will the Senate do following up if the Senate acts on any thing?

The PRESIDING OFFICER. The question is on considering en bloc four budget waiver resolutions.

Mr. McCLURE. And the budget waiver resolutions are actions of whom? Are they a Budget Committee waiver?

Mr. HOLLINGS. Mr. President, if I might be recognized—

The PRESIDING OFFICER. These are resolutions which were referred to the Budget Committee and then reported from the Budget Committee without amendment or recommendation.

Mr. HOLLINGS addressed the Chair.

Mr. McCLURE. Mr. President, will the Senator withhold for just a moment? I think the Senator for that courtesy.

I am puzzled because I read the Budget Act the Budget Committee must waive the provisions, not vote upon or report a resolution of waiver, and that is the reason for my dilemma.

Mr. HOLLINGS. Mr. President, actually the committee can be discharged within 10 days under the Budget Act. So what we have before us are the resolutions of waiver for adoption or rejection by the Senate itself.

With respect to the Budget Committee, it has reported them back without recommendation by a 7-to-7 vote. Now we have it up for consideration by a voice vote. I see my colleague, the Senator from Oklahoma, is now here, and we could begin to consider this en bloc, and then I take it those who would be in favor of the waiver would move the adoption, and that would be the way to act because a' we can do is waive or just now have.

Mr. McCLURE. Might I just for the
The record states the following: The act requires that the reporting committee ask for a waiver where the committee action is that which requires a waiver.

The PRESIDING OFFICER. The Chair wishes to advise the Senate that it was a procedure of the Budget Act that to introduce such waiver resolutions as the Committee wishes to do in order to have them referred to the Budget Committee for action.

Mr. CLARK. As I say, the Chair anticipated the wrong question, that where the committee takes action that will require a waiver they report it to the Budget Committee for action and, the Budget Committee would then take action on that waiver resolution by way of agreeing with it or disagreeing with it and, perhaps under the circumstances, reporting it back without recommendation.

This, however, is not committee action which we are asked to act upon, and there is no resolution in the matter of the waiver from the committee asking us for a waiver; am I not correct?

The PRESIDING OFFICER. The Senate is correct as to the genesis of the resolution and not reported from standing committees and then referred to the Budget Committee. They were introduced by individual Senators and referred to the Budget Committee, a procedure...

Mr. CLARK. Individual Senators introduced waiver resolutions dealing with individual amendments which they have sought and will seek to offer amendments to the pending legislation, and make certain that the Senate agrees with the Senator from Idaho was trying to avoid writing into the precedents of the Senate something that is not provided for by the statute but is not objected to by any Member, including the Senator from Idaho.

I hope that we may, indeed, as a Senate, upon some reflection, and as a Budget Committee with some reflection, discuss and determine whether or not this is the procedure which we want followed in the future upon amendments which may be offered in the future by any Member of the Senate.

The PRESIDING OFFICER. The Chair agrees with the Senator that this is totally a matter of the Senate's choice.

Mr. BEJTMON. Mr. President, I would like to say for the record that the Senator from Alabama...

Mr. DOLE. Mr. President, I send to the desk an imprinted amendment in behalf of the Senator from New York (Mr. Sanders), for the purpose of calling up other amendments? Without objection, it is so ordered.

UP AMENDMENT NO. 1044 (Purpose: To clarify the tax liabilities or make those certain non-profit organization.)

Mr. DOLE. Mr. President, I send to the desk an unprinted amendment in behalf of myself and the Senator from Maryland (Mr. Sarrans)...

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk reads as follows: The Senate from Kansas (Mr. Dole), for himself and Mr. Sanders, proposes an unprinted amendment numbered 1044.

It is not the intention of the Senator from Idaho to object to this proceeding...

Mr. CLARK. Well, now, I am sorry the Chair decided to make that announcement, because I think that is completely gratuitous, and establishes exactly the thing I was seeking to avoid in terms of precedent being made for procedures outside of the budget law. It may be something that will work, and it may be the kind of thing that, upon reflection, in the future the Senate will wish to adopt. But the Senator from Idaho was trying to avoid writing into the precedents of the Senate something that is not provided for by the statute but is not objected to by any Member...

I hope that we may, indeed, as a Senate, upon some reflection, and as a Budget Committee with some reflection, discuss and determine whether or not this is the procedure which we want followed in the future upon amendments which may be offered in the future by any Member of the Senate.

The PRESIDING OFFICER. The Chair agrees with the Senator that this is totally a matter of the Senate's choice.

Mr. BEJTMON. Mr. President, I would like to say for the record that the Senator from Oklahoma voted in favor of these waivers, and I would like to explain briefly my reasons. I would like to say the same things to my mind and...
The amendment is as follows:

At an appropriate place, insert the following:

"Section 3101(k)(4)(B) of the Internal Revenue Code of 1984 (relating to the period of not less than three calendar quarters of unemployment imposed on a person if he was paid by IR to Section 3101 and 3111 was paid) is amended by deleting the period at the end thereof and inserting in lieu thereof:

"(4) the amount of other unemployment, prior to the end of the period referred to in clause (ii) of such subparagraph, has paid for unemployment insurance under section 3101 and 3111 with respect to any employee with respect to any quarter ending after the twelfth month following the date of mailing of such ruling or determination letter and did not pay any such taxes with respect to any quarter ending after the later of (I) December 31, 1975 or (II) the date on which such ruling or determination letter was issued.""

Mr. DOLE. I might say very quickly, Mr. President, that this amendment has been discussed by myself and the distinguished Senator from Maryland (Mr. SARBANES) with both the minority and majority side.

This is a technical amendment to clarify certain tax liabilities of a few tax-exempt organizations. All organizations which qualify under section 501(c)(3) for tax-exemptions are also exempt from payment of FICA—social security—taxes unless they waive that privilege. This ability to waive the tax immunity has created an unfortunate situation for a few charitable organizations.

In the past, some 501(c)(3) organizations paid FICA taxes and inadvertently did not file a waiver. To help them, Congress passed Public Law 94-563 which provided that if in the following year they paid FICA taxes for three quarters, a waiver of its FICA exemption would be implied. This law applied to all tax-exempt organizations, regardless of when they received such tax-exemption.

AMENDMENT IS STRICTLY LIMITED

My amendment only concerns those organizations which had applied for but not received their tax exemption. These organizations were obligated by law to pay FICA taxes until given a tax-exempt for the FICA taxes paid during the interim were then refunded by the IRS.

The problem for these groups only arose after Public Law 94-563 was enacted. Although these groups had no intention of waiving their tax exemption, a waiver is still implied by Public Law 94-563. These organizations would thus be legally liable for FICA taxes. Payment could bankrupt them.

CONSISTENT WITH CONGRESSIONAL INTENT

The original reason for exempting charitable organizations from FICA taxes was to free more money to be spent on their charitable and educational projects. My amendment would preserve this FICA exemption privilege for those organizations which desire it.

If any group that had a tax exemption pending truly intended to waive its FICA exemption, my amendment would not prevent them from filing a waiver. The only impact of this amendment would be on those few groups who inadvertently lost their FICA exemption and are faced with back taxes.

Mr. President, I believe that my amendment is in keeping with the intent of Congress to exempt charitable organizations from the obligations of FICA tax. I am aware that it will require time for Congress to correct the mistake made in Public Law 94-563 and urge the adoption of my amendment.

The amendment relieves certain non-profit organizations paying adversely affected by Public Law 94-563. It is the responsibility of the affected organizations to apply to IRS for reopening of their cases under this amendment. No obligation is placed on IRS to reopen such cases on its own motion.

Mr. President, I hope the amendment will be accepted.

Mr. LONG. Has the Senator's amendment been agreed to?

Mr. DOLE. I am waiting to see if the amendment is agreed to.

Mr. LONG. I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

UP AMENDMENT NO. 1045

Purpose: To provide coverage for policemen and firemen in Mississippi

Mr. LONG. On behalf of the two Senators from Mississippi, Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment is stated.

The legislative clerk read as follows:

"The amendment is as follows:

At the appropriate place the following new language is inserted:

"Section 3101 of the Internal Revenue Code of 1984 is amended by inserting "Mississippi," after "Maryland.""

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The amendment was agreed to.

Mr. L.B. McDONALD. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following new language:

"Mr. MOYNIHAN. Mr. President, the subject before us today is the future financing of the social security system. But it is inseparable from another set of federal social policy issues that are also embodied in the Social Security Act: those associated with aid to families with dependent children, and with President Carter's far-reaching proposal to reform the welfare system as well as the number of other public assistance programs.

On September 12, I introduced S. 2084, the program for better jobs and income, on behalf of the Carter administration. I stated at the time, as I had when the President first announced it in August, that I agreed with its general goals and directions. I said that, "The President has undertaken the great task of making this welfare system a more rational, equitable, and humane, and has done so with vigor and great faith, mindful of the general proposition that we ought to work for their livings." "The fundamental assumptions behind the plan," I added, "are clearly praiseworthy: the concept of a national floor under cash benefits, paid for by the National Government, the attention to improved financial incentives for work, the provision of income supplementation for the working poor, and the conscientious effort to relieve some of the fiscal burden now borne by State and local taxpayers, particularly in those jurisdictions that have historically been most generous toward their least fortunate residents." "As we set about examining the specific legislative language of the bill, and as reactions and analyses began to flood in from many quarters, Mr. President, I must say that with this proposed legislation was obvious above all others: the proposition that States and localities must wait 3 years, so-called 'reform' and 'sequence' of the fiscal relief that they so urgently need.

Meanwhile, in the context of another piece of legislation, the Committee on
Finance had responded to my fervent pleas for some immediate fiscal relief for hard-pressed States and localities. I asked for $1 billion, spread over 2 years, with actual State receipts in the second of those years linked to improvement in their welfare error rates.

This proposal was warmly endorsed by the Governors, by the mayors, by the county officials, and by others troubled by the heavy fiscal burden that welfare costs were imposing on our State and local governments. They also urged the administration to embrace the idea of interim fiscal relief within its welfare reform plan.

On Tuesday, that happened. In a splendid decision, President Carter added greatly to the momentum for passage of his welfare reform bill in the first session of Congress by agreeing to link welfare reform to interim fiscal relief for States and localities. Indeed, he and Secretary Califano agreed to go further than we had initially suggested and obtained the prospect of fiscal relief in all 3 years between now and the implementation of the administration's comprehensive welfare reform plans.

First and third installments of that interim fiscal relief will come before us later. In the form of modifications to the President's welfare reform bill now before the committees. The first installment, however, is before us today, as an integral element of the social security financing bill reported by the Committee on Finance. It provides $374 million to States and localities in fiscal year 1978, which began 1 month ago, distributed according to a formula that the Finance Committee developed, and that the administration has agreed to, under which half of each State's allocation is based on its AFDC expenditures and half is based on the formula of the general revenue sharing program. There is a further provision that these funds be "passed through" to local governments in those States where the localities share in the costs of aid to families with dependent children.

This is a reasonable amount. While it represents only a modest fraction of current outlays in this multibillion-dollar enterprise, it will confer real and substantial benefit in the current year on every one of the 50 States. And, just as importantly, it will serve as an earnest of our commitment to genuine welfare reform, and to the sizable amounts of fiscal relief that must be part of any genuine welfare reform plan.

The Committee on Finance had also proposed some other interim modifications to the current welfare system based on the committee's strong belief that the prospect of comprehensive reform 3 years hence did not obviate the need for immediate and implemented improvements in the present, jerry-built programs. Accordingly, and again with the full support of the Carter administration, three such modifications, requested by any jurisdiction wishing to do so. States desiring to conduct such programs must first submit them to the Secretary of HEW, who will have 45 days to consider them. If approved by him in their entirety, the State can put its plans into effect. It is important to note that participation in such programs will be entirely voluntary from the standpoint of the individual welfare recipient.

Second, many States have been seeking this access for years. In New York, for example, State officials estimate that as much as $100 million a year may be saved by allowing the welfare agencies to consult these records as part of their review of individual cases.

Third, because a high "error rate" has been a persistent problem in the AFDC program, States will be given modest financial incentives to bring their error rates below the current level per annum.

The committee on Finance, and the administration, all look upon these provisions as a "package" providing fiscal relief on the one hand and, on the other, a trio of modifications to the current AFDC program designed to make it more efficient, economical, and effective. I cannot close these brief comments without remarking once again on the splendid boost we are now in a position to be able to give to the concept of welfare reform. While more fiscal relief and minor program modifications are obviously required, passage of the committee's bill will not signal to the entire Nation our commitment to serious reform of a system that is wide-open— and riddled as it is with costly, inequitable, and confusing.

Mr. Baker. Mr. President, Senate consideration of legislation to remedy the financing difficulties confronting the social security system is overdue, and I am pleased that we are now addressing the need to take action to insure the future fiscal stability of the system.

Since its inception, social security has evolved into a comprehensive retirement, disability, and survivors' insurance system which reaches almost every American family. While the system has its weaknesses, its mandatory nature and almost universal coverage has made it possible to provide a level of social insurance to 33 million Americans who now rely upon social security benefits and who would also suffer more than 100 million now paying into the program.

The deficit facing the social security trust funds, which is calculated to be about 8.5 percent per annum over the next 75 years, is the result of a combination of factors. About half of the deficit is the result of a technical defect in the formula for computing benefit increases which has resulted in benefits rising at a faster rate than wages. This flaw can be corrected by indexing future benefits to wages, as recommended by the Commission on the financing of the social security system. In order to insure that the ratio of benefits to wages before retirement remains about the same. Other factors affecting the financing problem are the loss of revenues to the trust funds as a result of recent high rates of unemployment and the declining birthrate, which produces fewer workers entering into the system. In addition, the number of disability beneficiaries has increased by 1 million since 1973—an increase unanticipated by the Congress and one which is expected to deplete the Disability Trust Fund by 1979.

While the problems associated with the disability insurance program are not addressed in the legislation before us today, I was pleased to learn that the House Committee on Social Security plans to review the program next year as part of the larger review of the social security system. I hope that this body will also examine the causes of the large increases in disability claims and devise solutions wherever possible.

There are two strong arguments against this recommendation, however, which have persuaded me that the President's proposal would be ill-advised. First, relying upon general revenues will erode the "earned-right" nature of the social security system—an aspect of the program which, in my view, accounts in large part for the overwhelming public support the program has received throughout the years.

Secondly, when the financing of benefits is not directly dependent upon taxation, the actuarial assumptions of employers and employees the pressures upon Congress to further expand benefit levels and eligibility will become even more severe than they now are.

A second alternative, and one which has been rejected by the House, would be to gradually increase the retirement age to 65. While I am aware that such a change is overdue, it is my view that it would be a serious breach of faith for the Congress to further raise the retirement age of 65 which is now the median retirement age of all workers. For this reason, I have rejected this option for coping with the deficit. The remaining alternative, Mr. President, is to continue to rely upon the traditional method of financing the system through employer and employee taxes. After reviewing the problems confronting the administration, I have concluded that this is the most realistic means of insuring the sol-
vency of the social security program and protecting the rights of future beneficiaries.

In arriving at the combination of wage-base and tax-rate increases which will be necessary to accomplish that goal, I hope that we will refrain from the temptation of placing a disproportionate share of the tax burden upon middle-income wage earners who are already laboring under the severe effect of inflation on income tax rates. In addition, I would caution against deviating from the traditional parity which has been maintained between taxes on employers and employees by mandating heavy tax increases for employers. While the full economic effects of any tax increase cannot be predicted with complete accuracy, it seems clear that employers will not magically absorb such taxes but will pass them on to employees by cutting back on their labor force and on wages and benefits. Moreover, I fear that proposals to eliminate the wage base upon which employers pay social security taxes will bring on a new round of financing difficulties in future years as benefits, which are calculated upon employees' earnings subject to the tax, rise along with the wage base.

There is no doubt, Mr. President, that any increase in the social security tax will take its toll upon all workers now contributing to the system and that, depending upon how it is designed, it will affect some workers more than others. I see no choice for us, however, but to approve such an increase, for the alternative would be to abandon a program that is literally vital to millions. Accepting this fact, I believe that we can best serve the needs of the Nation by fashioning a measure which will distribute the burden as equitably as possible among classes of wage earners and employers.

As part of this effort, Mr. President, we have an opportunity to remedy some of the inequities which currently exist in the program. I am pleased that the Finance Committee has recommended increasing the earnings limitation on retirees under the age of 72. I have long supported such an increase, and I hope that we will be able to remove the limitation entirely for those who continue to work after retirement.

In addition, I support the changes which the committee has recommended to alter those aspects of the program which discriminate on the basis of sex, including those changes which have been mandated by recent Supreme Court decisions.

One of the most heatedly argued issues which has been raised in connection with the social security debate this year has been whether or not Congress should require coverage of Federal employees under the social security system. The civil service retirement system, which is mandatory for all but a few Federal employees, varies from social security in many ways—including the fact that Federal employees pay a larger tax on a larger portion of their income in order to receive higher benefits.

Thousands of retired employees, as well as those now working for the Government, rely upon this program as their sole source of retirement income. To mandate coverage of these employees under social security by a certain date without a more thorough examination than has yet been made of how the two systems would mesh would do an injustice to Federal employees, and I would oppose such proposals. If the Congress should determine that it is best to bring Federal employees into the social security program, then we should take whatever action is necessary to review the two systems and devise a method of combining them which will assure Federal employees that they will not be deprived of the retirement benefits which they have earned.

Mr. President, this legislation is one of the most complex measures which the Senate has considered this year and these remarks have touched upon only a few of the many issues which will be raised during discussion of the bill and amendments to be offered on the floor. I hope that, in the course of this debate, we will bear in mind the far-reaching impact of the actions we take today, as well as the need to restore public confidence in the social security system.
The Senate continued with the consideration of H.R. 9346.
Mr. ROBERT C. BYRD. Mr. President, the first vote will occur tomorrow morning at 9:35 a.m.
AMENDMENT NO. 1615

Mr. DANFORTH. Mr. President, the basic point, the only point of this amendment is to cushion the blow of programmed increases in social security tax liability for State and local government and for not-for-profit organizations. This amendment will not provide a windfall to anyone. No employer by virtue of this amendment will be paying less social security taxes in 1979 than today; no employer under this amendment will be paying less social security taxes in 1980 than in 1979.

The problem is that, by virtue of the bill that is now before us in whatever form it eventually comes out and by virtue of increases in social security tax liability already programmed in the law, State and local governments and not-for-profit organizations are going to experience a tremendous increase in social security tax liability over the next decade and beyond.

As a matter of fact, if we do absolutely nothing, if we do not adopt this amendment under the bill before us with the
increases already programmed in the law. State and local governments and nonprofit organizations will experience a 277-percent increase in social security tax liability by the year 1987.

That is just too much. Even under this amendment as proposed, the increase in social security tax liability for this group of employers will be 197 percent. So we are just talking about a little cushion from that tremendous blow.

It is certainly the case that the American people rely on State government, local government, the United Way, the Salvation Army, the Boy Scouts, and so on, to deliver meaningful services in their communities. And to the extent that we deal a substantial economic blow to this class of employers we are going to make it difficult if not impossible for them to provide the services for the American people that the people of our country demand and need.

I reserve the remainder of my time.

The ACTING PRESIDENT pro tempore of the Senate informed the Senate of the absence of the President, and read his declaration of the time.

Mr. NELSON. Mr. President, this proposal, or the essence of it, was discussed on a previous day, so I shall attempt to avoid being repetitious about all the ways it hurts us. If I will only comment on the major points.

The essence of this proposal is that for the first time general fund money will be used for the purpose of supporting the social security system.

That may or may not be a good idea, depending upon one’s viewpoint. There are those who argue that there would be a direct infusion of general fund money into the social security system, and there are those who strongly argue against it; both of them have defensible arguments from their own standpoints.

This proposal, however, would have the effect of refunding from the general fund 10 percent of all social security taxes paid by the State governments and all municipalities, public and private colleges, and other charitable institutions. The cost of this amendment starts at about a billion dollars a year, and during the period before 1987, the total will be $14 billion. In 1987, the cost will be a little more than $2 billion a year. By the year 1990, there will be $20 billion infusion of general fund money into the social security system, which is nothing more than a revenue-sharing concept. Even if one does believe that general fund money should be infused into the social security system directly, the question is whether this is the way to do it.

The general fund of the United States is supported by exactly the same taxpayers who pay Social Security for the States, the municipalities, and the public colleges. So taxpayers who are paying money into the general fund will support the Social Security, and all other nonprofit organizations who will receive a reduction in their social security tax payments.

If I were to support, at this stage, the concept of using general fund money, it would not be my view that this is the best way to do it. In any case, I am not prepared to support the concept at this time. The general fund money would then go back to the municipalities, running at a level of $2 billion a year by 1987, does not increase the benefits of a single retiree in this country. It is a revenue sharing plan so far as the municipalities and States are concerned.

We now have a general revenue sharing plan which is pending $8 billion a year in general revenues back to the municipalities and the States. Do we want to add to that general revenue sharing plan at this time, in this social security bill?

The Finance Committee proposal pending before the Senate authorizes all eligible employers—the States, municipalities, charitable organizations, and private colleges—to get a refund to 50 percent of the excess that they pay on the employee’s base over what the employee pays. That authorization will phase out in 25 years as the base of the employee rises.

The ACTING PRESIDENT pro tempore. The Senator’s 5 minutes have expired.

Mr. NELSON (continuing). And equals that of the employer. So I think it is a mistake to use general fund money at this time for this purpose.

Mr. President, how much time does the Senator from Missouri have?

The ACTING PRESIDENT pro tempore. Two minutes.

Mr. NELSON. I believe it was understood that we would delay the rollover for 5 or 10 minutes from the time set by the unanimous consent agreement yesterday. Was that correct?

Mr. DANFORTH. I think there was supposed to be, at 5 minutes to 10, a vote on the motion to table.

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. NELSON. As I recall, Senator MOYNIHAN had asked whether we could extend that time until 10 o’clock or something, and he discussed that request with the Senator from Missouri, did he not?

Mr. DANFORTH. Mr. President, reserving the right to object, I would like to clear this with the minority leader. It is my understanding—you want to do what?

Mr. NELSON. If the Senator will recall, Senator MOYNIHAN had asked whether we could extend that time until 10 o’clock or something, and he discussed that request with the Senator from Missouri, did he not?

Mr. DANFORTH. Mr. President, after the discussion had expired, the Senator from Missouri asked for a 5- or 10-minute call. Was that correct?

Mr. BAKER. I ask unanimous consent that I may now send the amendment with certain corrections, and it has been cleared with the staff of the Senator from Wisconsin, and that the amendment as presently sent to the desk might be the one to be voted on.

Mr. NELSON. May I ask, what is the request?

The ACTING PRESIDENT pro tempore. Is there objection to the modification of the amendment? The Chair hearing none, the amendment will be so modified.

The amendment as modified is as follows: Strike out section 106 and insert in lieu thereof the following:

"REDUCTION IN TAX FOR CERTAIN PUBLIC AND NONPROFIT EMPLOYEES"

SEC. 106. (a) Section 218 (e) of the Social Security Act is amended—

(1) by inserting “subject to the provisions of paragraphs (3), (4), and (5)” after “pay” in paragraph (1)(A) thereof; and

(2) by adding at the end thereof the following new paragraphs:

"(5) For purposes of paragraph (1)(A) in determining the amount of taxes which would be imposed—

(a) for calendar year 1979, the rates of tax under such section 2111 and the contribution and benefit base (as determined under section 230) which have applied for calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 shall be applied; and

(b) for calendar years 1980 and thereafter, the amount determined under paragraphs (3), (4), and (5), after the word “pay” in paragraph (1)(A) as the taxes which would be imposed by such section 2111 (without regard to the provisions which were changed) with respect to such employees shall (except as otherwise provided in paragraph (5) be reduced by 10 percent.

(c) Each agreement under this section shall provide that any State whose payments under the agreement are reduced by reason under subsection (b) of paragraph (1) shall agree to pay (and any such reduction shall
be made on the condition that such State pay to any political subdivision thereof that percentage of the aggregate amount of such reduction which percentage shall be equal to the percentage of the amount paid by such State under section 3111 (1) (A) for which such State was reimbursed by such political subdivision.

(5) The amount of the taxes which would be imposed by such section 3111 for a calendar year (taking into account the provision of paragraph (3)) shall not be less than the amount which under section 3111 (1) (A) for which such State was reimbursed by such political subdivision.

The amount determined for calendar year 1979 under paragraph (1) (A) as the taxes which would be imposed by such section 3111 for calendar year 1979 (after application of the provisions of subparagraph (A) of paragraph (3)).

(b) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employers) is amended by adding at the end thereof the following new subsections:

Subsection -

(a) Relating to Employers

(1) During calendar year 1979, be equal to the amount which would be determined under subsection (c) (2) above if the rates of tax under section 3111 and the contribution and benefit base (as determined under section 230 of the Social Security Act) which would have applied during calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 and

(2) For the calendar years 1980 and thereafter, be equal to 90 percent of the amount determined under this section (without regard to the provisions of this subsection).

The amount paid by (within the meaning of section 512) of such organization shall -

(1) During calendar year 1979, be equal to the amount which would be determined under subsection (c) (2) above if the rates of tax under section 3111 and the contribution and benefit base (as determined under section 230 of the Social Security Act) which would have applied during calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 and

(2) For the calendar years 1980 and thereafter, be equal to 90 percent of the amount determined under this section (without regard to the provisions of this subsection).

Mr. NELSON. I ask unanimous consent that the agreement reached yesterday for the Senate from Wisconsin to have the floor to make a motion to table be postponed for 7 minutes, until 5 minutes after 10.

The ACTING PRESIDENT pro tempore. Is there objection?

Mr. NELSON. Yes.

The ACTING PRESIDENT pro tempore. Yes, it is so ordered.

Mr. DANFORTH. Mr. President, I ask unanimous consent that the remaining 7 minutes be divided as follows: I would like my 2 minutes originally agreed to, and then that the remaining 5 minutes be equally divided.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Missouri is recognized for 2 minutes.

Mr. DANFORTH. Mr. President, I would simply like to respond to the comments of the Senator from Wisconsin that his amendment does not call for any disbursement from the general fund to the social security trust fund.

Mr. DANFORTH. Mr. President, unless Senator Muskie, who is a co-sponsor, has something to add, I yield back the remainder of my time.

Mr. NELSON. Has all time been used up?

The ACTING PRESIDENT pro tempore. The Senator's time has expired. The Senator from Missouri has 1 minute remaining.

Mr. NELSON. Mr. President, I move to table the amendment and ask for the yeas and nays.

The ACTING PRESIDENT pro tempore. The yeas and nays have been ordered on the motion to table by unanimous consent.

The question is on agreeing to the motion to table the amendment of the Senator from Missouri. The yeas and nays have been ordered and the clerk will call the roll.

Mr. ZORINSKY assumed the chair.

The legislative clerk called the roll.

Mr. DANFORTH. Mr. President, I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HUGGINS), the Senator from Kentucky (Mr. HUBBLEDGE), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. MUKAI), the Senator from Arkansas (Mr. MCKINLEY), the Senator from New York (Mr. MOYNIHAN), and the Senator from Tennessee (Mr. SASSER) are not present.

I also announce that the Senator from Maine (Mr. MUSKIN) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "no."

Mr. STEVENS. I announce that the Senator from California (Mr. HARKAWAY), the Senator from Kansas (Mr. PLEASON), the Senator from New Mexico (Mr. SUNDSTROM), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.
The result was announced—yeas 34, nays 51, as follows:

[Roll Call Vote No. 616 Leg.]

YEARS—34

Byrd, Harry F., Jr.  Melcher, Franklin F.  Metcalf, Clinton P.
Byrd, Robert C. Jackson  Mendenhall, James  Morlan, Charles
Burke, James  McMillan, William  Morton, Adlai E.
Burdick, Lloyd B.  Gravel, Elisha W.  Metzenbaum, Howard B.
Byrd, Richard B.  Hatfield, Frank R.  Morgan, James B.
Brown, William  Hathaway, Melvin  Nelson, Abraham
Byron, Bill  Inouye, Daniel  Nunn, Max
Byrd, Robert C. Jackson  Inouye, Daniel  Nunn, Max
Cannon, Howard B.  Johnston, Clark  Proxmire, Paul
Cates, James  Johnston, Robert G.  Sparkman, James O.
Clark, Harry F., Jr.  McClure, Edmund S.  Talmadge, Herman B.
Cranston, Claiborne Pell  McIver, Thaddeus  Wilson, Robert B.

NOT VOTING—15

Bumpers, David  Huddleston, James H.  Muskie, Edmund
Eastland, James M.  Matsunaga, Daniel P.  Sasser, James D.
Hagel, Charles  McClain, Robert C.  Scott, Bob
Hayakawa, Daniel  McClellan, George  Sessions, John B.
Huyck, Yehuda  Moynihan, Daniel P.  Weicker, Thomas J.

So the motion to lay on the table amendment No. 1615 was rejected.

Mr. DANFORTH addressed the Chair.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Missouri.

Mr. DANFORTH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DANFORTH. Have the yeas and nays been ordered on the amendment?

The PRESIDING OFFICER. They have been ordered.

Mr. DANFORTH. Mr. President, I ask unanimous consent that the order for the yeas and nays be vitiated and we proceed—

Mr. HATFIELD. I object.

The PRESIDING OFFICER. Objection is heard.

The clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Kentucky (Mr. HUMPHREY), the Senator from Minnesota (Mr. MACLEAN), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Hawaii (Mr. MATSUANAGA), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Tennessee (Mr. SASSEN), and the Senator from Montana (Mr. MELCHER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), would vote "yea".

Mr. STEVENS. I announce that the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 57, nays 28, as follows:

[Roll Call Vote No. 617 Leg.]

YEARS—57

Abourezk, Harry F.  Gann, Mildred  Fellers, Harry H.
Allen, James  Goldwater, Barry  Percy, Charles  E.
Anderson, Richard G.  Griffin, Michael S.  Randolph, Charles  E.
Baker, John  Hansen, Gary S.  Ribicoff, Paul  R.
Bartlett, James  Hatch, Ted  Riegle, James  H.
Bayh, Birch  Hathaway, Melvin  Roth, Meyer  D.
Bentsen, Lloyd B.  Heinz, John H.  Sarbanes, Paul T.
Bayh, Birch  Heinz, John H.  Sarbanes, Paul T.
Baker, Charles  Heinz, John H.  Sarbanes, Paul T.
Cannon, Howard B.  Heinz, John H.  Sarbanes, Paul T.
Chafee, Claiborne Pell  Hollings, James  Sparkman, James O.
Clark, Harry F., Jr.  Javits, Jacob K.  Stevens, George V.
Cranston, Claiborne Pell  Laxalt, Pete  Williams, Michael
Dole, Robert  Long, Daniel L.  Stonesifer, John N.
Dole, Robert  Long, Daniel L.  Stonesifer, John N.
Durkin, James M.  Matthews, James  Tower, Donald C.
Domenici, Pete  Mathias, Wilbur J.  Tower, Donald C.
DeConcini, Lyndon B.  Laxalt, Pete  Wallop, Craig  S.
Doyle, John  Leahy, Edward M.  Wallop, Craig  S.
Domenici, Pete  Lugar, William  Thurmond, James  S.
Durkin, James M.  Mathias, Wilbur J.  Tower, Donald C.
Eagleton, Thomas  McGovern, Thomas F.  Wallis, Howard
Eastland, James M.  McIntyre, William  Williams, Alphonso  S.
Ford, Gerald R.  Packwood, Mike  Zorinsky, Tom  O.

NOT VOTING—15

Bumpers, David  Huddleston, James H.  Muskie, Edmund
Eastland, James M.  Matsunaga, Daniel P.  Sasser, James D.
Hagel, Charles  McClain, Robert C.  Scott, Bob
Hayakawa, Daniel  McClellan, George  Sessions, John B.
Huyck, Yehuda  Moynihan, Daniel P.  Weicker, Thomas J.

So amendment No. 1050 was agreed to.

Mr. DANFORTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.
SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The PRESIDING OFFICER. The Senate will now resume consideration of the unfinished business.

The Senate continued with consideration of H.R. 9346.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. GOLDWATER. Mr. President, may I have the attention of the majority leader?
Has there been a time limit agreed to on this amendment?

The PRESIDING OFFICER (Mr. RIECER). The Chair advises the Senator that there has been a 1-hour time limit placed on his amendment subject to the approval of the Senator from Wisconsin and the Senator from Kansas.

Mr. NELSON. I wonder if it is agreeable to make it an hour and a half? We may yield some back. That would be divided equally. There were four or five I had not talked to who said they want to talk to it briefly. The Senator from Arizona knows what “briefly” means around here. Why not agree on an hour and a half, if there is time left, we can yield it back.

Mr. CHURCH. Will the Senator yield for a question?

Mr. NELSON. Yes.

Mr. CHURCH. Is this a unanimous-consent request being propounded?

Mr. NELSON. There is already an agreement, I understand, to limit it to 1 hour. I am asking to make it an hour and a half.

Mr. CHURCH. May I ask if that hour and a half request accommodates amendments to the amendment being offered by the Senator from Arizona?

Mr. NELSON. The majority leader tells me it does not. I have not seen the agreement.

Mr. CHURCH. Does the unanimous-consent agreement prohibit an amendment in the nature of a substitute?

Mr. ROBERT C. BYRD. It would not prohibit an amendment. At the close of the hour, the Senator could offer an amendment.

Mr. CHURCH. I place the Senate on notice that I shall have an amendment in the nature of a substitute to offer. I want to preserve my right to do so.

Mr. GOLDWATER. Will the Senator yield at that point?

Mr. CHURCH. One hour is sufficient for me, equally divided.

The PRESIDING OFFICER. Is there objection?

Mr. DOLE. Reserving the right to object, Mr. President. The Senator from Kansas wants to make certain he understands what the agreement is or would be if it is approved. Can anybody advise me? There would be an hour on the Goldwater amendment.

Mr. NELSON. An hour and a half.

Mr. DOLE. With an up or down vote?

Mr. NELSON. I am not going to—

Mr. CHURCH. At the expiration of that hour and a half, or such time as is actually consumed, it is my intention to offer an amendment in the nature of a substitute, for which I would like to have an hour’s time for debate.

The PRESIDING OFFICER. Is there objection?

The Chair hears no objection. Without objection, it is so ordered.

The question occurs on the amendment of the Senator from New York.

Mr. GOLDWATER. Mr. President, who has the floor?

The PRESIDING OFFICER. The Chair is advised that the Senator from Arizona has the floor, but the business before the Senate at the moment is the amendment of the Senator from New York.

Mr. GOLDWATER. Will the Chair say that again?

The PRESIDING OFFICER. The Chair advises that the pending question is the amendment of the Senator from New York. That is the business at the moment.

Mr. GOLDWATER. Before I yield the floor for that purpose, I ask unanimous consent that Bruce Thompson and John Mervin of Senator Rorr’s staff and Terry Emerson of my staff be accorded the privileges of the floor during the debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER. Also, I ask unanimous consent that, at the expiration of the business of the Senator from New York, I be recognized to offer my amendment.

The PRESIDING OFFICER. Is there objection? Is there any objection to the amendment being in order at this time?

Mr. NELSON. What is the request?

Mr. CHURCH. Do I understand that the pending amendment is the amendment of the junior Senator from New York?

The PRESIDING OFFICER. That is correct.

Mr. NELSON. And what is the request?

The PRESIDING OFFICER. The Senator from Arizona has asked unanimous consent that his amendment be in order at this time.

Mr. GOLDWATER. No, following that of the Senator from New York.

I ask further unanimous consent that, following my amendment, an amendment
of Senator Roth occur. He was so kind as to give up his place to me.

Mr. DeConcini. Reserving the right to object, what was the second unanimous-consent request?

Mr. Goldwater. I asked unanimous consent that Senator Roth be recognized following the disposition of my amendment, because he was so kind as to yield his place to me.

Mr. DeConcini. If it please the Chair, I have an amendment I had hoped to offer after the senior Senator from Arizona offered his amendment and the Senator from Idaho offered his substitute, so I shall have to object to the unanimous consent for Senator Roth to be considered next.

The PRESIDING OFFICER. Objection is heard.

Does the Senator from Arizona want to restate his unanimous-consent request without the provision for the Roth amendment?

Mr. Goldwater. No, I shall not make that request. It is perfectly all right with Senator Roth that Senator DeConcini follow me, and he will take his place in line.

A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. Goldwater. What is the business of the amendment?

The PRESIDING OFFICER. The Senate is not in order. Let us have order in the Chamber. Several questions have been raised and before responding, I think it is important that we have order in the Senate.

The pending order of business is the amendment of the Senator from New York.

Mr. Goldwater. Is there a time limit on that?

The PRESIDING OFFICER. There is no time limit.

Is there objection to the amendment of the Senator—does the Senator from Arizona wish to have the Chair put his unanimous-consent request forward?

Mr. Goldwater. Yes.

The PRESIDING OFFICER. Perhaps I ought to restate it. I am not sure everyone here understands.

Mr. Goldwater. I thought the Chair had ruled on it. I had merely asked unanimous consent that I be recognized following the disposition of the amendment of the junior Senator from New York.

The PRESIDING OFFICER. That part has been agreed to.

Mr. Goldwater. There was objection raised to the other part.

The PRESIDING OFFICER. Does the Senator wish, then, to amend this unanimous-consent request so that the Senator from Arizona (Mr. DeConcini) might proceed following the disposition of the bill, amended and following that, Senator Roth of Delaware?

Mr. Goldwater. I thought that had been handled by the objection raised by Senator DeConcini. I think we generally understand what is going to take place.

I ask unanimous consent that Senator DeConcini be recognized following the completion of my amendment.

Mr. DeConcini. Following the completion of the amendment of the senior Senator from Arizona, that to be followed by the substitute by the Senator from Idaho.

Mr. Curtis. Reserving the right to object, I shall not object.

How long does that take us into the day?

The PRESIDING OFFICER. Is there objection, then, to the unanimous-consent request?

Mr. Thurmond. Unless my amendment can follow the distinguished Senator from Arizona.

Mr. Roth. I will object unless mine follows.

The PRESIDING OFFICER. The Chair will put the unanimous-consent request, restate it for the benefit of the Members here, and that is following the disposition of the amendment of the Senator from New York, the senior Senator from Arizona will present his amendment, that will be disposed of along with the substitute by the Senator from Idaho, that to be followed by the amendment of the junior Senator from Arizona, that to be followed by the Senator from South Carolina, that to be followed by the Senator from Delaware (Mr. Rorl), and that is the request.

Is there objection to it?

Mr. Curtis. Reserving the right to object, Mr. President.

The PRESIDING OFFICER. The Senator from Nebraska reserves the right to object.

Mr. Curtis. On how many of these amendments is there time fixed?

The PRESIDING OFFICER. The Chair would advise that on only two of those amendments have there been time fixed. Accordingly, I ask unanimous consent that the revised amendment I am now sending to the desk be substituted for the one I offered yesterday.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the modification of the amendment of the Senator from New York.

The assistant legislative clerk read as follows: Senator from New York (Mr. Moynihan) proposes an unprinted amendment numbered 1051.

Mr. Moynihan. Mr. President, I thank the Chair and my colleagues for making this intervention possible. I shall be as brief as I can.

Mr. President, the administration, on whom shall I am offering this amendment, has made some technical corrections in the draft which I submitted last evening.

Accordingly, I ask unanimous consent that the revised amendment I am now sending to the desk be substituted for the one I offered yesterday.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the modification of the amendment of the Senator from New York.

The assistant legislative clerk read as follows: Senator from New York (Mr. Moynihan) proposes an unprinted amendment numbered 1051.

Mr. Moynihan. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows: Strike out section 368 and substitute in lieu thereof the following:

Section 1. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "any" before "expenses" and by inserting before the semicolon at the end thereof the following: "which, for expenses other than for the care of a dependent child, shall be based on a percentage of not less than 15 percent or more than 25 percent of the total of such earned income for such month, with respect to which the percentage is to be applied to actual work expenses, and which for expenses for the care of a dependent child shall provide an amount equal to any such expenses, subject to such reasonable limits as the State shall prescribe pursuant to meth-
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s and standards prescribed by the Secretary, to assure that the limits allow an amount which fairly represents the actual

cost of maintaining a dependent child or children.

(b) Section 402(a)(8)(A)(ii) of such Act is amended by striking out "the first $30 of" and inserting instead "the first $60 of the total such earned income for such month plus one-third of the remainder of such income for such month" and inserting instead of the words beginning "such amount shall be excluded..." the words "thereafter..." (c) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for earnings during calendar months after December 1977.

Mr. MOYNIHAN. Mr. President, this amendment is, in a way, a substitute to a provision in the committee bill which is now before us. It has to do with the fact that the formula which is In the present bill, which provides for a scaling down of the disregard, is double the formula In the committee bill. It will pay salaries substantially above the average for all wage earners. Mr. JAVITS. Mr. President, I support the Committee. The revered Senator from New York, has risen, and I accordingly accede.

Mr. CURTIS. I thank my distinguished colleague. He is such a charming gentleman that he starts out with considerable advantage. He can garner a number of votes beyond the merits of the proposition he is advancing. So it is with considerable timidity that I rise to oppose his amendment.

Here is the situation: There is a provision in the bill, and the estimate is that if it stays there, it will increase welfare rolls and will not carry. If the substitute of the distinguished Senator from New York is adopted, the savings will drop down to about $119 million annually.

It comes about in this manner. Congress wants to do something to encourage welfare mothers to work, so that they can break out of welfare and get a job. What Congress has done is this: It has said that certain earnings shall be disregarded and will not be counted against the recipient. The mother can earn that much money and still draw welfare. If it prevails, we save $230 million a year. If the substitute or the alternative of the formula does so.

Mr. President, there is no wisdom in this matter; worse, there is not even much information. The Department of Health, Education, and Welfare allows that it does not know anything about the effects of this provision one way or the other.

On the face of it, the present arrangements provide benefits to persons whom no one ever anticipated would receive them. Such is the inexorable mathematics of marginal rates of taxation, and it is the dilemma which faces all programs of this kind.

The committee bill is estimated by the committee to reduce the total cost of the AFDC program by $230 million. The administration measure would reduce it by $119 million.

I submit that there is a choice here between the amount of money to be saved: but also, I think that a reasonable person, looking at the effects of the committee measure on marginal rates of earnings, would have to agree that it has destroyed any incentive to additional earnings, and it was to create such an incentive that the original formulas were adopted.

That, Mr. President, is as much as I would like to present formally, and I would be happy to answer any questions.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MOYNIHAN. I yield.

Mr. JAVITS. Mr. President, I support the Senator, and I shall vote for his substitute. So few of the AFDC mothers—what is the formula? The formula in the law for a disregard of earnings that do not count against the recipient have proved it needs to be rewritten and tightened up. That is the reason why the Senate Committee on Finance put it in this bill. The provision in the bill now has passed the Senate twice. It has been approved by the Committee on Finance three times. If it prevails, we save $230 million a year. If the substitute or the alternative of the
The Finance Committee bill with respect to the "earned income disregard." This is the element of the AFDC program that prescribes how much in the way of private earnings a welfare recipient is permitted to retain without losing welfare benefits.

It is a complicated formula and therefore all proposed revisions in it are equally complex. Nevertheless, the Senate faces a difficult problem, and, until recently, deputy commissioner for income maintenance of the New York State Department of Social Services:

In its efforts to provide AFDC mothers with an incentive to work, the Congress in 1967 adopted the income disregard of $30 plus a third of remaining monthly income as well as of child care costs. As a result it is possible for an AFDC mother with three children to remain on welfare, albeit with a small cash grant, under any circumstances, and as long as she is on welfare, she remains eligible for Medicaid for herself and her children.

It is at least doubtful that a third has ever been a significant incentive to work—the mother in New York City who is employed has remained stable, at about 6 percent, for years, and the number who leave the welfare rolls because they obtained jobs with a remaining low—fewer than four percent. Its main effect has been to create a permanent class of welfare recipients. And it is estimated that most of the women who come on to the AFDC program will ever command jobs which will pay salaries equal to the average for all wage earners. Further, it creates a serious inequity between those who were on welfare and those who were, to the great disadvantage of the former.

The Administration has submitted a proposal to the Congress to substitute a standard deduction, calculated between 16 and 25 percent of gross income in place of itemized expenses, plus child care costs, plus 30 and one third of remaining monthly income as well as child care costs. This is a substantial improvement over the present system but it does not go far enough. It does reduce the cut-off point for a mother with three children from a maximum of $289 to a maximum of about $15,800 assuming a 20 percent standard deduction and child care expenses of $200 per month.

I would add two comments to Dr. Bernstein's reflections. First, with respect to the estimate that the proportion of AFDC mothers in the United States, as of July 1977, contained 3.1 million, with an average of 16,400,000 children, in the median income disregards, it is at least doubtful that a third has ever been a significant incentive to work—the mother in New York City who is employed has remained stable, at about 6 percent, for years, and the number who leave the welfare rolls because they obtained jobs with a remaining low—fewer than four percent. Its main effect has been to create a permanent class of welfare recipients. And it is estimated that most of the women who come on to the AFDC program will ever command jobs which will pay salaries equal to the average for all wage earners. Further, it creates a serious inequity between those who were on welfare and those who were, to the great disadvantage of the former.

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The present law allows the recipient to "disregard": First, the first $30 of his or her monthly earnings; second, one-third of all remaining earnings; third, the total amount of child care costs; and fourth, the total amount of other work-related expenses. Let us consider its effect on a typical, if necessarily hypothetical family. Since the average AFDC family in the United States, as of July 1977, contained 3.1 persons, and since the AFDC benefit guarantee level for a family of three with no other income was $261 in the median state during that same month, it is instructive to examine the impact of the
earned income disregard on such a family. Let us assume that the head of the family has earnings of $125 a week, or $500 per month, has $150 in child care expenses, and $100 in other work expenses.

Under present law, a recipient in those circumstances would be entitled to a disregard of $447, which means her monthly AFDC benefit would be reduced to $208. Her gross monthly income would then total $708, or an annual rate of $8,496.

The Committee on Finance has proposed—and the Senate has twice previously agreed—to change this formula quite drastically. Under the new formulas contained in this bill, an AFDC recipient would be allowed to disregard the first $30 of monthly earnings, an additional $307 of certain child care expenses, and to allow a further disregard of one-half of all earnings in excess of the first $307. This means her income of $7,368 would be allowed to disregard the first $30 in monthly benefits, the recipient would receive a gross income of $7,086, or an annual rate of $84,156.

In an attempt to find a satisfactory middle ground, the administration amendment which I have offered would disregard the first $30 In monthly benefits; would disregard actual child care expenses as prescribed by the Secretary; would allow 15 to 18 percent of total earnings for its immediate consideration. This amendment is offered for myself and 17 other Senators.

The final point I would like to make concerns the "marginal tax rates" implicit in these two alternative formulas. According to administration calculations, the Finance Committee bill would yield a marginal tax rate of 17 percent on the entire $150 in child care expenses, and would thus shrink the entire $150 to $68. The gross monthly income would then be $588 for an annual rate of $6,616.

In addition I believe that this provision should be more appropriately considered as part of the administration's welfare reform proposals rather than being prejudged at this time. I hope that the conference will carefully evaluate the full impact and appropriateness of including this provision as part of their final conference product.

Mr. MOYNIHAN. President, I have no further comments to make.

I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. The yeas and nays were ordered.

The result was announced—yeas 42, nays 43, as follows:

[Rolecall Vote No. 619 Leg.]

Yeas—42

Abourezk, Bishop, D'Amato
Anderson, Bayh, Bayne, Bentsen
Bourdieu, B夥, Byrd, Bierman
Chafee, Cranston, Danforth, DeConcini
Eagleton, Hatcher, Clark, Cranston
Case, Chafee, Clark, Cranston
Chambliss, Chiles, Clyburn, Clyburn
Cleaver, Cohen, Connolly, Cooper
Curtis, Domenici, Dominici
Duckworth, Domenici

Nays—43

Allen, Baker, Bartlett, Benton
Biden, Bentsen, Bayh, Bono
Boumediene, Bumpers, Bumpers
Burkhart, Byrd, Biondo, Biondo
Busch, Byrd, Byrd, Bingham, Bingham
Cannon, Cannon, Cannon, Cannon
Clark, Chafee, Chafee, Chafee
Chambliss, Chafee, Chafee, Chafee
Chafee, Chafee, Chafee

So Mr. MOYNIHAN's amendment (UP amendment No. 1051) was rejected.

Mr. MOYNIHAN. President, I move to reconsider the vote by which this amendment was rejected.

Mr. CURTIS. I move to lay that motion on the table.

Mr. LONG. Point of order, Mr. President.

Several Senators addressed the Chair. The PRESIDING OFFICER (Mr. MELCHERS). The Senator from Nebraska.

Mr. CURTIS. A point of order, Mr. President. A motion to reconsider must be made from the prevailing side.

The PRESIDING OFFICER. The Senator is correct. The motion must be made by a Senator who voted on the prevailing side or by a Senator who has not voted. The motion by the Senator from New York is not in order.

Mr. CURTIS. Mr. President, what is the pending business?

The PRESIDING OFFICER. The Senator from Arizona is recognized to offer an amendment.

[Amendment No. 1062]

(Purpose: Restoring right to withdraw earnings test for individuals age 65 and over.)

Mr. GOLDWATER. President, I send an amendment to the desk and ask for its immediate consideration. This amendment is offered for myself and 17 other Senators.
The PRESIDING OFFICER. The amendment will be stated.

Mr. CURTIS. Mr. President, may we have order so we can hear the Senator from Arizona?

The PRESIDING OFFICER. May we have order, please?

The Senate will have to be in order so we can have the clerk state the amendment.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Arizona (Mr. GOLDWATER), for himself, Mr. Dole, Mr. DeConcini, Mr. Bayh, Mr. Stone, Mr. Stevens, Mr. Thurmond, Mr. Hatfield, Mr. Helms, Mr. Enzien, Mr. Hornbeck, Mr. Eastland, Mr. Lugar, Mr. Allen, Mr. Roth, Mr. Packwood, Mr. Randolph, and Mr. Morgan, presents an unprinted amendment numbered 1022.

Mr. GOLDWATER. Mr. President, I ask unanimous consent that the further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The amendment as follows:

Strike out section 121 of the Act (together with the caption thereto) and insert in lieu thereof the following:

LEGISLATIVE AND RETIREMENT EARNINGS TEST FOR INDIVIDUALS AGE 62 AND OVER

Sec. 121. (a) Section 203(f)(8) of the Social Security Act is amended by striking out "a new exempt amount which shall be effective (unless such new exempt amount is amended by becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year and inserting in lieu thereof of such Act as amended by section 411(1) of this Act, "the applicable exempt amount" and

(b) (1) Section 203(f)(8)(B) of such Act is amended by striking out "the exempt amount for each month of a particular taxable year shall be" in the matter preceding clause (i) and inserting in lieu thereof "sixty-five percent of the maximum amount determined and published under section 203(f)(8)(B) of such Act as so amended.

(2) Section 203(f)(8)(B)(1) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "the corresponding exempt amount".

(3) The last sentence of section 203(f)(8)(B) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "an exempt amount".

(c) (1) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding any other provision of this subsection, the exempt amount which is determined for the individual who has attained age 65 before the close of the taxable year involved—

"(i) shall be $323.33 for each month of any taxable year ending after 1977 and before 1980; and

"(ii) shall be $575 for each month of any taxable year ending after 1979 and before 1982; and

"(J) shall be $456.33% for each month of any taxable year ending after 1980 and before 1982.

(2) No notification with respect to an increased exempt amount for individuals described in section 203(f)(8)(B) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203(f)(8)(B) of such Act in 1977, 1978, 1979, or 1980; and

(3) Section 203(f)(8)(C) of such Act shall not prevent the new exempt amount determined and published under section 203(f)(8)(B) of such Act in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203(f)(8)(D) of such Act (as so added)."
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and over effective January 1982. The amendment is identical to the provision already passed by the House of Representatives last week by the convincing vote of 268 to 149. Both that amendment and ours will phase out the earnings ceiling for older persons over a period of 4 years, from 1978 to 1982.

The ceiling. Mr. President, will become a period of 4 years, from 1978 to 1982. The amendment and ours will phase out the earnings ceiling for older persons over a period of 4 years, from 1978 to 1982.

Mr. President, will become a period of 4 years, from 1978 to 1982.

Mr. President, it is my feeling, and obviously the feeling of a majority of the people in this body, that the earnings test is an outrageous discrimination against more than 11 million citizens in the age group of 65 to 72.

Mr. President, if persons this age wish to remain active, they must pay a tax of 50 percent. They lose $1 of benefits for every $2 of earnings. By the time they reach 65, they will have paid taxes into the system over a normal working lifetime, and their employers have paid taxes on their behalf. I believe workers are entitled to receive benefits at age 65 whether they continue working or not. Their benefits have matured by then.

I know someone will raise the objection that repeal will be too expensive, but the cost estimates never take account of the additional revenue that will result from repeal of the earnings test. Based on studies made by independent economists, I am convinced that elimination of the earnings ceiling will generate at least $1 billion in added revenues. This would offset much of the difference between our amendment and the amendment that has already been approved in the Finance Committee bill. These additional revenues will come from 2 million or more of the persons who are now staying home and depriving the social security system of benefits that they will return to work after the earnings test is repealed and resume paying social security and income taxes. Since they are already drawing benefits and they would not add any new costs to the system. But by working for higher wages, they would pay additional income taxes and boost the national economy.

Not only has the Government never estimated the additional taxes that will be paid by the millions upon millions of persons who will rejoin the labor force or work for higher earnings, once the earnings test is repealed, but it has never calculated the increased output of goods and services that will be added to the national economy by repeal of the income test. So the cost arguments used against repeal do not hold up when one looks at all of the facts.

Mr. President, our amendment is endorsed by the American Association of Retired Persons and the National Retired Teachers Association. These organizations report that they have never received so much mail on any subject as on this one. Mr. President, I hope that there will be an overwhelming vote for the amendment.

I ask unanimous consent to have printed in the Record at this point a copy of the letter I have received from the American Association of Retired Persons and the National Retired Teachers Association. These organizations report that they have never received so much mail on any subject as on this one. Mr. President, I hope that there will be an overwhelming vote for the amendment.

In summary, we urge your support of repeal of the earnings limitation because it will in fact benefit large numbers of low income elderly and not just those who are already working full time. It is an easy way to improve their standard of living. In summary, we urge your support of repeal of the earnings limitation because it will in fact benefit large numbers of low income elderly and not just those who are already working full time. It is an easy way to improve their standard of living.

Sincerely,

PETER W. HUGHES
Legislative Counsel.
Mr. GOLDWATER. Mr. President, let me really get down to what I call the nitty-gritty of this whole thing. Take myself, for example. When I choose to retire, if I want to, I can collect social security. I am not a wealthy man, but I am not a poor man. Yet I can live off of my dividends, my retirement from the U.S. Senate, my retirement from my corporation, my income from investments; I can receive all that money that I can and not one dime will be deducted from my social security.

Now, what is right about that? I ask the administration, that was elected, to a large extent, on the argument that they were going to do something for the people, for human rights: What is right about this massive discrimination that allows a fellow like myself to retire and collect full social security benefits, and yet say to the man or woman who was not as fortunate as I have been in life, who did not work for a company that had retirement plans, that he or she has to live on social security alone?

Mr. President, you can do it, but you are not living even off the skinny end of the hog when you do it. I know. My State probably has a larger percentage of retired people than any other State except Florida. I listen to their troubles, and their troubles are based on the fact that they cannot live under social security alone. Many of these people are still very skilled craftsmen. Many of them can use their hands and are able to work. All they ask—all they ask—is the right to do what I have the right to do, earn some money after they retire. I am not penalized; they are.

That is all this amendment of mine is about, when you really get down to it. It does not matter to me whether it might cost social security $1 billion, whether it might, as I believe, bring in another billion and a half dollars to the system and to Internal Revenue. That does not matter to me. This, to me, is a matter of fairness. It is shocking to me that the administration is using all the muscle they can get together to defeat this amendment on the floor, even though the House has overwhelmingly passed it and even though millions of Americans want this.

Now, we have correspondence on our desk from the Secretary of Health, Education, and Welfare, that is so filled with inaccuracies that, knowing Mr. Califano as I do, I am convinced that he not only did not write the letter, he has never even seen it. Let me try to talk about some of the arguments they put forth.

First of all, they say the amendment is a rich man's amendment. According to the consumer income series issued by the Census Bureau in June this year, there were only 173,000 persons of age 65 and over whose total money income in 1975 was $20,000 or more. This is only 6 percent of all older persons and even less of all older persons. Ninety-four percent made below $20,000. Remember, this is total income. This amount includes rental income, pensions, dividends, and other income not subject to the earnings ceiling. Actual wages subject to the ceiling—average about $4,500—hardly a rich person's income.

Even if we look at total family income, which includes the combined incomes of three or four or five family members, the Census Bureau report shows that only 11 percent of all families headed by older workers had combined incomes of $20,000 or more—11 percent of those people retired. So the statistics being used against the amendment, Mr. President, are all wrong. This is nothing new to this body.

It is nothing new to this Senator. I introduced an amendment to this effect through the last three Congresses. I have never been allowed to testify on it at hearings devoted just to the earnings test. I have never been given the courtesy of that. I have heard nothing but arguments against it.

Then we decided to take the bull by the horns and introduce it as an amendment and see what would happen. I want to further point out that even older persons with higher incomes are entitled to their benefits. They have paid the maximum payroll taxes and have an earned right to receive their social security checks just the same as other workers did.

Mr. President, those are my basic, primary arguments on this.

As noted, it is not, to me, a question of how many dollars we are talking about because the social security system already is in rather bad shape, but that does not make any difference to the person who paid his money in.

Yes, he would like to know how bad the shape is and where the money went, but we have not been able to tell him.

But that does not alter the fact that we owe that person the money he has paid in.

Mr. STONE. Mr. President, I rise in support of Senator Goldwater's amendment and would like to commend him for his leadership on this very important issue.

It has been said that the true test of a society is the way in which it treats its senior citizens. The earnings test, which is currently a part of the Social Security Act, has caused great physical and mental harm to older Americans. This
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amendment would dispense with this unfair practice.

Under present law, the social security recipient who is between 65 and 72 years of age is denied $1 in social security payments for every $2 earned over $3,000 a year. This means that a social security beneficiary who receives the average $840 of monthly payments loses all social security benefits if he or she earns $7,717 in a year.

This provision forces many senior citizens, who are able and willing to work, to remain inactive, thus drastically reducing their earnings in order to receive social security benefits. This is a terrible injustice to American working men and women who have been led to believe that social security benefits will be paid to them as a matter of right when they reach a certain age. This right is earned by years and years of payroll deductions and matching payments by employers.

In view of the continuing rise in the cost of living, we must recognize that social security alone does not provide enough money for many people to live on. We should remember that the legal barrier that prevents those who cannot help themselves, can we afford to waste the specialized skills of our senior citizens by discouraging them from working? Do we wish to force our senior citizens to live unproductive lives when they have further energy and ambition? I do not think so.

Congress originally intended social security to be a supplemental security program. People were encouraged to add to their social security protection through private pension plans, savings, and continued employment. At present, however, the law nearly forces people to fall into the ranks of the indigent in order to receive benefits. This bill would reaffirm Congress original intent.

Mr. THURMOND. Will the Senator yield 5 minutes to Mr. GOLDWATER. The Senator from Texas asked me to yield first, and I will yield to him.

Mr. BENTSEN. Not on the Senator's time, because I am speaking on the other side and I do not want to impose on the Senator's time.

So I ask the manager of the bill to yield time to me, if he will.

Mr. NELSON. I am sorry, I was discussing with the Senator from Missouri.

Mr. BENTSEN. Will the manager yield me 10 minutes?

Mr. NELSON. I yield the Senator from Texas 10 minutes.

The PRESIDING OFFICER. The Senator from Texas.

Mr. BENTSEN. Let me say, when I first came to the Senate I certainly supposed the viewpoint of the Senator from Arizona and thought we ought to take the limitation off entirely. But I do think we run into some economic constraints that now require us to put some limitations on how far up we can go in raising this limitation on earnings.

The amendment that has been put in the Finance Committee bill is my amend-

ment. That amendment would increase the current limitation of $4,000 in 1978 to $4,500 in 1979. After that, it would increase by inflation to try to take care of it.

But one of the things that the amendment of the Senator from Arizona does not do, and under the present law, who did not do, is take care of the disabled and take care of the dependents.

We would have a very substantial number of people who do not have the same constraints that we have under the present law. We would have 6 million people that would be limited to $3,300 in earnings. Six million people, dependents and survivors, that would still be under the current legislation.

My amendment takes care of that. We provide that they will come under the $4,500 in 1978, go to $6,000 in 1979.

Let me give some examples as to how far we could go in the earnings under my limitation on earnings.

At the $12,000 earning level, a couple would have benefits before reduction of $13,205. This amount past the earnings limitation would be $3,000. They would get $6,209.

Now, that plus their earnings of $12,000 would mean that couple get a maximum of $18,209.

Those are the kind of earnings and benefits they could have under the Bent-

sen amendment to the Finance Committee's report. I think it is unfair and unrealistic to talk about forcing people to retire at 65.

I believe we ought to encourage them to continue to be active and produc-

tive as possible, and that is why I get a little more enthusiastic about that position.

Sixty-five was chosen as a mandatory retirement age in the 1880's when average life expectancy was far less than it is today.

Senator Curran, with his committee and the studies he has made and the proposals he has made, has been one of those who has laid it on the line in helping people to be active and continue to be productive for several years.

As I stated, I have been on record as to eliminating the earnings limitation as Senator Dole and Senator Goldwater propose it. But I changed that position because we are talking now about $1 billion addition in cost. We are talking about a 0.06 addition to the cost, the increase we have already made for the employees and the employers. It is burdensome enough as it is, and that transfer of income is going to be made from people generally of moderate incomes to those generally who are having rather substantial incomes after retirement.

Our work force currently numbers about 92 million people. Out of that number, some 88 million pay the taxes that support nearly 22 million social security beneficiaries, who are widows and widowers and their dependents, and the disabled.

Our best information suggested only about 15 percent of those over 65 continue to work. Perhaps 1.3 million of those over 65 earn more than the current exemption of $3,000. When we realize that it is $6,000, then we are talking about 500,000 people, that is how many are benefiting, 500,000 people, if we go above the $6,000 limitation that I put on it in the Finance Committee.

But I will say who we are taking it away from, we are putting additional constraints on 6 million dependents and survivors who will still be under the $3,300 limitation.

Mr. NELSON. Will the Senator yield? Mr. BENTSEN. I am delighted to.

Mr. NELSON. The Senator is making a good point. Not only does the amendment deprive potential beneficia-

ries who are at a lower retirement income than those who are benefiting, but paying for that increased cost is the worker who is earning the average wage of $1,000 a year.

That worker is going to have to make up the extra cost of $1 billion a year in order to provide full retirement benefits for somebody else who is earning the average wage of $1,000 a year.

Average wage earners are going to pay the cost of that extra billion dollars when, ironically, they themselves are working at a wage level so low they will never be affected by the removal of the earnings limitation.

I think that is the real outrage of the amendment, because, as the Senator knows, those who are now working are supporting those who are presently re-

tired.

Those working are supporting those retired. Doctors, lawyers, engineers, pro-

fessionals, and others are permitted to work until age 70, make $25,000, $30,000, $40,000, or $150,000 a year. They contribute not a penny to this increased cost because when they were contributing to social security the retirement earnings limit was $3,000.

Under the amendment, a $10,000 a year worker is being asked to contribute pay-

ments and then told that the doctor, thecome lawyer, doctor, or engineer can draw $8,400 tax free in retirement. That is an outrage.

Mr. BENTSEN. If we are talking about the kind of tax-free retirement, $8,400—that would be the equivalent of a municipal bond that we would be granting to them here today, if we voted for that, of $140,000.

Mr. NELSON. That is like giving wealthy older persons a $150,000 municipal bond, earning around 5.5 percent, so that they can draw the income from it.

Mr. BENTSEN. It is a little early for Christmas. We are just facing up to Christmas. We should not be talking about Christmas this early in the year.

We are talking about giving them, in ef-

fect, a $130,000 municipal bond, the equivalency of that, if we give them that kind of return.

I am talking about people being cared for rather well in this situation.

I made the point earlier that the maxi-

mum benefits paid to a couple, the bene-
fit before the reduction was only $4,500 a couple. With their $12,000 earning, they would be up to $18,209.

The PRESIDING OFFICER. The time of the Senator has expired.
Mr. BENTSEN. May I have an additional 3 minutes?

Mr. GOLDWATER. I yield the Senator from Kansas whatever time he requires.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Arizona for yielding.

I have listened carefully to the Senator from Texas. As one who supported his amendment in the Finance Committee, I certainly do not have any quarrel with the Bentsen amendment.

When we start tossing around figures of 5 million, or 3 million, or 2 million, I think it is well to suggest that we do not cover early retirees, age 62 to 65.

The Senator from Texas said that the disabled are not covered under our amendment. The fact is, the disabled are not subject to any limitation. If they start earning a lot of money, there may be a determination on whether or not they are totally disabled.

We do not cover minor children, and I understand that minor children make up about 3 million of the 6 million to which the Senator from Texas was alluding.

We get down to the question of whether or not we want our senior citizens, who have been paying social security tax for 40 years, to have the right to earn more money when they reach 65? That is all the Goldwater-Dole amendment does.

We have an opportunity, under the Goldwater amendment to raise the limit. The limit would be $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981 and then unlimited.

There is going to be an offer by the distinguished Senator from Idaho to gut the Goldwater amendment. He is going to take 5 years of benefits away from senior citizens.

I hope the Grey Panthers are listening as well as the National Association of Retired Teachers and the American Association of Retired Persons, when we see these efforts to cripple the Goldwater amendment, which has been in some form sponsored by some 40 Senators.

I hope that when we vote, we will look at the facts. There has been talk about the great cost of this amendment. The amendment in the committee bill, to 1987, costs $24.8 billion. The Goldwater amendment, for the same period, costs $24.9 billion—$100 million more. That is all for the next 10 years. So we are not talking about billions and billions of dollars in extra cost.

As the distinguished Senator from Arizona pointed out, these are going to the taxpayers, who will pay tax back to the Government.

Mr. President, I ask unanimous consent to have printed in the Record the facts and figures on the social security retirement test.

There being no objection, the material was ordered to be printed in the Record, as follows:

Mr. BENTSEN. Mr. President, I want to encourage people to continue to work past 65, and I want to encourage the widows and the teen-agers to work and still get social security. But when we consider taxing these 88 million people trying to get additional money to 650,000 people over 65 whose earnings exceed even the present retirement test level, I think we should think carefully about such a policy.

I believe that we should employ the limited resources available to us to provide incentives to people with lower incomes, lower social security benefits, to work past the age of 65.

The Senator from Arizona states that this will be recompensed to the Treasury because people will earn more money and pay the tax. But the problem is that they do not pay it back into the social security fund.

So what do we have to do? We have to raise it on the people who are working today, to be able to say actually that the social security fund is solvent and to say to the elderly people of this country that their savings will not turn to dust; that those savings are going to be there, waiting for them.

Mr. President, I believe that what we have done in the committee is an equitable proposal and is fair to the taxpayers. It has been endorsed by the National Council of Senior Citizens; by the Secretary of Health, Education, and Welfare, Mr. Califano; by President Carter.

The Senate has been debating the question of earnings limitations ever since 1935. The original Social Security Act stipulated that a person could not receive benefits and earnings in any one month. Then, in 1939, we liberalized that retirement test, so that a person earning $14.99 per month still could collect benefits. The law was revised 12 more times, and in 1972 we adopted the current provisions increasing the earnings limitation by the cost of living on an annual basis.

Remember, what I am talking about here is that the Bentsen amendment raises it almost double by 1979.

At no time during the 42-year consideration of this issue has Congress agreed to remove the earnings limitation entirely, and for good reason.

So I urge my colleagues to continue their traditional support for an earnings limitation; but I also urge that this figure be revised so as to provide additional incentives to people over 65 to remain in the work force, so as to allow these people to earn a more decent and productive retirement.

Mr. President, I yield back the remainder of my time to the manager of the bill.

The PRESIDING OFFICER. Who yields time?
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So I suggest we address the problems. The earnings limitation now is about 50 percent of the poverty level. It is not enough to raise the floor. The limitation deprives the economy and the work force of people who want to work. It is not enough to lower it. It means—because Republicans and Democrats alike in the House understood the needs of a special class of people.

If the Senator wants to talk about figures, this amendment effects about 21 million people. Not just the 1.6 million residents of some of the material made available.

The Senate recently added new protection against age discrimination in employment. That makes sense. Otherwise, we back some work and stay hidden from view. They are productive Americans. They have great potential. We need their assistance.

It seems to me that by having some means test, some demeaning test, some limiting test on American senior citizens, we are saying: You are second-class. We don’t care whether you paid for 30 years, 40 years, or 45 years. You are second-class citizens.

You cannot go out and earn money because you do not meet the test that is imposed. I think we deprive our senior citizens of their dignity. We call them to go on Government. It just seems to me that it is time to take some action.

Mr. CURTIS. Mr. President, will the Senator yield to me for an unanimous-consent request?

Mr. DOLE. I yield to the distinguished Senator from Nebraska for an unanimous-consent request.

Mr. CURTIS. Mr. President, I ask an unanimous-consent request that, in the order of amendments to be called up, following the amendment offered by Senator DeConcini, the Senator from Nebraska, now speaking, be recognized for an amendment and the amendment of Senator Thurmond, who holds that place, follow Senator Rorabch.

Mr. GOLDWATER. Mr. President, reserving the right to object, let me get it straight. It was my understanding that following the disposition of this business the Senator from South Carolina would be recognized, then Senator Roth would follow him.

Mr. CURTIS. The Senator from South Carolina has agreed to yield to me and other Senator.

Mr. CHURCH. Mr. President, reserving the right to object.

Mr. CURTIS. It does not disturb the Senator’s amendment.

Mr. CHURCH. I want to just add to the unanimous-consent request that following disposition of all of the amendments for which the Senator has made the request, one amendment with which the Senator is familiar relating to adjustments in benefits in inflationary years on a 6-months basis rather than an annual basis might follow in order.

Mr. CURTIS. Yes, my amendment, then Roth, then Thurmond, and then Church.

Mr. RIBICOFF. Mr. President, revising the right to object, am I correct that the amendment that Senator Thurmond was going to offer was the amendment that there was going to be a short colloquy on between Senator Tate and myself? If that is the case, I would hope that the order would not be changed, because it will only take 2 minutes, and I may have to leave, I say to the Senator from South Carolina, before he can present it under these circumstances and I would not be able to engage in the colloquy with him, and I think he would like that.

Mr. THURMOND. Mr. President, we can take the 2 minutes right now if there is no objection. All it will take is 2 minutes. I ask unanimous consent that we bring up this amendment and take not over 3 minutes at the outside.

Mr. GOLDWATER. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Arizona reserves the right to object.

Mr. CURTIS. Mr. President, I withdraw the request.

Mr. GOLDWATER. I would suggest they take time off of the bill. I do not anticipate using all of my time. I do not want to be caught in the position where my amendment is out of order.

Mr. THURMOND. I ask unanimous consent that the amendment be dispensed with.

Mr. GOLDWATER. I would suggest that the Senator from South Carolina reserves the right to object.

Mr. GOLDWATER. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Arizona reserves the right to object.

Mr. CURTIS. Mr. President, I withdraw the request.

Mr. GOLDWATER. I suggest that the amendment be dispensed with.

Mr. CHURCH. Mr. President, I ask unanimous consent that amendment No. 1619 be considered after the amendments that already have priority or are disposed of.

The PRESIDING OFFICER. Is there objection?

Mr. CURTIS. Mr. President, reserving the right to object. I add to my request. I thought it would clarify things but it is taking a little different turn now.

Mr. DOLE. Is this coming out of my time?

Mr. CURTIS. I ask unanimous consent it be charged to my time.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Nebraska.

Mr. CURTIS. Mr. President, I ask unanimous consent that the order of amendments in the pending one by one substitute offered by Senator DeConcini, Senator Roth, Senator Curuis, Senator Church, and then Senator Allen. Mr. ALLEN. That is all right. I just want to get on the list.

The PRESIDING OFFICER. Without objection, it is so ordered. But the Chair points out that the Senator from South Carolina is not on that list.

Mr. CURTIS. He is disposing of it now. Mr. RIBICOFF. I thought the Senator from South Carolina wished to handle the matter in 2 minutes and was going to ask for it now, and I ask unanimous consent he may be able to proceed without taking any time from the Senator from Kansas.

Mr. DOLE. The Senator from Kansas certainly agrees to that.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from South Carolina.

UP AMENDMENT NO. 1093

(Purpose: To permit military service performed after 1956 to be credited for the purposes of this subchapter to the individual or to his widow on proper application.)

Mr. THURMOND. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from South Carolina (Mr. Thurmond) proposes unprinted amendment No. 1093.

Mr. THURMOND. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following new section:

Sec. 3. (A) Section 8332 (J) of title 5, United States Code, is amended to read as follows:

(B) Notwithstanding any other provision of this section, the period of an individual’s service as a volunteer under part A of title VIII of the Economic Opportunity Act of 1964, and the period of an individual’s service as a volunteer or volunteer leader under chapter 34 of title 22 shall be excluded in determining the aggregate period of service on which an annuity payable under this subchapter to the individual or to his widow or child is based, if the individual, widow, or child is entitled, or would on proper application be entitled, at the time of that determination, to monthly old-age or survivors benefits under section 402 of title 42 based on the individual’s wages and self-employment income. If the service as a volunteer or volunteer leader under part A of title VIII of the Economic Opportunity Act of 1964 or as a volunteer or volunteer leader under chapter 34 of title 22 is not excluded by the preceding sentence, but on becoming 62 years of age, the individual or widow becomes entitled, such period of service would on proper application be entitled, to the described benefits, the Civil Service Commission shall redetermine the aggregate period of service on which an annuity is based, effective as of the first day of the month in which he or she becomes 62 years of age, so as to exclude that service. For the purposes of this definition, the period of an individual’s service as a volunteer or volunteer leader under chapter 34 of title 22 is excluded in determining the aggregate period of service on which an annuity is based, effective as of the first day of the month in which he or she becomes 62 years of age, so as to exclude that service. For the purposes of this definition, the period of an individual’s service as a volunteer or volunteer leader under chapter 34 of title 22 is excluded in determining the aggregate period of service on which an annuity is based, effective as of the first day of the month in which he or she becomes 62 years of age, so as to exclude that service.
CAused by the current social security situation from which there is no—language after World War II. It describes a situation from which there is no escape. In 1956, Congress, in passing a modification to the social security law to include the uniformed services, inadvertently created what has come to be known as Catch-62. I am proposing an amendment to correct this injustice.

Mr. President, Catch-62 applies only to veterans, and not just military retirees, who are retired from being employed by the Federal Government. Like other Federal employees, veterans can elect retirement at 55 and count all service to the United States for retirement, but all they do is lose credit for their military service after 1956.

These veterans find themselves caught between two different Government retirement systems. Their problem stems from being treated as if they were treated as if they were retired from the Federal Government—(A) the Civil Service Commission (which is attractive to his military service. (B) His annuity, which is recomputed after the date of the enactment of this Act. (C) The law which singles out a certain group of veterans to penalize, because they paid in Federal employment at the time, but later become entitled to their annuities. (B) The amendment made by subsection (a) shall apply only in the case of annuities to which individuals become entitled after the date of the enactment of this Act to have the amount of military service covered by military leave of the provisions of this subsection. But at age 62 they lose credit for their military service after 1956.

My amendment would remedy this inequity by providing that a veteran face no loss of income when he reaches age 62. Under my amendment, the veteran would receive a social security check, but his social security annuity would be decreased (or offset) by the amount of military service received. This is not a double-dip. The retiree would receive the same amount of compensation as he did prior to his 62nd birthday—no increase or decrease.

The following organizations support an amendment to correct an inequity in the social security law which discriminates against veterans who work for the Government:

The National Association for Uniformed Services (NAUS), which is necessarily away today, the National Association for Retired Federal Employees (AFGE), The American Association for Retired Persons (AARP-NRBA), the Fleet Reserve Association (FRA), the Retired Officers Association (TROA), the Air Force Sergeants Association (APSA), The Diplomatic and Consular Officers Retired (DSAIR).

The Disabled American Veterans (DAV), The National Association of Rural Letter Carriers (WALC), The Marine Corps League.

It has been reported to me that the Department of Defense supports this measure.

In the House of Representatives, Congressman Charles E. Bambitt has introduced similar legislation. His bill, H.R. 767, has considerable support in the House.

It is my understanding that the Honorable Thomas P. O'Neill, the Speaker of the House, has given his support when H.R. 767 is reported favorably by committee to the House.

Mr. President, I strongly urge unanimous approval of this amendment.

Mr. Rlidoff. Mr. President, the amendment which the Senator offers is not related directly to social security. Instead, it is an amendment to title V of the United States Code which is properly in the jurisdiction of the Committee on Government Operations. Earlier this year the Senator introduced a bill, S. 245, which would accomplish the same purpose as his amendment. I am told by the Junior Senator from Tennessee (Mr. Sasser), who is necessarily away today, that he would hold hearings on the Senator's bill in the course of studying other retirement-related legislation.

The amendment which the Senator offers would credit an individual's years of military service, not toward civil service retirement rather than social security retirement. Under current law, time spent by Federal employees in the military service before or during their Federal employment is generally creditable service under the civil service retirement system. Employees make no contribution to the retirement fund to cover their service time even though the same amount of retirement credit is granted for years in the military as for years of civilian employment during which contributions are made.

Since January 1, 1957, military members have been required to make social security contributions from their pay. If a civil service retiree become eligible for social security benefits his civil service annuity is recomputed and his military service after December 31, 1956, is excluded from the annuity computation. The law, in effect, requires that military service performed after 1956 be credited to social security when a retiree is eligible for benefits under title II of social security. I am concerned because of the lack of information available as to the number of Federal employees who would potentially be affected by this amendment. The estimates which we have from the National Association for Uniformed Services is anywhere up to 112,000 Federal workers. These individuals would be able to credit their years of military service toward their civil service retirement without having made the required contributory payment to the retirement fund. Therefore, we have no information available with which to judge the potential effects on the unfunded liability of the civil
service retirement fund. They could be substantial. I know the Senator shares my concern that we should have these facts before we take action. I want to emphasize that I, too, support the principle that those who have served in the military receive equitable retirement benefits. For this reason, if the Senator is willing, I would ask the Senator from Tennessee to hold early hearings on his bill in the next session. Hopefully, the hearings will produce a body of testimony to support the Senator from South Carolina's proposal.

Mr. THURMOND. Mr. President, in view of the statement and assurances by the able and distinguished Senator from Connecticut, I will withdraw the amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

UP AMENDMENT NO. 1052
Mr. DOLE. Mr. President, the charge is going to made time after time, and I can hardly wait for the Senator from Wisconsin to make it because he does it so eloquently. I think this is a rich Treasury proposal. That is one way to divide some on the Senate floor. According to the Consumers Income Series issued by the Census Bureau this year that shows 173,800 persons 65 years and over whose total money income in 1975 was $20,000 or more. This is only 6 percent of all older workers who earn income. Ninety-four percent made below $20,000. This is total income. That includes rental income, dividends, interest, pensions, and other income subject to the ceiling. Actually wages subject to the ceiling average about $4,500, hardly a rich person's income. If we look at the total family income, which includes the combined incomes of three or four family members, the Census Bureau this year shows that only 11 percent of all families headed by older workers had combined incomes of $20,000 or more for all families who had earned income. That is, only 11 percent of families against which may be levied a tax to pay against this amendment are not correct.

Let me also point out that Members of Congress are not subject to the social security system. The President of the United States is not subject to the social security system. The Vice President is not subject to the social security system. Members of the Cabinet are not subject to the social security system. So we pass in judgment and make the policy although Congress is not even part of the system. We do not understand all the complexities and all the down sides of the system. We do not have any earnings limitation. The Senator from Kansas may offer an amendment later on today which would provide Members of Congress and members of the Cabinet into this system. I make the point now to underscore the fact that 40 some Senators have cosponsored this principle. I would only repeat those for the record who have either cosponsored Senator Goldwater's measure or have in the past introduced or cosponsored similar legislation.

The list of distinguished Senators includes myself and Senators Schmitt, ALLEN, DANFORTH, HELMS, HANSEN, CASE, JAVITS, DECONCINI, HARRY F. BYRD, JR., HAYFIELD, JOHNSTON, STEVENS, THURMOND, CANNON, FELL, MAGNUSON, STONE, BARKLEY, YOUNG, Domenici, NUNN, RIBICOFF, STAFFORD, LEAHY, ABOURNEZ, WECKER, GANN, INGUYE, CHAFE, LUGAR, HUBBOLDEN, BAKER, ROTH, PACKWOOD, and BATE.

So there is a fairly representative group—Republicans, Democrats, conservatives, and liberals—to indicate that there is rather widespread support for what Senator Goldwater seeks to do today.

So, Mr. President, I would hope that when the time comes when there is an effort to gut the Goldwater amendment by the Senator from Idaho, we can successfully lay that effort on the table.

I yield back the remainder of my time.

Mr. MOYNIHAN. Mr. President, will the Senator from Wisconsin yield me 10 minutes on the bill?

Mr. NIXON. Mr. President, I yield the Senator from New York 10 minutes.

Mr. MOYNIHAN. The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, we have just completed action on a welfare amendment which is part of the bill before us, and has to do with the amounts of earnings which welfare recipients, in the main mothers, are able to keep as an incentive to work before they begin losing benefits, and until they have finally lost their benefits altogether.

It was agreed that the present arrangements are too generous, and the Senate moved to restrict them. In that context I offered an amendment which would have enabled the so-called earned income disregard to continue in effect until a medium range of earnings. I agreed with him, that the proposal as amended is going to made time after time, and I think the Senator is going to make it because he does it so eloquently. I think this is a rich Treasury proposal.

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most affected by this decision?" they would say, "the internal revenues of the United States." We are proposing, in a 5-year period, to take $23 billion, in effect, out of the income tax system and transfer it to a very small group of persons who are comparatively well off.

It is not a "senior citizen" measure. A Senator which reeled back in some alarm that a welfare family might receive a dollar—one dollar—goes on with such emphasis that he provides the well-to-do older persons in this country with an extraordinary transfer of wealth from the working population at middle-income levels to this retired, but still active, older population of high-income levels.

Mr. President, I do not know how we are going to explain this if we do it. I can think of persons right now in New York City who would be very distressed if they were to hear me making this speech. I can tell you who would benefit from this measure in my city. Take the five most senior partners in the 50 largest, most successful law firms in South Carolina. There is $8,400 more per year in it for every one of them, tax free. They are not very much interested in this legislation. But other people would be.

I find a 65-year-old partner in Caddwallader, Frisbie, Humphrey, and Spink, and here we come, $8,400 tax free. If that is not welfare for the rich, Mr. President, I wait a more convincing illustration of the proposition.

I have sometimes disdained those people who claimed that such things went on, but now I thought their imaginations were perhaps not incorrect in the matter. I must say I rise in tribute to life imitating rhetorical art.

Thank you, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. GOLDWATER. Yield to the Senator from South Carolina, Mr. President.

Mr. NELSON of Florida. Mr. President, I join the distinguished Senators from Arizona and Kansas and other Senators in their effort to phase out the present restrictions on outside earnings by social security recipients under the age of 65.

Mr. President, there is no question as to the impact of this limitation. Many older persons are being pressured into not working for fear of losing their benefits. As a result an untold amount of valuable skills acquired through many years of hard, honest work are totally lost to our country.

Such a limitation is in direct contradiction of a fact widely accepted by the Federal Government, gerontologists, and others concerned with the health of the elderly. That fact is that the hiring and retention of older workers in all aspects of the economy is very "good medicine" for the elderly. It should be encouraged in every possible way, and removing this limitation is one way to accomplish this objective.

Mr. President, in my opinion, this aspect of the social security system is extremely inequitable. Investment income is not considered when determining whether an individual's social security benefit shall be reduced. This allows a wealthy man who received thousands of dollars a year in interest income to collect his full social security benefits. However, the average man who never had the time, much less the money, to enter the world of investments, and who might need to continue working in order to insure the economic survival of himself or his family, cannot work without being subject to this penalty. This is simply not right.

Still, it is argued by opponents of this amendment that repeal of the limitation would merely benefit the relatively higher income elderly, and not the elderly persons of low income. We must recognize that the working elderly are of higher income than their nonworking counterparts for the same salaries. If they face the same work. Compared to younger workers, even the working elderly are of relatively low income. More importantly, there is a large group of hidden beneficiaries that their filiality of the earnings limitation choose to ignore. It is a well documented fact that large numbers of low income elderly deliberately hold their earnings down and drop out of the work force because of the artificially high tax rate the earnings limitation imposes. Since these people are not currently having their social security benefits reduced, they are not counted as potential beneficiaries. The fact that the repeal of the test will permit these people to earn additional income to supplement and improve their standard of living.

It is said that removal of the earnings limitation will be too costly. In my opinion, this begs the question. The people who receive social security are the same citizens who have worked hard all their lives and have not been on the welfare rolls. These people are the backbone of America—they are the men and women who believe in America and have quietly and loyally paid into the social security program all their lives. To deny them the fruits of their labors now, when they need it most, is not only illogical, but unjust.

Mr. President, let us remove this obstacle which stands in the way of thousands of our senior citizens who want to work. Work produces income and income produces tax revenue. Work contributes to the good health of our senior citizens who have many valuable skills to contribute to this country. Removal of the earnings limitation is an equitable and reasonable plan.

Mr. President, I urge my colleagues to carefully consider this measure, and to join me and others in this effort to bring meaningful reform to the social security system.

Mr. GOLDWATER. Mr. President, I think the time situation is about 20 minutes on each side.

The PRESIDING OFFICER (Mr. Adams). Time is correct.

Mr. GOLDWATER. Mr. President, I yield myself 5 minutes.

Mr. President, I have not heard anything said in opposition to my amendment which I feel is the least bit convincing. To illustrate this point, the Senator from Texas made, that if we lift the earnings limitation those people who are 65 who care to go to work will be freeloaders, no, that is not correct. They will have to pay social security taxes just as the younger people, and their employers will have to pay their part of social security. We are not doing anything to upset the applecart. As the Senator from South Carolina pointed out, over a 10-year period there is only a $200 million difference involved in about a $24 billion to $25 billion figure.

Mr. President, I get back to my argument to the people who believe this does not seem to make any difference, the average social security benefit for a retired worker is $230 per month. The average for a couple both receiving benefits, is $400 a month.

If we compute the balance sheet and stand up and say, this is a living income, I can tell my colleagues on this floor who may not be aware of it—that many, many social security recipients are receiving food stamps. Do they want to? No, they have to, in order to live. Giving these people the chance and the right to work, the chance to use the wealth accumulated during a lifetime, will not only increase the tax revenue, but it is going to relieve the people of the difficulty of trying to live on social security money alone and allow them to keep their heads as they have done all their lives in paying this money.

This is not money that we are giving them, Mr. President. This is money that they have paid into the kitty. Where that kitty is not going to seem to make any difference, but this is money that is owed the American worker. I repeat what I have said earlier: I do not think we have the moral or even the constitutional right to say, "Yes, we owe you this money but we are not going to pay it to you."

If the U.S. Government is going to take that attitude, I do not think they are going to have the respect of the American people too long.

Mr. President, I will just remind my colleagues we have recently completed an action on age discrimination that enabled people to work until the age of 70. If the earnings limitation were to remain, we would penalize these persons who remain in the labor force until age 70 by depriving them of their social security checks.

We are talking about what is fair and what is right, and what is moral. My whole argument is based upon these elements. I have not heard a single argument raised against that argument.

Mr. NELSON of Florida. Mr. President, I think we have heard about every argument on each side of this issue. What I will say briefly will be repetitious for emphasis.

I point out that the reference was made by Senator Bentsen earlier that the National Council of Senior Citizens is deeply concerned about the retirement problem in this country.

It is their full-time concern. It was, until recently, headed by Nelson Cruikshank, and there were distinguished gentleman in this field. They made a statement in March on this question in a pamphlet on the retirement problem.

The PRESIDING OFFICER. Does the Senator intend to continue?

Mr. NELSON of Florida. Yes, Mr. President.
need not suggest that they are not against retirees. That is whom they represent. From that pamphlet I quote just one brief paragraph:

"It would appear evident that the elimination of the retirement test in the social security program is neither practicable nor desirable, since it would cost a sum far in excess of what those who are least in need and derive a very large number, including those most in need, of the benefit of possible improvement in the system."

There is simply no doubt about that. If we eliminate the retirement test entirely, the cost is $4 billion a year when it is totally eliminated. That compares with a cost of $3 billion a year under the $6,000 retirement earnings limitation that the Committee on Finance has sent to the floor in its bill. When average wages rise, so will the $6,000 earnings limitations under the committee bill.

Now, the statement is repeatedly made that people who have retired earned this income; that those who are over the retirement limitation level earned their pension, and, therefore, should receive it. As Senator Moynihan has pointed out, this is not an annuity program; it is an insurance program.

Of course, it can be converted. That is what is about to happen here if the amendment prevails. Under an ordinary insurance program in which you buy your own annuity, if the owner of the annuity dies, that money goes to the estate—whether it is a first cousin, second cousin, whatever relative may be left. Here, if there is no beneficiary of that retiree who dies, the money remains in the fund. If there is no dependent, it is not taken out of the fund and put into an estate that ultimately goes to first and second cousins; because that was not the purpose of this social security program.

If you want to convert it to an annuity program, we can. But those who have been saying social security taxes are horrendous would face a payroll tax increase much more substantial than we already have if we approve this amendment.

It was not the intent of the designers nor was it the purpose of the social security law to have an annuity program. Every Congress since 1935 has recognized this.

The liberalization of the committee bill is to double—no, I should say, to triple—by next year, from $3,000 to $6,000, which will be tied to the increase in average wages. By 1967, the retirement test will be about $12,000.

We must recognize that this is not an annuity program, that it is an insurance program. Its purpose is to help replace lost income when people quit working. There are 650,000 people in America who are over 65 and who are earning enough income so that they will lose some or all of their retirement benefits. If we double or triple this bill, you can earn $22,000 before you lose all of your retirement benefits under the $4,000 limitation if you are married and receiving maximum benefits. And $22,000 is better than twice the average income of the worker who is supporting the system.

That is what that engineer, that professor, that professional man, that manager of his little plant or that manager of some little industry, who is making $18,000 a year or a single person who is making $9,000 a year, will not be paying to pay for it.

I want to see the Member of Congress who is prepared to stand up in a public forum in any city or any community in this country and say, "Yes, that lawyer of that distinguished law firm, Mr. Jones, who is 67 years old and making $150,000 a year practicing law, has lifted the limit for him. He was not entitled to that income. He was not entitled to that under the current law; but we lifted the earnings limit so we are going to give him $8,400, tax free on top of his $150,000. You fellows and women, working down in that plant getting $10,000 a year, are going to pay for it."

What kind of income transfer is it that takes from the poor and gives to the rich? Mr. MOYNIHAN. Will the Senator yield? Mr. NELSON. Yes.

Mr. MOYNIHAN. I rise to support the Senator's proposition and say, with respect to the average citizen who might want to ask this question of one of his legislators, that he need not make it a generalized question like: Did you give all this money to some rich people? It is not hard to know who these people are. He need simply inquire of any lawyer, what are the five largest law firms in town, and get the names of every partner who is over 65. He will know which.

Mr. MOYNIHAN. To get the $8,400 a year? Mr. NELSON. Yes. Mr. MOYNIHAN. Then I am entitled to ask the Senator, with respect to the average citizen who might want to ask this question of one of his legislators, that he need not make it a generalized question like: Did you give all this money to some rich people? It is not hard to know who these people are. He need simply inquire of any lawyer, what are the five largest law firms in town, and get the names of every partner who is over 65. He will know which.

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If the Senator from Louisiana had not been here to direct attention to that fact, this Nation would have been completely destroyed because the amendment promised pensions to everybody on God's green Earth automatically, even if he had not put a nickel into it.

But at least we have this much explanation for how that happened. That was done because nobody had thought about the matter. They just had not thought about the amendment out that carefully.

But here we are today and say, "Why in the world did they give old Ben Brown, who was already making $150,000, the equivalent of $28,000 of additional income that nobody promised him?"

He did not ask for it, did not vote for it.

Like some people that got the Prouty pension of who are senior partners in the firm, he had not put a nickel into it. Why would you want to do something like that?

I know if we send them the money, they will not insulate us by sending it back. But at the same time, I wonder why we would do something like this.

Here is an enormously wealthy person trying to figure out how to leave some money to his children or his grandchildren. He is not doing it to do them any harm than anything else, and somebody wants a way to give him the equivalent of $28,000 additional income, $8,400 tax-free.

It just absolutely makes one wonder. One would wonder when we have all this munificence to bestow on somebody, all this largesse, why did we not think about this poor old soul that was not getting much to hold him and hair together—why not increase his pension a little, rather than give it to that lawyer?

How many lawyers is the Senator speaking of who are senior partners in the firm, the guy whose name appears first on the door, how many of those people does the Senator know who have petitioned him to do this for them, is he aware of that?

Mr. NELSON. No, but if they think of it, they will.

Mr. LONG. Well, I do not know. I have not had one call. I would be willing to consider voting for this if one of my friends who is a senior partner in one of the firms could call and say, "Well, I've been discriminated against, treated badly, I think I ought to have this."

But I am not aware of anybody that expects it.

Of course, I must say that sometimes the best politics is not to give somebody something that they have a right to, or a right to expect, because people like that do not appreciate it as much.

If we find something to give somebody who has no right to expect it, makes no sense of whatever, sometimes those people are more grateful than the people that actually had a right to expect something.

Mr. DOLE. Will the Senator yield?

Mr. NELSON. On the time of the Senator from Kansas.

Mr. GOLDWATER. I will yield.

Mr. DOLE. I want to remind the distinguished chairman it was only in the last couple of weeks the Senates passed $40 billion of energy credits to many people who did not deserve it. Many people who are rich the law says they should do, they will get the tax credits under the big energy bill we passed.

We are talking about people who have worked all their life. There is quite a difference. It is just depending who has the—

Mr. NELSON. Mr. President, how much time does the Senator from Wisconsin have?

The PRESIDING OFFICIAL. The Senator from Wisconsin has 6 minutes, and the Senator from Arizona has 14 minutes.

Mr. LONG. Mr. President, we did in the energy bill give some tax credits to some people.

Mr. NELSON. Is this response on the time of the Senator from Kansas?

Mr. RIEKER. Let me just say this and I will be through.

Yes, in that energy bill we did give some tax credits to some people who might not be expecting it. But we feel if they do not expect it, we think they should do, they will get the tax credits under the big energy bill.

Look, what is the head of the law firm going to do that we should encourage him to do? Will he retire and let somebody else take over? No, we give him the money to stay there and deny the other man the opportunity to move up and become head of the law firm.

Mr. NELSON. I thank the Senator.
WATER—and, by golly, I think in your hearts you know I was right. (Laughter.)

Mr. NELSON. All I point out is that this amendment would benefit only 650,000 people out of 22 million who are over age 65. Mr. President, 650,000. They are the ones who are in the best position now.

Mr. DOLE. Mr. President, I underscore what the distinguished Senator from Arizona said. I think the argument was predictable. You get up and cite some horrible example, and we are supposed to focus on it instead of the problem and the issue.

The AMENDMENT IS IN ARREAR

What the amendment does is to remove one of the most onerous provisions of the social security law as it applies to individuals who are now retired. The present earnings limit of $3,000 is unfair. It is set at a completely arbitrary limit. Presently less than 50 percent of the official poverty level. The penalty is also arbitrary because it applies only to earned income and ignores income from investments.

ECONOMIC SENSE

There is a compelling economic argument for repealing the earnings limitation. The earnings test deprives our economy of the skills and productive capacity of millions of older citizens who are capable and willing to work. Many of the individuals do not work for no other reason than to avoid having their social security checks reduced. Not only do we lose their skills and output, but the Government also loses the taxes they would pay on those earnings.

Congress recently acted to give senior citizens new protection against age discrimination in employment. This legislation, now in conference, is but a useless gesture, unless we repeal the earnings limitation. It makes no sense to the Senator from Kansas to penalize a person for working.

HOUSE ACTION

The House recognized the problem caused by the earnings limitation by approving by a vote of 268 to 149 a phaseout proposal for persons aged 65 to 72. A proposal in the Finance Committee similar to the House version failed by a vote of 9 to 9 to vote. The committee bill has a provision to increase the ceiling from the existing $2,000 in 1977 to $4,500 in 1978 to $6,000 in 1979.

While I support that action, it does not go far enough for our senior citizens. Therefore I support the removal of the limitation for workers over age 65.

The Senator has been talking about income transfers. Social Security is not an income transfer program; it is a retirement program. Many have tried to make it an income transfer program over the years and nearly succeeded. About 22 million of the social security component now goes for welfare programs. The Senator from Arizona is addressing those persons under the system who reach 65, who have paid into the system and who want to work.

It is good for everywhere in Congress to stand up and talk about the social security system, because we are not in it. We may have a chance to be in it later; but, as of now, we are not in the system.

It reminds me of the debate we had on the floor when the ethics bill was being considered, and we talked about earned income versus investment income. Rich Senators could clip their coupons and others could not do anything. It is much like the predicament we have now.

Mr. President, when you have been a lawyer, as the lawyer would have who we paraded around here for 20 minutes, or the rich professor, or the rich banker, you will first look for the law or the rules or the codes of earnings, and then qualify for social security, you can have $50,000 or $500,000, $1 million, or $10 million, in investment income at age 65 and still get your social security benefit. It is only those who want to work, those who want to earn the money, who are denied the right to receive their social security benefit, without having it reduced.

The poverty level is about $6,000. The distinguished Senator from Texas wants to go a little above the poverty level. We do not think that is quite enough.

If you lived in this country and worked and worked, and raised your family, and paid your taxes, and reached 65, you still have some productive years left. Why should you not work? Why should you be denied the benefits for which you paid?

We are going to have an amendment submitted in a few moments that will eliminate about 8 million people out of the 12 million, in an effort to gut the Goldwater-Dole amendment, the Senator from Idaho's efforts to eliminate 8 million senior citizens of the right to work.

We have a tax in this amendment. The rate in our amendment is no higher than that in the Bentsen amendment.

Mr. President, look at the charts, they will see that we did not dream up those figures. They came from the Social Security Administration. The rates are the same. Where is all this additional cost over the committee amendment? It has not been demonstrated.

No one here is opposing the committee amendment, but they are opposing the Goldwater-Dole amendment because it provides a little more flexibility.

If we go to the year 2011 and later, the tax on the Goldwater-Dole amendment would be 50 percent, and with the committee amendment it is 9.20 percent. So where are the billions of dollars? Where is the added cost? There is no added cost. In fact, it will be found that the Goldwater-Dole amendment will be less in the early years than the committee amendment.

If someone can demonstrate all those added billions of dollars, let us take a look at it. It is not there. I do not know where all these people over 65 are who are making all this money. We can find a lawyer or a banker. I did not hear from any lawyers or bank-
ers. I heard from the American Association of Retired Persons. Perhaps a lawyer belongs to that association. I do not know. They are middle-income Americans. I heard from the National Association of Retired Teachers. I assume they are not paid.

May be, they are not paid enough. They support this legislation. They sent the information. They do not represent rich bankers and rich lawyers. They represent teachers and professors.

If someone can demonstrate that all these retired people in America, members of that association, are overpaid or receive too many benefits, that is fine.

It seems to me that what is being said, in effect, is: "If you are over 65, you are second-rate. You are not needed any longer. You have to have an earnings test that can't maintain any poverty level." You almost have to die in order to qualify. That is what we will hear in a few moments.

There are some 40 cosponsors of the Goldwater amendment, and I say beware of efforts to compromise. The House voted 268 to 149 for a similar amendment.

It seems to this Senator the time has come to approve this legislation. I see Senator Bayh in the Chamber. He is a strong supporter of this amendment and we are pleased to have his support.

I yield back the remainder of my time.

Mr. President, I ask unanimous consent to have printed in the Record two articles that deal with this subject.

There being no objection, the material was ordered to be printed in the Record, as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI HI Total</th>
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<tr>
<td>2002-03</td>
<td>7.80</td>
</tr>
<tr>
<td>2011 and later</td>
<td>11.70</td>
</tr>
</tbody>
</table>

Goldwater-Dole amendment: Employers, each

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI HI Total</th>
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<tbody>
<tr>
<td>1977</td>
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<td>2002-03</td>
<td>7.80</td>
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<td>2011 and later</td>
<td>11.70</td>
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<table>
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<td>1990-94</td>
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<tr>
<td>2000-01</td>
</tr>
<tr>
<td>2002-03</td>
</tr>
<tr>
<td>2011 and later</td>
</tr>
</tbody>
</table>

THE EFFECTS OF THE 1966 RETIREMENT TEST CHANGES ON THE EARNINGS OF WORKERS Aged 65-72

The changes incorporated in the 1965 social security amendments provide a rare recent opportunity to examine the impact of changes in the retirement test on retired workers' earnings. The level of exempt earn-
ings—the amount a worker may earn without losing any benefits—was increased in 1968 for the first time since 1965. The provision applies only if $1 in benefits is withdrawn for each $2 of earnings above the exempt amount. Thus, for each $2 of earnings above the exempt amount, the beneficiary finds himself working at a zero marginal income tax rate. This marginal increase in disposable income may be substantial. In this range, the more he has earned above the $1-for-$2 limit the better it has gone. The negative marginal increase in disposable income corrects itself when all benefits are withheld at the $1-for-$2 rate. However, the total amount of taxes payable increases with earnings there is a range of earnings where only half the benefits are withheld. The fall in disposable income at such earnings was held to an amount equal to the $1-for-$2 upper limit. This, of course, increases the earnings when a worker might be encouraged to reduce his earnings in order to maximize his income.

Some monthly test alters the general picture given above by allowing benefits to be paid for months in which earnings do not exceed the specified amount or no substantial self-employment earnings. It is possible that with the monthly test to have annual earnings in the $1-for-$1 area without reducing benefits to amounts which would have been at the $1-for-$2 limit. In order to achieve this result the earnings must be concentrated in a few months. Such a situation typically occurs in the first year of retirement, when the beneficiary works at his regular job for part of the year and then retires. It is probable that the primary effect of the monthly test is to pay benefits to these newly retired workers to or workers who could not have any benefits under the annual test but happen to have months with low earnings. The monthly test would seem to have little effect on the earnings of workers because of the complexities involved in using it to maximize income.

It is in a beneficiary’s interest to avoid earning in the $1-for-$1 area and just above it. He may not, however, have control over the amount of his work. The choice facing him may be a job paying a certain amount or no job at all. If the beneficiary feels that he needs more income than his benefits alone will provide him, he will take the job, regardless of his preference for more or less income than the job provides.

Paradoxically even a pay raise for the beneficiary can place him in a less desirable position. This can happen, for example, if his income is raised enough to put him in the $1-for-$1 area while he is still in the $1-for-$2 area. His total disposable income may or may not have been increased by the raise. It is probable that the primary effect of the monthly test is to put benefits to these newly retired workers or to workers who could not receive any benefits under the annual test but happen to have months with low earnings. The monthly test would seem to have little effect on the earnings of workers because of the complexities involved in using it to maximize income.

The expected change in the number and percentage of workers earning $1,000-1,299 and $1,500-1,999 intervals that would be brought about by normal year-to-year increases in earnings would be quite different from what actually occurred. It appears from other data that both intervals would have shown an increase of 6 percent from 5 percent to 13 percent, representing a 70,000-worker increase. On the other hand, the interval in which the old benefit amount was extended to a much wider range of beneficiaries, in which the $1-for-$2 benefit withholding range was extended from $1,000-1,299 to $1,500-1,999, and the exempt amount in 1965, indicative of the primary role of the annual exempt amount in determining a beneficiary’s earnings.

Although the upper limit of the $1-for-$2 benefit witholding range was extended from $1,700 in 1965 to $2,700 in 1966, there was relatively little change in the earnings distribution between these years. The 28,000-worker increase in population in the $1,800-1,999 interval probably reflected the increase in the exempt amount to that interval—a spillover of workers trying to achieve $1,500 in earnings but not reaching it. The number of workers earning $1,500-1,799 increased by 18,000. The percentage increased as well, which was contrary to the expectations of rising earnings. 

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EARNINGS REDUCTIONS ATTRIBUTABLE TO CHANGES IN RETIREMENT TESTS

Retirement test liberalizations are often supported on the basis that they provide improved work incentives for retired workers. Increasing the exempt amount of earnings should encourage additional work and, as has been shown, a number of beneficiaries differentiate between the $1-for-$2 and $1-for-$1 range after the test was changed and did not reduce their earnings to the neighborhood of the $1-for-$2 range, as there was above the exempt amount. In fact, there were actually more men earning in the $1-for-$2 range, as there was an increase in the number of men who received no income taxes, and ignoring work-connected expenses. Assuming he was paid at the rate of $2 an hour, worked a 40-hour week, and had control over his work schedule, he could have gained almost 4 months of leisure by buying the leisure time at its much reduced price in foregone income.

It is not possible to say how many workers actually reduced their earnings or earnings plans because of the retirement test liberalizations, but there is evidence that some workers did cut back. The percentage of men and women who fell from 44 percent to 42 percent. This decline occurred in the face of a rise in the earnings level point. For women, the percentage earnings over $3,000 to the 1965 level. This procedure yields an estimate of around 30,000 men who presumably had lower earnings. If one person's estimate increases are added to in 1966 to allow for increased earnings levels, the number of men who presumably reduced their earnings would go to almost $50,000.

By contrast, the percentage of women earning $3,000 or more increased by one percent point between 1965 and 1966, or what one would have expected as a result of rising earnings levels. A possible explanation for the different results between men and women in the over $3,000 earnings interval is that women do not have as much control as men over the amount of their earnings. There was evidence of this also in the $3,000-2,999 interval, where the distribution for men went counter to the underlying trend for that interval, showing increases in numbers and percentages, while the women's distribution showed the expected drop due to increasing earnings levels.

One reason for the probable greater concern over earnings over $3,000 among men cannot be traced to the fact that one-fourth of the men 65 or over who work have self-employment income. Only one in 10 of the women 65 or over who work have self-employment income. The self-employed could presumably regulate their earnings better than wage and salary workers.

EARNINGS OF WORKERS AGED 73 AND OVER

The 1965 and 1966 earnings distributions for men and women aged 73 and over are shown in table 2. These workers were not subject to the retirement test, and the distributions clearly show it. As one would expect with the older group, workers were concentrated in the lowest earnings intervals, and the number of workers declined relatively smoothly from one higher earnings interval to another. Absolutely large groups of workers were to be found in the earnings intervals where the annual exempt amounts were located. The distributions showed no unusual changes between 1965 and 1966.

There were relatively more men aged 73 and over than men aged 65-72 earning $1,000-3,999 in 1966. This is a good indication of what some of the men who earn around the annual exempt amount increase their earnings to when freed of the constraints of the retirement test. For women, the more highly educated populations were in the $1,000-2,999 interval, indicating less of an increase in earnings when the retirement test is removed. This would be consistent with the women's lower earnings level.

TABLE 1.—NUMBER AND PERCENTAGE DISTRIBUTION OF WORKERS AGED 65 TO 72 WITH TAXABLE EARNINGS, BY SEX AND TAXABLE EARNINGS

<table>
<thead>
<tr>
<th>Earnings Interval</th>
<th>Number</th>
<th>Percentage Distribution</th>
<th>Number</th>
<th>Percentage Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to 499</td>
<td>2,610</td>
<td>100.0</td>
<td>779</td>
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<tr>
<td>$500 to $999</td>
<td>435</td>
<td>16.7</td>
<td>138</td>
<td>17.7</td>
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<tr>
<td>$1,000 to $1,249</td>
<td>405</td>
<td>15.5</td>
<td>157</td>
<td>20.2</td>
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<tr>
<td>$1,250 to $1,499</td>
<td>395</td>
<td>15.1</td>
<td>149</td>
<td>19.7</td>
</tr>
<tr>
<td>$1,500 to $1,999</td>
<td>108</td>
<td>4.1</td>
<td>42</td>
<td>5.5</td>
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<tr>
<td>$2,000 to $2,499</td>
<td>96</td>
<td>3.6</td>
<td>38</td>
<td>4.9</td>
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<tr>
<td>$2,500 to $2,999</td>
<td>99</td>
<td>3.8</td>
<td>37</td>
<td>4.9</td>
</tr>
<tr>
<td>$3,000 to $3,499</td>
<td>101</td>
<td>3.9</td>
<td>41</td>
<td>5.4</td>
</tr>
<tr>
<td>$3,500 to $3,999</td>
<td>98</td>
<td>3.5</td>
<td>38</td>
<td>5.0</td>
</tr>
<tr>
<td>$4,000 to $4,499</td>
<td>55</td>
<td>2.1</td>
<td>25</td>
<td>3.2</td>
</tr>
<tr>
<td>$4,500 to $4,999</td>
<td>95</td>
<td>3.6</td>
<td>34</td>
<td>4.5</td>
</tr>
<tr>
<td>$5,000 to $5,499</td>
<td>91</td>
<td>3.4</td>
<td>33</td>
<td>4.3</td>
</tr>
<tr>
<td>$5,500 to $5,999</td>
<td>91</td>
<td>3.4</td>
<td>33</td>
<td>4.3</td>
</tr>
<tr>
<td>$6,000 to $6,499</td>
<td>676</td>
<td>25.9</td>
<td>103</td>
<td>13.3</td>
</tr>
<tr>
<td>$6,500 or more</td>
<td>709</td>
<td>26.2</td>
<td>119</td>
<td>15.0</td>
</tr>
</tbody>
</table>

TABLE 1.—NUMBER AND PERCENTAGE DISTRIBUTION OF WORKERS AGED 73 AND OVER WITH TAXABLE EARNINGS, BY SEX AND TAXABLE EARNINGS

<table>
<thead>
<tr>
<th>Earnings Interval</th>
<th>Number</th>
<th>Percentage Distribution</th>
<th>Number</th>
<th>Percentage Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000 to $1,249</td>
<td>151</td>
<td>16.4</td>
<td>55</td>
<td>16.9</td>
</tr>
<tr>
<td>$1,250 to $1,499</td>
<td>145</td>
<td>16.7</td>
<td>58</td>
<td>17.7</td>
</tr>
<tr>
<td>$1,500 to $1,999</td>
<td>88</td>
<td>11.3</td>
<td>26</td>
<td>8.0</td>
</tr>
<tr>
<td>$2,000 to $2,499</td>
<td>55</td>
<td>7.1</td>
<td>10</td>
<td>7.0</td>
</tr>
<tr>
<td>$2,500 to $2,999</td>
<td>38</td>
<td>4.2</td>
<td>9</td>
<td>4.9</td>
</tr>
<tr>
<td>$3,000 to $3,499</td>
<td>38</td>
<td>4.2</td>
<td>9</td>
<td>4.9</td>
</tr>
<tr>
<td>$3,500 to $3,999</td>
<td>24</td>
<td>2.7</td>
<td>5</td>
<td>2.3</td>
</tr>
<tr>
<td>$4,000 to $4,499</td>
<td>24</td>
<td>2.7</td>
<td>5</td>
<td>2.3</td>
</tr>
<tr>
<td>$4,500 to $4,999</td>
<td>178</td>
<td>18.6</td>
<td>30</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Constitutional Record—Senate
The withholding provisions underlying the earnings test limit the monetary gain that retired-worker beneficiaries can receive from earnings. In 1971, from the point at which earnings exceeded $2,880 to the point at which they were high enough to offset the portion of all benefits that were tax-free, the earnings offset $2,880 in benefits and, therefore, there was no net gain. From that point on, however, each $1 of earnings was an addition to the deceased family income and served to offset more benefits to offset the point at which the earnings exceeded the earnings test limit. In 1971, a retired worker whose earnings were $2,880 in 1970 would have earned $2,880 in 1971, with earnings growth from 1970 to 1971, but the individual is not taxed on any of the earnings above $2,880. The earnings test provision of the law If they have earnings in the year no benefits were withheld if annual earnings remained at $2,280 regardless of the amount earned, since each additional $1 of earnings would have offset $1 in benefits. In terms of annual income, however, he probably would have been netted far less than $2,880 because of deductions for both income and social security payments. The withholding provisions underlying the earnings test are shown for a retired-worker beneficiary with total family benefits of $3,000 and varying earned income.

1. For earnings up to $2,880, with taxes on earnings disregarded, the individual would have had a net gain from working, by a maximum of $2,280.

2. For earnings of $2,881-$2,880, the mone
tary advantage the retired worker beneficiary would receive from employment would have remained at $2,880 regardless of the amount earned, since each additional $1 of earnings would have offset $1 in benefits. In terms of annual income, however, he probably would have been netted far less than $2,880 because of deductions for both income and social security payments. The earnings test provision of the law If they have earnings in the year no benefits were withheld if annual earnings remained at $2,280 regardless of the amount earned, since each additional $1 of earnings would have offset $1 in benefits. In terms of annual income, however, he probably would have been netted far less than $2,880 because of deductions for both income and social security payments.

3. The retired-worker beneficiary would have been $1 ahead for each $1 earned beyond $2,880, but with taxes on earnings disregarded, the individual would have had a net gain from working, by a maximum of $2,280.

4. The lower earnings level among women workers is corroborated by data from the Continuous Work History Sample of the Social Security Administration. Less than $1,800 in earnings were shown for about two-fifths of the women in covered employment in 1971, but only one-fifth of the women had earnings that low. Among workers aged 65 and over, 25 percent of the women had earnings below $1,680. Bureau of the Census, Statistical Abstract of the United States: 1972 (93d ed.

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2. For earnings of $2,881-$2,880, the monetary advantage the retired worker beneficiary would receive from employment would have remained at $2,880 regardless of the amount earned, since each additional $1 of earnings would have offset $1 in benefits. In terms of annual income, however, he probably would have been netted far less than $2,880 because of deductions for both income and social security payments.

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4. The lower earnings level among women workers is corroborated by data from the Continuous Work History Sample of the Social Security Administration. Less than $1,800 in earnings were shown for about two-fifths of the women in covered employment in 1971, but only one-fifth of the women had earnings that low. Among workers aged 65 and over, 25 percent of the women had earnings below $1,680.
TABLE 2.—WORKERS WITH TAXABLE EARNINGS: NUMBER AND PERCENTAGE DISTRIBUTION FOR ALL WORKERS AND FOR THOSE AGED 65 AND OVER, BY AMOUNT OF EARNINGS, 1971

<table>
<thead>
<tr>
<th>Amount of earnings</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>57,200,000</td>
<td>2,440,000</td>
</tr>
<tr>
<td>Total percent</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Less than $1,500</td>
<td>20</td>
<td>45</td>
</tr>
<tr>
<td>$1,500 to $2,999</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>$3,000 to $4,999</td>
<td>6</td>
<td>9</td>
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<td>$5,000 to $5,999</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>$6,000 to $7,799</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>$7,000 or more</td>
<td>41</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Data from the continuous work history sample for 1971. See the technical note for sampling variability calculations, P. 31.

Among those aged 65—71, the proportion of persons aged 65—71 who were affected by the earnings test was somewhat higher than the proportion of persons aged 65—71 in the total retired-worker beneficiary population aged 62—71 (table 3). This higher proportion may reflect the large number of individuals mentioned earlier who came onto the social security rolls at age 65 to be eligible for Medicare, even though their earnings offset all benefits that would otherwise be payable to them. Employed persons aged 65—64 would have little incentive to file for benefits unless their earnings were low enough to permit payment of some benefits or there were months in which they earned less than $1,450 or did not render substantial services in self-employment.

Information about the amount of income from work in 1971 was available for most retired-worker beneficiaries either from their annual report of earnings or their earnings record. All retired workers who received some benefits in 1971 and who earned more than $1,680 during the year were required to file an annual report of earnings indicating: (1) amount of earnings; (2) type of employment performed (wage and salary, self-employment, or a combination of the two); and (3) number of months in which they did not earn more than $1,450 or render substantial services in self-employment.

For persons who were not required to the annual reports because their benefits for 1971 were completely offset, earnings information was obtained from reports by employers and the self-employed and entered into the individual’s earnings record for about 90 percent of the cases. For the remainder, earnings information was not available either because the reporting by employers or the self-employed was late to be included in the tabulations, the individuals worked in employment not covered by the social security program—which in the Federal civil service, for example, because of clerical errors in processing the data. Earnings information was not available for about 10 percent of the men and 8 percent of the women.

TABLE 3.—NUMBER AND PERCENTAGE DISTRIBUTION OF RETIRED-WORKER BENEFICIARIES ON THE ROLLS AND OF THOSE AFFECTED BY EARNINGS TEST, BY SEX AND AGE GROUP, 1971

<table>
<thead>
<tr>
<th>Sex and age</th>
<th>Retirement beneficiary number on rolls at end of year</th>
<th>Affected by earnings test</th>
<th>Percent on rolls who are affected by earnings test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7,999,072</td>
<td>10.0</td>
<td>19.1</td>
</tr>
<tr>
<td>Men</td>
<td>4,622,723</td>
<td>7.8</td>
<td>23.3</td>
</tr>
<tr>
<td>Women</td>
<td>3,376,349</td>
<td>12.2</td>
<td>16.6</td>
</tr>
</tbody>
</table>

An analysis of earnings of retired-worker beneficiaries indicates that relatively more men (97 percent) than women (95 percent) had earnings of $5,281 or more. On the other hand, relatively more women (45 percent) than men (34 percent) had earnings of $1,681—4,080 (table 4). These differences in the earnings levels of working men and women beneficiaries reflect earnings differences between men and women in the general population. Among all workers with taxable earnings in 1971, 97 percent of the men but only 23 percent of the women had earnings of $5,400 or more. For workers aged 65 or older, the corresponding proportions were 31 percent and 16 percent.

Relatively more men and women aged 65—71 had earnings in the higher ranges than men and women aged 65—64. Among those aged 65—71, for example, 60 percent of the men and 40 percent of the women had earnings exceeding $5,280, compared with 33 percent of the men and 23 percent of the women aged 65—64. These differences could be expected since many persons aged 65—64 with fairly high earnings would not have filed for benefits. In all, retired-worker beneficiaries affected by the earnings test lost $2.2 billion in social security benefits—about 71 percent of the $3.1 billion that would have been payable to them and their dependents if there had been no deductions due to earnings. Men lost $1.65 billion (72 percent of their benefits) and women lost $50.5 billion (65 percent). For both men and women the proportion of benefits withheld was substantially higher for those aged 65—71 than for those aged 65—64. Among men, the proportion of benefits withheld was about 74 percent for those aged 65—71 but only 52 percent for those aged 65—64. Among women, the corresponding proportions were 71 percent and 49 percent. These differences may reflect in part the higher earnings of workers aged 65—71.

TABLE 4.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY SEX, AGE, AND PRIMARY INSURANCE AMOUNT

<table>
<thead>
<tr>
<th>Sex, age, and primary insurance amount</th>
<th>Retired-worker beneficiaries affected</th>
<th>Percentage distribution by amount of earnings</th>
<th>Average benefit amount with held</th>
<th>Ratio of amount with held to amount before withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,057,949</td>
<td>100.0</td>
<td>$1,681—4,080</td>
<td>$2,080—5,580</td>
</tr>
<tr>
<td></td>
<td>total</td>
<td>100.0</td>
<td>$1,681—2,800</td>
<td>$2,080—5,580</td>
</tr>
<tr>
<td></td>
<td>1,057,949</td>
<td>100.0</td>
<td>9.7</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>25,986</td>
<td>2.4</td>
<td>32.4</td>
<td>33.6</td>
</tr>
<tr>
<td></td>
<td>25,986</td>
<td>2.4</td>
<td>32.4</td>
<td>33.6</td>
</tr>
<tr>
<td></td>
<td>46,428</td>
<td>6.9</td>
<td>28.1</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>46,428</td>
<td>6.9</td>
<td>28.1</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>74,610</td>
<td>69.9</td>
<td>38.2</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>74,610</td>
<td>69.9</td>
<td>38.2</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>109,238</td>
<td>100.0</td>
<td>7.1</td>
<td>32.6</td>
</tr>
<tr>
<td></td>
<td>109,238</td>
<td>100.0</td>
<td>7.1</td>
<td>32.6</td>
</tr>
<tr>
<td></td>
<td>109,238</td>
<td>100.0</td>
<td>7.1</td>
<td>32.6</td>
</tr>
<tr>
<td></td>
<td>total</td>
<td>100.0</td>
<td>7.1</td>
<td>32.6</td>
</tr>
<tr>
<td></td>
<td>3,967</td>
<td>3.6</td>
<td>14.3</td>
<td>56.1</td>
</tr>
<tr>
<td></td>
<td>3,967</td>
<td>3.6</td>
<td>14.3</td>
<td>56.1</td>
</tr>
<tr>
<td></td>
<td>13,087</td>
<td>12.9</td>
<td>15.6</td>
<td>84.4</td>
</tr>
<tr>
<td></td>
<td>13,087</td>
<td>12.9</td>
<td>15.6</td>
<td>84.4</td>
</tr>
<tr>
<td></td>
<td>46,428</td>
<td>6.9</td>
<td>9.3</td>
<td>44.5</td>
</tr>
<tr>
<td></td>
<td>46,428</td>
<td>6.9</td>
<td>9.3</td>
<td>44.5</td>
</tr>
<tr>
<td></td>
<td>55,456</td>
<td>56.7</td>
<td>9.9</td>
<td>20.2</td>
</tr>
<tr>
<td></td>
<td>55,456</td>
<td>56.7</td>
<td>9.9</td>
<td>20.2</td>
</tr>
</tbody>
</table>

TABLE 5—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY SEX, AGE, AND PRIMARY INSURANCE AMOUNT


TABLE 4—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1972, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT

<table>
<thead>
<tr>
<th>Sex, age, and primary insurance amount</th>
<th>Number of Retired-Worker Beneficiaries Affected</th>
<th>Earnings Test on Amount, by Earnings</th>
<th>Average Benefit Amount</th>
<th>Ratio of Earnings to Benefit before withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>520,791</td>
<td>100.0</td>
<td>183,450</td>
<td>36.6%</td>
</tr>
<tr>
<td>Men</td>
<td>96,711</td>
<td>100.0</td>
<td>182,950</td>
<td>35.7%</td>
</tr>
<tr>
<td>Women</td>
<td>424,080</td>
<td>100.0</td>
<td>180,500</td>
<td>37.0%</td>
</tr>
<tr>
<td>Men</td>
<td>520,791</td>
<td>100.0</td>
<td>183,450</td>
<td>36.6%</td>
</tr>
<tr>
<td>Women</td>
<td>96,711</td>
<td>100.0</td>
<td>182,950</td>
<td>35.7%</td>
</tr>
</tbody>
</table>

Aged 65 to 71, total...

<table>
<thead>
<tr>
<th>Number</th>
<th>Percent of total</th>
<th>Earnings Test on Amount, by Earnings</th>
<th>Average Benefit Amount</th>
<th>Ratio of Earnings to Benefit before withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $100</td>
<td>72,185</td>
<td>2.3%</td>
<td>17,000</td>
<td>7.5%</td>
</tr>
<tr>
<td>$100 to $200</td>
<td>24,948</td>
<td>4.7%</td>
<td>21,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>$200 to $400</td>
<td>45,004</td>
<td>9.8%</td>
<td>35,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>$400 or more</td>
<td>365,764</td>
<td>71.1%</td>
<td>60,000</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Total...
Among beneficiary families affected by the earnings test, more than three-fourths of those with dependents but only $55 percent of the male worker-only families received monthly benefits of $250 or more. Families with dependents therefore tended to have more benefits against which earnings could be offset and thus possibly could retain some benefits, though the same amount of earnings offset all the benefits payable to "worker-only" families. Lower earnings among beneficiary families with dependents also help to account for proportionately smaller losses of benefits. The data indicate that among beneficiary families with the highest monthly benefit amounts, the proportion of retired-worker beneficiaries earning more than $2,880 was about the same as that of families with monthly benefit amounts of $250 or more. In the case of "worker-only" and "worker and children" families, the corresponding proportions were 33 percent and 16 percent. On the other hand, among families with higher monthly benefits would have had to earn considerably more than those with lower monthly benefits in order to realize a financial advantage from annual earnings above $2,880.

<table>
<thead>
<tr>
<th>Percentage distribution, by amount of earnings</th>
<th>Number</th>
<th>Percent of total</th>
<th>Total</th>
<th>$1,081 to $2,880</th>
<th>$2,881 to $4,080</th>
<th>$4,081 to $5,280</th>
<th>$5,281 or more</th>
<th>Withheld before withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worker only, men</td>
<td>766,636</td>
<td>100.0</td>
<td>100.0</td>
<td>9.0</td>
<td>13.9</td>
<td>8.6</td>
<td>16.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Under $100.00</td>
<td>23,870</td>
<td>3.1</td>
<td>100.0</td>
<td>20.0</td>
<td>26.2</td>
<td>12.4</td>
<td>8.0</td>
<td>23.4</td>
</tr>
<tr>
<td>$100.00 to $199.90</td>
<td>115,185</td>
<td>14.9</td>
<td>100.0</td>
<td>13.3</td>
<td>24.2</td>
<td>15.4</td>
<td>18.5</td>
<td>15.0</td>
</tr>
<tr>
<td>$200.00 to $249.90</td>
<td>269,345</td>
<td>35.1</td>
<td>100.0</td>
<td>7.2</td>
<td>12.7</td>
<td>8.0</td>
<td>12.4</td>
<td>59.7</td>
</tr>
<tr>
<td>$250.00 or more</td>
<td>456,684</td>
<td>59.4</td>
<td>100.0</td>
<td>8.0</td>
<td>25.2</td>
<td>14.5</td>
<td>15.1</td>
<td>37.2</td>
</tr>
<tr>
<td>Worker only, women</td>
<td>24,743</td>
<td>5.4</td>
<td>100.0</td>
<td>18.6</td>
<td>54.0</td>
<td>12.5</td>
<td>4.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Under $100.00</td>
<td>86,064</td>
<td>18.8</td>
<td>100.0</td>
<td>10.2</td>
<td>53.4</td>
<td>19.8</td>
<td>7.5</td>
<td>6.1</td>
</tr>
<tr>
<td>$100.00 to $299.90</td>
<td>136,167</td>
<td>30.3</td>
<td>100.0</td>
<td>9.0</td>
<td>27.2</td>
<td>23.5</td>
<td>14.6</td>
<td>15.6</td>
</tr>
<tr>
<td>$300.00 to $399.90</td>
<td>127,237</td>
<td>27.9</td>
<td>100.0</td>
<td>5.2</td>
<td>11.1</td>
<td>8.6</td>
<td>16.1</td>
<td>57.0</td>
</tr>
<tr>
<td>$400.00 or more</td>
<td>80,181</td>
<td>17.6</td>
<td>100.0</td>
<td>3.7</td>
<td>6.6</td>
<td>3.3</td>
<td>5.3</td>
<td>54.1</td>
</tr>
<tr>
<td>Worker and spouse</td>
<td>240,793</td>
<td>100.0</td>
<td>100.0</td>
<td>10.9</td>
<td>16.7</td>
<td>8.2</td>
<td>7.7</td>
<td>56.5</td>
</tr>
<tr>
<td>Under $100.00</td>
<td>5,342</td>
<td>2.2</td>
<td>100.0</td>
<td>26.6</td>
<td>30.7</td>
<td>8.1</td>
<td>13.7</td>
<td>20.9</td>
</tr>
<tr>
<td>$100.00 to $199.90</td>
<td>23,619</td>
<td>9.7</td>
<td>100.0</td>
<td>16.2</td>
<td>33.3</td>
<td>15.0</td>
<td>12.0</td>
<td>23.3</td>
</tr>
<tr>
<td>$200.00 to $299.90</td>
<td>48,562</td>
<td>20.2</td>
<td>100.0</td>
<td>11.0</td>
<td>20.6</td>
<td>8.8</td>
<td>8.8</td>
<td>50.6</td>
</tr>
<tr>
<td>$300.00 or more</td>
<td>112,531</td>
<td>46.3</td>
<td>100.0</td>
<td>7.6</td>
<td>6.1</td>
<td>4.6</td>
<td>7.6</td>
<td>78.5</td>
</tr>
<tr>
<td>Worker and children</td>
<td>27,725</td>
<td>12.9</td>
<td>100.0</td>
<td>12.9</td>
<td>12.4</td>
<td>10.3</td>
<td>43.3</td>
<td>1,476</td>
</tr>
<tr>
<td>Under $100.00</td>
<td>1,341</td>
<td>4.8</td>
<td>100.0</td>
<td>23.1</td>
<td>38.9</td>
<td>15.9</td>
<td>5.6</td>
<td>16.5</td>
</tr>
<tr>
<td>$100.00 to $199.90</td>
<td>5,257</td>
<td>16.9</td>
<td>100.0</td>
<td>17.7</td>
<td>47.3</td>
<td>24.2</td>
<td>9.4</td>
<td>11.4</td>
</tr>
<tr>
<td>$200.00 to $299.90</td>
<td>3,324</td>
<td>11.6</td>
<td>100.0</td>
<td>15.3</td>
<td>36.4</td>
<td>26.3</td>
<td>12.4</td>
<td>15.4</td>
</tr>
<tr>
<td>$300.00 to $399.90</td>
<td>5,369</td>
<td>18.4</td>
<td>100.0</td>
<td>11.6</td>
<td>20.3</td>
<td>11.4</td>
<td>14.9</td>
<td>43.8</td>
</tr>
<tr>
<td>$400.00 or more</td>
<td>11,357</td>
<td>40.8</td>
<td>100.0</td>
<td>10.2</td>
<td>8.9</td>
<td>6.6</td>
<td>7.7</td>
<td>66.3</td>
</tr>
<tr>
<td>Worker, spouse, and children</td>
<td>36,953</td>
<td>100.0</td>
<td>100.0</td>
<td>16.4</td>
<td>19.3</td>
<td>12.6</td>
<td>10.7</td>
<td>41.5</td>
</tr>
<tr>
<td>Under $100.00</td>
<td>1,677</td>
<td>4.5</td>
<td>100.0</td>
<td>27.8</td>
<td>32.3</td>
<td>17.1</td>
<td>7.8</td>
<td>15.0</td>
</tr>
<tr>
<td>$100.00 to $199.90</td>
<td>5,127</td>
<td>13.6</td>
<td>100.0</td>
<td>23.5</td>
<td>34.9</td>
<td>16.7</td>
<td>10.9</td>
<td>16.5</td>
</tr>
<tr>
<td>$200.00 to $299.90</td>
<td>3,681</td>
<td>10.1</td>
<td>100.0</td>
<td>19.9</td>
<td>29.7</td>
<td>22.3</td>
<td>13.0</td>
<td>16.1</td>
</tr>
<tr>
<td>$300.00 to $399.90</td>
<td>6,377</td>
<td>18.0</td>
<td>100.0</td>
<td>17.4</td>
<td>22.2</td>
<td>15.5</td>
<td>15.8</td>
<td>29.2</td>
</tr>
<tr>
<td>$400.00 or more</td>
<td>11,307</td>
<td>32.0</td>
<td>100.0</td>
<td>13.3</td>
<td>13.3</td>
<td>8.2</td>
<td>8.2</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Some retired-worker beneficiaries had earnings within the nonopinion range—for several possible reasons. First, some of them could not control the conditions of their employment and may have had to earn more than $2,880 in order to earn anything at all. The need to supplement the retirement income may have prompted them to continue to work, even if earnings beyond $2,880 did not provide an additional financial advantage. The need for additional income was greater for those with dependent children and, with taxed disregarded, earnings beyond $2,880 created at least $2,280 of additional income. Some individuals may not have been aware of the amount of earnings in relation to their benefits and worked beyond that point (even if they had some control over how much they could earn). Finally, some individuals may have derived something other than financial satisfaction from their work, such considerations as a sense of accomplishment and self-expression provided by their work may have outweighed financial motives.
Among persons whose earnings were high enough to be affected by the earnings test, the type of employment (either wage and salary, self-employment, or a combination of the two) was obtained for about 60 percent of the men and 70 percent of the women from the annual reports they were required to file. Relatively more men than women were self-employed or had a combination of wage and salary employment and self-employment.

Type of employment was unknown for a substantial number of workers—mainly those who were not required to file annual reports because their earnings were high enough to offset all benefits payable for the year. While type of employment was not available for this group, the amount of earnings was available for most of them from their earnings records. At least 77 percent of these men and women had earnings above $5,280. Among those whose type of employment was known, relatively fewer men and women had earnings above $5,280 (table 7). Entitled workers whose type of employment was not known lost about 94 percent of their benefits to earnings.

The proportion of entitled workers with earnings of $1,681–2,880 was higher among those with earnings from self-employment than among those with earnings from salaries and wages only or from both salaries and wages and self-employment. The self-employed probably had more control over the amount of time that they worked or over their level of earnings than those who had worked for an employer. It is difficult to draw conclusions about the relationship of earnings to type of employment, because of the large number of workers whose type of employment was unknown.

MONTHS OF ENTITLEMENT AND NONWORK

Tables 8 and 9 show information on the number of months workers were entitled in 1971 (either 12 months or less than 12 months) and the number of months in which they did not earn over $140 or did not render substantial services in self-employment (nonwork months). Both for months of entitlement in 1971 and for nonwork months the pattern did not differ much among men and women but did differ for the two age groups. The proportion of retired-worker beneficiaries entitled for all months of 1971 was higher among those aged 65–71 than among those aged 62–64. More of the younger group may have become entitled during the year, but more of the older group may have been on the rolls for some time.

<table>
<thead>
<tr>
<th>Table 8.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1961, NUMBER OF MONTHS OF ENTITLEMENT AND NUMBER OF NONWORK MONTHS, BY SEX, AGE GROUP, AND TYPE OF EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length of Entitlement</strong></td>
</tr>
<tr>
<td><strong>Sex, age, and type of employment</strong></td>
</tr>
<tr>
<td><strong>Number</strong></td>
</tr>
<tr>
<td><strong>Men</strong></td>
</tr>
<tr>
<td>62 to 64</td>
</tr>
<tr>
<td>65 to 71</td>
</tr>
<tr>
<td>Wage and salary</td>
</tr>
<tr>
<td>Self-employed</td>
</tr>
<tr>
<td>Both types</td>
</tr>
<tr>
<td>Type unknown</td>
</tr>
<tr>
<td><strong>Women</strong></td>
</tr>
<tr>
<td>62 to 64</td>
</tr>
<tr>
<td>65 to 71</td>
</tr>
<tr>
<td>Wage and salary</td>
</tr>
<tr>
<td>Self-employed</td>
</tr>
<tr>
<td>Both types</td>
</tr>
</tbody>
</table>

The proportion of retired-worker beneficiaries with 7–11 nonwork months had substantially lower earnings than those with from 0 to 6 nonwork months, as expected, since the former had fewer months in which to accumulate substantial total earnings. The earnings level for those with 1–6 nonwork months did not differ substantially from the earnings level for those with zero nonwork months. Those with 1–6 nonwork months, however, lost a much lower proportion of the total benefits payable to them. Among men entitled for less than 12 months, for example, those with zero nonwork months lost about 90 percent of the benefits payable, but those with 1–6 nonwork months lost only about 57 percent of their benefits. Obviously, those with some nonwork months were able to receive benefits for these months.

The earnings-test provisions are the same, regardless of the number of months of entitlement in the year. Thus, if a worker entitled for less than a full year earned more than $1,680 he would be subject to the earnings test (even if some of that amount had been earned before he became entitled to benefits). For a discussion of the effect of the earnings test on persons with part-year entitlement, see Barbara A. Ling, Social Security Bulletin, January 1976, pp. 28–34.
TABLE 9.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS WITHHELD AND BEFORE WITHHOLDING, BY SEX, MONTHS OF ENTITLEMENT, AND NUMBER OF NONWORK MONTHS

<table>
<thead>
<tr>
<th>Sex and number of nonwork months</th>
<th>Percentage distribution, by amount of earnings</th>
<th>Average benefit amount—</th>
<th>Ratio of benefits withheld to amount before withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entitled 12 mo</td>
<td>withheld</td>
<td>before withholding</td>
</tr>
<tr>
<td>Men</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 nonwork months</td>
<td>797,409</td>
<td>100.0</td>
<td>38.3</td>
</tr>
<tr>
<td>1 to 6 nonwork months</td>
<td>280,544</td>
<td>100.0</td>
<td>47.3</td>
</tr>
<tr>
<td>7 to 11 nonwork months</td>
<td>108,832</td>
<td>100.0</td>
<td>36.5</td>
</tr>
<tr>
<td>Women</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 nonwork months</td>
<td>354,818</td>
<td>100.0</td>
<td>34.2</td>
</tr>
<tr>
<td>1 to 6 nonwork months</td>
<td>135,832</td>
<td>100.0</td>
<td>33.2</td>
</tr>
<tr>
<td>7 to 11 nonwork months</td>
<td>39,764</td>
<td>100.0</td>
<td>37.3</td>
</tr>
</tbody>
</table>

Differences in earnings between those with zero or 1-6 nonwork months and between those with 7-11 nonwork months were greater among those entitled for all months of 1971 than among those entitled for less than 13 months. Among men entitled for all months of 1971, for example, the proportion with earnings exceeding $5,280 was about 53 percent for those with 1-6 nonwork months and 26 percent for those with 7-11 nonwork months. Among men entitled for less than 12 months, the proportions were 67 percent and 56 percent, respectively. It is likely that many of those with less than 13 months of entitlement in 1971 were new entrants to the social security rolls and may have had fairly high earnings before retirement but several nonwork months after retirement. On the other hand, many of those with 13 full months of entitlement in 1971 were not new entrants; they may have been working at lower wages to supplement their retirement benefits and the 7-11 nonwork months were held down to their total earnings considerably.

Technical note: All data, except those presented in table 2, were derived on a 100-percent basis from the Social Security Administration’s master beneficiary record. Sampling variability calculations for the data in table 5 (derived from the 1971 Continuous Work History Sample) are shown in table 1. Since the estimates (in percentages) are based on sample data, they are subject to sampling variability, which can be measured by the standard error. The chances are about

Less than 0.1 percent.

Mr. GOLDWATER. Mr. President, what is the time situation?

The PRESIDING OFFICER. The Senator from Arizona has 7 minutes.

Mr. GOLDWATER. Mr. President, if my friend from Wisconsin is willing, I am perfectly willing to yield back.

Mr. BAYH. Mr. President, will the Senator yield me just a moment?

Mr. GOLDWATER. I have 7 minutes. How much does the Senator need?

Mr. BAYH. A couple minutes will be fine.

I say to my friend from Arizona, I put a rather lengthy statement in the Record when I knew I was going to have to be downstairs in the Appropriations Committee trying to resolve this controversy we are having with the House on the HEW appropriations bill.

I have supported this proposition for a long period of time, and I hope that the Senate will sustain our position.

Mr. GOLDWATER. Mr. President, unless there are other Senators who wish to speak in favor, I gladly yield back the remainder of our time so we may allow the Senator from Idaho to get out his long knife and see what can be done.

Mr. NELSON. I want to see that as soon as possible.

Do Senators want any time yielded to them?

Mr. President, I yield back the remainder of my time.

Mr. GOLDWATER. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back.

ADDITIONAL STATEMENTS SUBMITTED

Mr. BAYH. Mr. President, I rise in support of the amendment submitted on behalf of Senator Goldwater, myself, and several of our colleagues. This amendment is very similar to legislation which I introduced earlier this Congress. It would take the beneficial reforms made by the Finance Committee in the area of outside earning limitation one step further by eliminating this restriction altogether by the year 1982.
It is stating the obvious to say that inflation is claiming a particularly disastrous impact on our Nation's older citizens.

During this past year, I am sure nearly every Member of this body has spoken at some length regarding this subject. It is difficult to take action to ease the burden on older Americans. One step we can take in this regard is to alter the present earnings limitation for recipients of social security.

Mr. President, the central fact about social security is that it does not provide enough income for retired persons to live decently. Even with the increased level of benefits that went into effect in June, the soaring cost of living has left many social security recipients striving just to get by. Those who have no other income besides their social security check live—strictly speaking—in poverty. Nearly 25 percent of the population over 65 falls into this category according to the Census Bureau. As of March of this year, 11.5 million older people were below the poverty level.

In all too many cases, the only solution for many of these elderly citizens is welfare. And yet, despite these facts, existing compensation is inadequate for many older Americans to raise their standard of living to a comfortable level.

The present law now permits an individual to earn up to $5,000 a year without any reduction in his or her social security benefits. Above that dollar amount, however, he or she must sacrifice a dollar in benefits for every $2 earned. This means that a single person between the ages of 65 and 72 who is willing to hold down even a modestly paying job must give up every cent of the social security benefits to which a lifetime of work and as much as 35 years of paying into the trust fund entitled him or her.

The Senate Finance Committee has taken an important step toward easing this burden on our older citizens. Under the provisions of the Finance Committee bill, the earnings limitation is raised to $4,500 in 1978 and to $6,000 in 1979. Our amendment, similar to one offered in the House, extends its provisions. It would remove any monetary limitation on outside earnings whatsoever by the year 1982.

The total repeal of the outside earnings limitation would benefit some 4 million older workers. This includes 2 million workers whose benefits have been actually denied or reduced as a result of the earnings test. Additionally it is estimated that another 2 million workers who are now out of the work force would return upon the repeal of the earnings limitation.

There are two concerns which have been expressed against this amendment. The first is its cost. It would not cost several billion dollars as many have projected. According to the Social Security Administration, the cost of eliminating the restriction would be $1 billion more than the changes already made by the Finance Committee provisions. It has been estimated that this represents less than a one-tenth of 1 percent payroll tax increase on employees and employers.

The second concern is that this amendment benefits only the very wealthy. According to figures just released by the Census Bureau for 1975, only 6 percent of all workers 65 years of age or older had incomes of more than $30,000 from any source of income. This same report showed that only 11 percent of those who were headed by a woman 65 and older over the age of 65—even families with more than one wage earner—had a combined family income of over $23,000. Even for those few older Americans whose income is a significant share of their social security benefits, raising the $2,000 figure, I feel that these citizens are entitled to collect the social security benefits they had earned over a lifetime of hardwork.

This latter fact, Mr. President, leads me to an observation concerning the basic philosophical character of our social security system. At the insistence of our private income alone, the present system was designed as a contributory insurance plan instead of simply—as some of his advisers urged—an old-age benefit paid out of general revenues. Mr. Roosevelt's point was explicit: it was that if people paid insurance premiums into a special fund out of their own earnings, no future generation of politicians could ever take it away from them by labeling it a Government handout.

In other words, because of the way the system was consciously designed in the spirit of our private income and 72 who will be able to pay their own retirement, they must be permitted to maintain their standard of living to a comfortable level. And this is why the earnings limitation on social security was not designed to include a means test. Its benefits are not predicated upon how private income one might have, national insurance, notFederal largesse.

Mr. President, that is the philosophy underlying the Social Security System. It is clear that an earnings limitation, which so seriously affects the rightful character of benefit payments, is inconsistent with that philosophy.

Furthermore, the earnings limitation penalizes only those social security recipients who earn wages or who are self-employed. Pensions, no matter how large, are not counted in the limitation. Nor is interest and dividend income. The retired corporation executive can enjoy a pension of $500,000 a year and have investment income double that amount and still not lose one penny of social security. But the cabinetmaker or electrician who wants to continue his lifetime work and be paid for it may have to give up his entire Social Security check. That is not fair. It is not sensible. It is not consistent with that philosophy.

Certainly, Mr. President, I do not begrudge the corporation executive the Social Security payment to which his own contributions entitle him. But I deeply resent the limitation to which I and other citizens are subjected against working people by a system that penalizes them for the fruits of their own labor. I urge my colleagues to approve this amendment.

Mr. CRANSTON. Mr. President, I have long worked to raise the law's present $3,000 limit on the amount of income people can earn without a reduction of their social security benefits. I am highly gratified that the Senate is about to approve a committee bill which will raise that limit from $3,000 to $6,000, and provide for automatic future increases in the ceiling by increases in the cost of living.

These features will allow our present social security beneficiaries to undertake other work and to earn up to $6,000 without seeing their Social Security checks cut. This is the content, of course, of the action we have just taken to reduce from 72 to 70 the age at which our Social Security beneficiaries may have Social Security benefits.

Removing the earnings limitation entirely would make a radical change in the character of the Social Security program. It would convert the present annuity program from a retirement program to an annuity program. The Social Security program has always been designed to the needs of our older Americans who have retired from the work force. The earnings limitation would actually benefit only a very small group of recipients with earned income in excess of the $6,000 provided in the committee bill. Even so, this amendment would add billions of dollars of extra new costs to the severely strained Social Security System. These costs would have to be made up with added taxes from employees and employers. I believe the committee bill represents a major increase in taxes—an increase which the American people are willing to support. I think it is unwise at this time to add to the already payroll tax increase already provided in this bill.

Mr. LAXALT. Mr. President, I strongly support the amendment offered by the Senator from Arizona. I voted for it in the Finance Committee where it lost by a tie vote and I urge my colleagues to support it now.

To deny the earnings limitation on Social Security unfair. It is inequitable. It damps work incentives. And, it imposes an oppressively high marginal tax rate on those least able to pay. I would prefer to see the earnings limitation abolished outright. But, short of that, I am delighted to support a measure which would phase it out by 1982.

Earlier this year, I introduced S. 1020, a bill which would have the same effect as the Goldwater amendment but which would eliminate the earnings limitation by reducing the age limit 1 year at a time from its present level of 72 down to 65 in 1984, by which time the test would be abolished entirely.

INQUISITION

Mr. President, it is all too easy to argue that virtues of frugality and the need for individuals to make their own provisions for retirement as a theoretical justification for penalizing those who work to provide for their retirement. But they simply cannot make it on their meager Social Security allowances. But,
that argument ignores the suffering which these individuals must endure because of the retirement test, while others, with substantial investments and alternative pension plans, utilize social security benefits for pin money.

As a member of the Finance Committee and one who has devoted considerable attention to social security questions, I simply cannot accept the argument that those who must work to live should be penalized, but those who have ample income from other sources may continue to receive full social security payments. I understand the problem with applying a means test to investment income and have no intention of going that route. Accordingly, it seems to me that the only practical means for solving this inequity is to remove the penalty on wage earnings.

**WORK INCENTIVES**

Personally, I believe that any citizen who wishes to make productive contributions should be encouraged to do so as long as it is to his advantage and the advantage of the individual. I have been a member of the Social Security Subcommittee of the Finance Committee, and recognize the need for a comprehensive look at the financial status, social security benefits, and retirement test. Although I support a different fiscal approach from that which the committee ultimately adopted, I am pleased to see the financial status of the trust funds improve. However, within the context of an overall strengthening, I feel we also need to do away with the inequitable and counterproductive test.

Mr. President, as you know, the Senate has repeatedly affirmed the premise that the contributions which the elderly bring to our society by virtue of their diligence and experience should not be arbitrarily discouraged. In H.R. 5383, the Age Discrimination Amendments of 1977, the Senate voted overwhelmingly to increase the earnings ceiling from 65 to 70. In that vote the Senate made clear that the elderly should be judged on their ability and competence and that their contributions to the work force should be encouraged rather than discouraged. It seems to me that an abolition of the earnings limitation would be a further reaffirmation of the Senate’s faith in the positive contributions of the elderly.

**OPPRESSIVE TAX RATE**

Mr. President, the economic status of our elderly is a serious national problem. Many who have paid taxes and have contributed unequally all their working lives now find themselves dependent on cash and in-kind public income transfer programs. While no stigma should be attached to these programs, the elderly who are able and willing to work should be encouraged to do so. And, most emphatically, those who have to work to make ends meet should not be subjected to an unreasonably large reduction by an unfair earnings limitations test.

It has come to my attention that an elderly person earning $4,000 in 1975 would have been subjected to a marginal tax rate of 25 percent on $740 earned over the social security earnings limitations ceiling of approximately 70 percent. This is equal to the highest rate in the Internal Revenue tax table and one which many tax reform advocates have proposed reducing on the basis of the fact that it is exorbitant. Surely, such a level which has been found excessive for high income individuals should not be imposed on those among our elderly who are seeking only to make ends meet. In my judgment, a government policy which imposes such punitive penalties on a most vulnerable sector of our society is indefensible.

Mr. President, I am pleased to co-sponsor the amendment of the Senator from Arizona. I know he has worked long and hard to eliminate the earnings limitation and he deserves the thanks of all of us for his efforts. I often vote with him and I urge all of my colleagues to do likewise.

**MR. JAVITTS.** Mr. President, for many years I have advocated the phased elimination of the social security earnings limitation. It has been my belief that older Americans who wish to make productive contributions should be encouraged to do so without losing their social security benefits. The elimination of the social security system, however, makes this phasing question a decisive one.

Secretary Califano has stated that the Goldwater amendment would remove the earnings limitation altogether would benefit a "privileged minority"—1.3 million of the Nation’s 22 million retirees. The Secretary has observed that if the retirement test were eliminated, more than half of the new benefits would go to people earning more than $10,000 a year. I realize that some have taken issue with Secretary Califano’s analysis, but I feel that it raises sufficient doubts about the effect of the Goldwater amendment that the Congress cannot go all the way at this time in eliminating the earnings limitation.

The administration has also pointed out that the Goldwater amendment will cost approximately $23 billion in the years 1982–87. Even though this amount may be justified by increased social security taxes (as well as income taxes) resulting from the continued employment of Americans past age 65, the amount is still extremely large to determine from removing to eliminate the whole earnings limitation at this time. The basic thrust of the social security bill under consideration is to restore the system’s financial soundness, and we should not include an amendment which will interfere with this objective. It appears to me that the price tag for the Goldwater amendment as matters stand now is too high.

Consequently, Mr. Chairman, I will support the position of the Finance Committee as modified by the Church substitute, which is to raise the present $3,000 earnings limitation to $4,500 in 1978 and to $6,000 in 1979. After 1979, the $6,000 level would increase automatically whenever higher income levels. I will also support the Church amendment which will reduce the upper effective age for the earnings limitation from age 72 to age 70. This amendment will permit people 70 years age and older to earn more than $6,000 in 1979 (if the committee bill is passed) without incurring a reduction in social security benefits. I believe this approach will help low income people who must work beyond age 65 without losing their unreduced benefits to high income individuals who do not need such benefits.

**AMENDMENT NO. 1054**

(Purpose: Relating to retirement earnings limitation for workers age 70 and over.)

Mr. CHURCH. Mr. President, I send an amendment to the desk in the nature of a substitute.

**THE PRESIDING OFFICER.** The amendment will be stated.

The assistant legislative clerk read as follows:

Mr. CHURCH. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

Mr. CHURCH. Mr. President, I ask unanimous consent that the amendment be printed at the end of the amendment.

Mr. JAVITTS. Mr. President, for many years I have advocated the phased elimination of the social security earnings limitation. It has been my belief that older Americans who wish to make productive contributions should be encouraged to do so without losing their social security benefits. The elimination of the social security system, however, makes this phasing question a decisive one.

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The administration has also pointed out that the Goldwater amendment will cost approximately $23 billion in the years 1982–87. Even though this amount may be justified by increased social security taxes (as well as income taxes) resulting from the continued employment of Americans past age 65, the amount is still extremely large to determine from removing to eliminate the whole earnings limitation at this time. The basic thrust of the social security bill under consideration is to restore the system’s financial soundness, and we should not include an amendment which will interfere with this objective. It appears to me that the price tag for the Goldwater amendment as matters stand now is too high.

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accorded the privilege of the floor during consideration of this measure and vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. I yield.

Mr. BAYH. I make a similar request for Barbara Dixon, of my staff, during debate and consideration of this bill, and I yield to her, and you, Mr. Chairman.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, it is unnecessary for me to speak at length.

In offering the amendment that has already been characterized as one intended to gut the Goldwater amendment, I feel like a man alone on the beach watching an approaching tidal wave, because I fully understand the tidal wave aspect of the amendment as offered by the distinguished Senator from Arkansas.

But I think that if the Members of the Senate had an opportunity to analyze their amendment carefully, if they had been present during the debate to hear the arguments of the distinguished Senator from Texas (Mr. Bentsen), the manager of the bill (Mr. Nelson), the able junior Senator from New York, and the distinguished chairman of the Finance Committee, the votes would be different.

There is no doubt who the beneficiaries of the Goldwater-Dole amendment will be. They will be the well-to-do, those who need the benefits the least. The beneficiaries of this amendment will be the doctors, the lawyers, the engineers, the architects, the business executives, and the Wall Street financiers, those professional people who tend to continue to work after the age of 65. They work because they like their professions. They are engaged actively in them. And they are lucrative professions, to be sure. These complaints are justified, because they are being denied social security. They do not expect to get it, while they continue to work. It will come as a complete surprise, for the amendment is agreed to all at once. I believe we are dealt with here and now by the large as a special benefit to social security, which they have not paid for, and which is only in the hands of the beneficiaries of the Goldwater-Dole amendment. They have not paid for it. They have not paid for it through their contributions to social security, but which will be paid for by ordinary working people through their future payroll taxes.

Mr. President, it has also been pointed out that the effect of the Goldwater amendment will be to transform, in a single stroke, a retirement program into an annuity. That was not the purpose of social security when it was first adopted. It was to be, and to this moment has continued to be, a retirement program. The retirement test was included in social security to provide a method for determining whether or not a person was retired. If we transform social security into an annuity, then it is irresponsible to say that it will not cost anything. The truth is that it will constitute a tremendous new burden on a fund that was never intended to be an annuity fund in the first place.

You cannot, with a single stroke, convert social security from a retirement system to an annuity system and say, in the same breath, that it will not cost anything. You cannot work the same money and rich into this system, and pay them $6,400 a year, out of a fund into which they have made no commensurate contribution, and then say it will cost next to nothing.

The costs are heavy, and I will include in the Record from the Office of the Actuary of Social Security itself the difference between the costs of the Goldwater amendment and the amendment I have offered and will now explain.

Mr. KENNEDY. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. CHURCH. Mr. President, I am happy to yield to the Senator from Massachusetts for a unanimous-consent request.

Mr. KENNEDY. I ask unanimous consent that Mr. Parker and Mr. Urwitz, of my office, be accorded the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I listened with some amusement to the argument of the Senator from Kansas when he said he was not really interested in these wealthy people by allowing them to draw down benefits from social security, once they become 65, regardless of what their income may be and regardless of whether or not they continue to work. No, he said, his concern was with the great mass of older people who would benefit from the Goldwater amendment.

I am also interested in the more typical beneficiary, that working man or woman, on a very modest retirement income, who has to do some work in order to augment his or her retirement. We want to work, we want to eliminate the need for anybody on a very modest retirement income. The fact is that social security to be overly restricted in what they may earn, after retirement.

Mr. President, I have not only been aware of the limitations imposed by a limitation too severe, but I have been apprehensive. I cannot remember a time when I have not voted in favor of increasing the retirement test, in an effort to catch up with the rising cost of living. I agree that, despite past efforts to liberalize the retirement test, the present amount is too restrictive. The $5,000-a-year limitation now does impose too severe a limitation upon the right of people on limited retirement incomes to earn extra money for the purpose of augmenting their retirement.

But, Mr. President, the committee bill takes care of those people. The ones who need it are being provided for. Next year, the retirement test jumps all the way to $4,500, before social security retirement is lost. That was not the purpose of the retirement test, in an effort to catch up with the rising cost of living.

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November 4, 1977

1986, $2.7 billion as compared to $0.4 billion; and in 1987, $2.7 billion as compared to $0.4 billion.

So, in each of these years, following the time my amendment would take effect, the Goldwater amendment would cost about $2 billion, and I think more than the amendment I am offering. These figures are given to us by the Office of the Actuary of the Social Security System. I ask unanimous consent that a table of the comparative costs of the two amendments be printed in the Record at this point.

There being no objection, the table was ordered to be printed in the Record, as follows:

Cost over committee bill for lowering retirement test exempt age from 72 to 66, or 70, beginning in 1982.

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<tr>
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<td>68</td>
</tr>
<tr>
<td>Total</td>
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Mr. DOLE. Mr. President, will the Senator yield at that point?

Mr. CHURCH. Yes, I will be happy to yield.

Mr. DOLE. Just to clarify what the Senator put in the Record, is this over and above the committee amendment, being the additional cost?

Mr. CHURCH. Yes. These figures are over and above the cost of the committee bill, comparing the cost of the amendments.

Mr. DOLE. The Senator from Kansas points out that we have different figures that would indicate another conclusion, so I just depend on whose figures are being used.

Mr. CHURCH. I can only say we have gone through the Social Security System for these figures, and I think they are the most accurate we can get.

Mr. DOLE. And the Social Security Administrator is not under the system.

The PRESIDING OFFICER. Who yields time?

Mr. CHURCH. Mr. President, for these reasons I hope very much that this substitute amendment, will be adopted. In combination with the committee bill, it does justice. All those who need the relief will receive it. We will not create a completely new bonanza for the richest people in the country, who neither need it nor want it, and we will reduce the age at which the retirement test will be totally abolished to an age that conforms with the mandatory retirement age that has just been established by Congress, and thus bring the two systems into conformity.

Mr. President, I am willing to proceed to a vote on my amendment at any time that the opponents of the amendment are willing to yield back the remainder of their time.

I must say this, however; I heard the Senator from Kansas say earlier that there must be a motion to table my amendment. I just want him to know that if he moves to table this amendment, then it will be my purpose to move to table the Goldwater amendment, in the event that my amendment fails.

Mr. GOLDWATER. Mr. President, we fully expect that. We have been apprised, and in the interests of time, we have no further time and are prepared to yield it back.

Mr. DOLE. Mr. President, may I have one moment, before the Senator from Arizona yields back his time and makes his motion to table?

Mr. GOLDWATER. Yeas.

Mr. DOLE. I just want to point out, as the Senator from Arizona has and the Senator from Kansas tried to do, that the argument is predictable. We understand the Committee on Aging coming to the floor and trying to knock out the effect of the Goldwater amendment on 8.1 million senior citizens, who are supposedly wealthy and do not need nor want it.

But I ask the Senator, who are they? Doctors and lawyers, perhaps? But what about the teachers, the barbers, the small farmers? I do not think we are going to be stampeded on this floor by the statistics that do not show anything. I think we will keep in mind the 8.1 million Americans the Senator from Idaho is trying to exclude from the benefits under the amendment of the Senator from Arizona.

Mr. NELSON. Mr. President, I would say to the distinguished Senator from Arizona and the distinguished Senator from Kansas that I wanted to move to table, and I have moved to table, without success in some instances, every other amendment, because Senators said they wanted a straight up or down vote. I wonder if we could have a straight up or down vote on the Church amendment also, without the Senator making a motion to lay it away.

Mr. DOLE. Why do we not just have a motion to table each of them? Then we would have other options.

Mr. NELSON. That was the option the Senator from Wisconsin gave up at the request of the Senator from Arizona and the Senator from Kansas.

Mr. DOLE. That was to obtain a time limitation, which we were eager to do, and wanted to accommodate the Senator. Mr. NELSON. Except that I have no objection to voting on the merits of both amendments. I think that would be the most direct and efficient way to proceed.

Mr. DOLE. I do not quarrel with the Senator's motives in trying to substitute this amendment for the Goldwater-Dole amendment. Therefore, I would think we would want to table his amendment and come back to the merits of what we thought we came to debate, anyway.

Mr. CHURCH. If we are going to have tabling motions, I think tabling motions should apply to both cases.

Mr. GOLDWATER. Mr. President, has all remaining time been yielded back?

Mr. NELSON. I just wish to say my agreement was that I would not move to table, in the event that the amendment would be tabled if the motion is made, because I am against the amendment.

Mr. GOLDWATER. Mr. President, I move to lay on the table the amendment to my amendment offered by the Senator from Idaho.

The PRESIDING OFFICER. Mr. President, has all remaining time been yielded back on the substitute?

Mr. CHURCH. I yield back the remainder of my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the motion to lay on the table the substitute amendment offered by the Senator from Idaho (Mr. CHURCH). The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll of the Senator from South Dakota (Mr. ASPER), the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Arkansas (Mr. McCLELLAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I also announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) and the Senator from Tennessee (Mr. SASSER) would each vote "nay."

Mr. STEVENS. I announce that the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICHER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 33, nays 53, as follows:

[Rollcall Vote No. 620 Leg.]

YEAS—33

Allen
Baker
Bartlett
Bay
Chafee
Curtis
Durbin
Durkin
Garn
Goldwater
Young

NAYS—53

Anderson
Bellmon
Biden
Booker
Burke
Burke
Harry P.,
Bumpers
Boggs
Bumpers
Bumpers
Butch
Cannon
Cannon
Chiles
Church
Cranston
Culver
Durkin

Griffin
Hanssen
Hatfield
Helms
Laxalt
Lucas
McClure
Morgan
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Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to lay on the table was rejected.

Mr. CHURCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATFIELD and Mr. DOLE addressed the Chair.

Mr. NELSON. Mr. President, may I make an inquiry?

All time has expired and we now proceed to a vote on the Church amendment?

The PRESIDING OFFICER. That is correct.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Wisconsin has the floor.

Mr. NELSON. I yield to the Senator from Kansas for a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state his parliamentary inquiry.

Mr. DOLE. Is the pending business the Church amendment upon which all time has been yielded back? Is that correct?

The PRESIDING OFFICER. The Senator is correct.

The question is on agreeing to the Church amendment.

Mr. DOLE. A further parliamentary inquiry: If the Church amendment is adopted, then the vote would come—the Church amendment is an amendment to the Goldwater amendment. Is that correct?

Mr. CHURCH. Yes, it is a substitute.

The PRESIDING OFFICER. The second vote, if it did pass, would be on the Goldwater amendment as amended.

Mr. DOLE. I wonder if the Senator from Kansas will be able to proceed for 2 minutes on the Church amendment. Maybe we could avoid a rollcall vote.

Mr. NELSON. I ask unanimous consent that each side be allowed 2 minutes to sneak on the Church substitute.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

UP AMENDMENT NO. 1054

Mr. DOLE. Mr. President, since there are Senators here who were not present before, I think many Senators were persuaded by what they have heard down in the well about the Church amendment costing 20 percent of the Goldwater...
amendment. What they were not told in the well—and that is not an accurate statement, either—is that we just knocked out 8 million senior citizens.

Those who voted "no" just took care of 8 million senior citizens who have no right to work any more. Their earning limitations going to be the same under the committee amendment as modified by the Church amendment.

There are about 23 million people over age 65 and 12 million between 65 and 72. Without the amendment, 650,000 people over age 65, out of the 23 million who are over age 65 right now.

That is all it does. The Finance Committee supports the Church amendment.

The PRESIDING OFFICER. Is all time yielded back?

All time is yielded back.

The yeas and nays have not been ordered on this.

Mr. CLARK. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. CRANSTON. I announce that the Senator from Arizona (Mr. DeConcini), the Senator from Maine (Mr. HAYAKAWA), the Senator from Kentucky (Mr. HUBBARD), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Arkansas (Mr. McCLELLAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HATCH), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

On this vote, the Senator from New Mexico (Mr. SCHMITT) is paired with the Senator from Arizona (Mr. GOLDWATER). If present and voting, the Senator from New Mexico would vote "yes" and the Senator from Arizona would vote "nay."

The result was announced—yeas 79, nays 4, as follows:

[Rollcall Vote No. 622 Leg.]

The result was announced—yeas 59, nays 28, as follows:

[Rollcall Vote No. 621 Leg.]
ginia (Mr. RANDOLPH) has asked that his name be added as a cosponsor to my amendment, and I ask unanimous consent that that be done.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. It is my understanding that we would move to Senator Curtis' amendment next, and we will agree upon a time limitation, if there is no objection, which will be short.

The PRESIDING OFFICER. Under the previous agreement, we are supposed to move to the amendment of the junior Senator from Arizona (Mr. DeConcini).

Mr. CURTIS. Mr. President, will the Senator yield to me?

Mr. NELSON. Yes.

Mr. CURTIS. I have had conversations with the distinguished Senator from Indiana (Mr. BAYH), who is going to call up the DeConcini amendment, and also with Senator ROTH, both of whom were listed ahead of the Curtis amendment.

The request has been cleared with the distinguished Senator from Indiana and with the distinguished Senator from Delaware that I may move ahead and present my amendment as the next amendment, with protection to those two gentlemen that they follow in that order, and I am willing to agree to a 10-minute limitation, 5 minutes on each side.

Mr. NELSON. Is that in the unanimous-consent request?

Mr. CURTIS. And that there will be a rollcall.

Yes.

Mr. NELSON. That is agreeable with me.

Mr. CURTIS. I ask unanimous consent that notwithstanding the previous order the Curtis amendment will be in order next, with a limitation of 10 minutes debate, 5 minutes on each side, and that it be followed by the DeConcini amendment to be offered by Senator BAYH, and followed by the amendment of the distinguished Senator from Delaware (Mr. ROTH).

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, and I personally will not object, and I hope there will be no objection, will the Senator limit his request at this moment to that of calling up his amendment. Let me be sure the 10-minute limitation can be cleared with a Senator.

Mr. CURTIS. My problem is this: These two gentlemen are yielding to me for this purpose as part of the package deal.

I withdraw it momentarily.

Mr. CULVER addressed the Chair.

Mr. NELSON. Mr. President, I yield to the Senator from Iowa for 2 minutes.
November 4, 1977

CONGRESSIONAL RECORD — SENATE

S 18783

SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

TIME LIMITATION AGREEMENT ON MR. CURTIS' AMENDMENT

Mr. CURTIS. Mr. President, I renew my request that notwithstanding any other order, that at this time—my unanimous-consent request is that at this time—the Curtis amendment be called up with a time limitation of 10 minutes, 5 minutes on each side, and that following it the distinguished Senator from Indiana (Mr. Bayh) can call up the DeConcini amendment, and following that the distinguished Senator from Delaware (Mr. Roth) may call up his amendment.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with. Without objection, it is so ordered.

The PRESIDING OFFICER. Is there objection to the request?

Without objection, it is so ordered.

UP AMENDMENT NO. 1086

Mr. CURTIS. Mr. President, I send to the desk an amendment and ask for its immediate consideration. The PRESIDING OFFICER. The clerk will report. The assistant legislative clerk proceeded to read the amendment.

Mr. CURTIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with. The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 101 of the Act. Strike out sections 102 and 103 of the Act and insert in lieu thereof the following:

EMPLOYERS

Sec. 102. Section 230 is amended by adding at the end the following new subsection:

"(d) For calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined under subsection (b) but as augmented for each such year (and carried forward thereafter) by $6,000 and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year."

EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS

Sec. 103. (a) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3101(a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.385 percent;

(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.65 percent;

(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.95 percent;

(6) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.50 percent;

(7) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 7.05 percent;

(8) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.45 percent; and

(9) with respect to wages received after December 31, 2010, the rate shall be 7.95 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

(3) with respect to wages received during the calendar years 1981 and 1982, the rate shall be 1.25 percent;

(4) with respect to wages received during the calendar years 1983 and 1984, the rate shall be 1.40 percent; and

(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 1.50 percent.

(3) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 1.40 percent; and

(4) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 1.35 percent.

(b) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3111(a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.65 percent;

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 5.05 percent;

(3) with respect to wages paid during the calendar year 1981, the rate shall be 5.538 percent;

(4) with respect to wages paid during the calendar years 1982 and 1983, the rate shall be 5.88 percent;

(5) with respect to wages paid during the calendar years 1984 and 1985, the rate shall be 6.25 percent;

(6) with respect to wages paid during the calendar years 1986 through 1989, the rate shall be 7.05 percent;

(7) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 8.00 percent; and

(8) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 8.80 percent.
"(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.45 percent; and

"(9) with respect to wages paid after December 31, 2010, the rate shall be 7.35 percent."

"(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) in the case of any taxable year beginning after December 31, 2010, and before January 1, 2011, the tax shall be equal to 1.50 percent of the amount of the self-employment income for such taxable year;"

"(9) in the case of any taxable year beginning after December 31, 2010, and before January 1, 2011, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;"

"(3) in the case of any taxable year beginning after December 31, 2010, and before January 1, 2011, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year; and

"(7) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 0.75 percent of the amount of the self-employment income for such taxable year;"

"(1) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1978, the tax shall be equal to 11.925 percent of the amount of self-employment income for such taxable year;"

"(3) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1978, the tax shall be equal to 11.925 percent of the amount of self-employment income for such taxable year;"

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1978, the tax shall be equal to 11.925 percent of the amount of self-employment income for such taxable year;"

"(1) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1978, the tax shall be equal to 11.925 percent of the amount of self-employment income for such taxable year;"

"(7) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1978, the tax shall be equal to 11.925 percent of the amount of self-employment income for such taxable year;"

"(6) in the case of any taxable year beginning after December 31, 1985, and before January 1, 1986, the tax shall be equal to 1.50 percent of the amount of the self-employment income for such taxable year; and

"(7) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year;"

"(5) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year;"

"(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year;"

"(3) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.30 percent of the amount of the self-employment income for such taxable year;"

"(2) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;"

"(1) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.20 percent of the amount of the self-employment income for such taxable year;"

"(7) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.20 percent of the amount of the self-employment income for such taxable year;"

"(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.15 percent of the amount of the self-employment income for such taxable year;"

"(5) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.10 percent of the amount of the self-employment income for such taxable year;"

"(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;"

"(3) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;"

"(2) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 0.95 percent of the amount of the self-employment income for such taxable year;"

"(1) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;"

"(7) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.575 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.55 percent of the amount of the self-employment income for such taxable year;"

"(5) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.525 percent of the amount of the self-employment income for such taxable year;"

"(4) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.50 percent of the amount of the self-employment income for such taxable year;"

"(3) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.475 percent of the amount of the self-employment income for such taxable year;"

"(2) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.45 percent of the amount of the self-employment income for such taxable year;"

"(1) in the case of any taxable year beginning after December 31, 1983, and before January 1, 1984, the tax shall be equal to 10.425 percent of the amount of the self-employment income for such taxable year;"
November 4, 1977

CONGRESSIONAL RECORD—SENATE

S 18785

a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. NELSON. Mr. President, I move to table the amendment. My motion would not lie until the time expired or been yielded back.

Mr. CURTIS. I am willing to yield it back right now.

Mr. NELSON. Mr. President, the distinguished Senator from Nebraska and I have discussed the principles involved here in some detail in the last couple of days, and I would repeat that this proposal was printed in the Congressional Record twice, in short form, in the Wednesday and Thursday Recos; and this present amendment is referred to as Curtis plan No. 2.

Yesterday we debated Curtis plan No. 1. That was not adopted, and this is Curtis plan No. 2, as identified in the Record.

Let me say, as I did then, that Senator Curtis, in both of his plans, has designed a proposal which does, in fact, guarantee the integrity of the fund all the way to the year 2050. His plan No. 2 has a balance in the fund of plus 0.40 percent of taxable payroll, so from the standpoint of fiscal integrity, there is not really any question about it being financially sound.

The Finance Committee, at the same time, reported a proposal to the Senate floor which also provides the financing for all of the provisions in the current law and in the pending legislation through the year 2050, just as does Senator Curtis' amendment. The Senate Finance Committee bill leaves a balance in the fund of plus 0.06 of taxable payroll in the year 2050.

There is a basic difference, however. I cannot get into it in great detail because of the time constraints and because we have covered it before. However, the Finance Committee's plan 2 on the worker earning the average wage is greater at each step than under the Finance Committee plan. In 1976, the Finance Committee would increase the tax over the present law by $10 for the worker earning the average wage, and Senator Curtis' plan would increase it by $39, and, down into the year 1987, the Finance Committee plan would increase the liability by $112 on the individual earning the average wage, while Senator Curtis' plan would increase it by $112. The figures are roughly similar in terms of those earning the maximum amount taxed.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. CURTIS. Mr. President, I thank my distinguished friend for his fair statement. He has very graciously stated the facts very forthrightly just as they are.

The adoption of my amendment will restore the fund. It will set at rest the uneasiness. It will get the additional money that we need. It will maintain the traditional patterns that everybody pays, half by employers and half by employees, with no gimmicks, no dodging of the isue, meeting it forthrightly for the benefit of all the people of the land.

I yield back the remainder of my time.

Mr. NELSON. Mr. President, I move that the amendment be laid on the table.

Mr. CURTIS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. CURTIS. Mr. President, I announce that the Senator from South Dakota (Mr. ABBOT), the Senator from Texas (Mr. BROOKS), the Senator from Nevada (Mr. BURDICK), the Senator from Arizona (Mr. MCANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Georgia (Mr. NUNN), and the Senator from Tennessee (Mr. SASEN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEASE), the Senator from New Mexico (Mr. SENSENICH), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The yeas and nays resulted—yeas 41, nays 41, as follows:

[Rollcall Vote No. 623 Leg.]

YEAS—41

Anderson

Bakich

Biden

Bumpers

Burdick

Byrd

Carnahan

Cranston

Durkin

Eagleton

Ford

NAYs—41

Anderson

Bakich

Biden

Bumpers

Burke

Byrd

Carnahan

Cranston

Durkin

Eagleton

Ford

Morgan

Oseen

Owen

Packer

Percy

Bartlett

Belmont

Brooke

Byrd

H. F. Jr.

Roberts

Bolling

Belmont

Bouton

Burke

Byrd

Sargent

Domenici

Endicott

Eagleton

Malcolm

McClure

NOT VOTING—18

Abourezk

Bathaw

Bayh

Bennett

Cannon

Johnson

Goldwater

Hatch

Nunn

Abourezk

Bathaw

Bayh

Bennett

Cannon

Johnson

Goldwater

Hatch

Nunn

Byrd

Brooke

Bel'mn

Allen

Baker

Bartlett

Belmont

Brooke

Byrd

H. F. Jr.

Chafee

Chiles

Curtis

Dasho

Doyle

Domenici

Endicott

Eagleton

Malcolm

McClure

Weicker

CURTIS. Orderly, regular, Mr. President.

The VICE PRESIDENT. On this vote there are 41 yeas, 41 nays.

The Vice President votes "aye." The motion to lay on the table is agreed to. Mr. NELSON. I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. ROBERT C. BYRD. I move to lay on the motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1056
(Purpose—To liberalize the conditions governing eligibility of blind persons to receive disability benefits.)

The VICE PRESIDENT. Under the previous order, the Senator from Indiana is recognized.

Mr. BAYH. Mr. President, I send to the desk an unprinted amendment in behalf of the distinguished junior Senator from Arizona (Mr. DeConcini), myself, Senator Brookes, Senator Durkin, Senator Eastland, Senator Goldwater, Senator Humphrey, Senator McGovern, Senator Randolph, Senator Riegle, Senator Sparkman, Senator Thurmond, Senator Tower, and Senator Weicker.

The PRESIDING OFFICER (Mr. SABANES). The Clerk will state the amendment.

Mr. BAYH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following:

SENABILITY BENEFITS FOR BLIND PERSONS

Sec. 150. (a) Section 214 (a) of the Social Security Act is amended by adding "or" after the semicolon at the end of paragraph (3), and by inserting after paragraph (3) the following new paragraph:

"(4) in the case of an individual who has died and who was entitled to a benefit under section 225 for the month before the month in which he died, 6 quarters of coverage:".

(b) (1) Section 216 (b) (1) of such Act is amended by striking out "shall be the quotient" and inserting in lieu thereof "shall (except as provided in paragraph (5)) be the quotient"

(2) Section 216 (b) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) in the case of an individual who is blind (within the meaning of 'blindness' as defined in section 216 (1)), such individual's average monthly wage shall be the quotient obtained by dividing (A) the total of his wages paid in, and self-employment income determined in accordance with section 212, which are quarters of coverage (as defined in section 218) and which fall within the period of 1950 and prior to 1970, by clause (i) or clause (ii) of"
graph (2)(C), by (B) the number of months in such quarters, except that any such individual who is fully insured (without regard to section 216(m)(1)) shall have his average monthly wage computed under this subsection without regard to this paragraph if such computation results in a larger primary insurance amount.

(3) The amendments made by this subsection shall apply to months in which benefits and lump-sum death benefits payable under title II of the Social Security Act for months after September, 1977.

(b) Section 215(b) of such Act (as amended by section 104(b) of this Act) is further amended by adding at the end thereof the following new paragraph:

"(5) The amendments made by this subsection shall apply with respect to any quarter in which such month occurs, or (ii) if such month occurs in a period which ends before the quarter in which he attained age 65, not less than 8 of the quarters during the period ending with the quarter in which such month occurred."

(f) Section 232(a)(1) of such Act is amended—

(1) by striking out the comma at the end of subparagraph (A) and inserting in lieu thereof "or is blind (within the meaning of "blindness" as defined in section 216(i)(1)))";

(2) by striking out "the month in which he attains age 65, or (ii) if such month occurs in a period which ends before the quarter in which he attains age 65" and inserting in lieu thereof "in the case of any individual other than an individual whose disability is blindness (as defined in section 216(i)(1)), the month in which he attains age 65"; and

(3) by striking out the second sentence.

(g) Section 232(a)(2)(B) of such Act is amended to read as follows:

"(B) he would have been a fully insured individual (as defined in section 214) had he attained age 65 and filed application for benefits under section 202(a) on the first day of such month, and (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with the quarter in which such month occurred, or (ii) if such month occurs in a period which ends before the quarter in which he attains age 65, not less than 8 of the quarters during the period ending with the quarter in which such month occurred, or (ii) if the number of quarters in such period is less than 12) not less than 8 of the quarters during the period ending with such quarter were quarters of coverage, or

(1) he is blind (within the meaning of "blindness" as defined in section 216(i)(1)) and has not less than 8 quarters of coverage in the period which ends with the quarter in which such month occurred."

For purposes of clauses (i) and (ii) of sub-paragraph (A) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage.

(h) Section 223(d)(1)(B) of such Act is amended—

"(B) blindness (as defined in section 216(i)(1)))"

(i) The second sentence of section 223(d)(4) of such Act is amended by inserting in lieu thereof "(other than an individual whose disability is blindness, as defined in section 216(i)(1))") immediately after "immediately after he attained the age of 21"

(j) In the case of an insured individual who is under a disability as defined in section 223(d)(1)(B) of the Social Security Act, who is entitled to monthly insurance benefits under section 202(a) or 223 of such Act for a month after September, 1977, and who applies for a recomputation of his disability insurance benefit or for a disability insurance benefit for an individual entitled to disability insurance benefits, such recomputation results in a higher primary insurance amount.

(k) Except as otherwise provided in this section, the amendment made by this subsection shall apply with respect to any period in which such month occurs, or (ii) if such month occurs in a period which ends before the quarter in which he attains age 65, not less than 8 of the quarters during the period ending with the quarter in which such month occurred.

(l) The amendment which I bring up because of an important unexpected occurrence that caused our distinguished colleague from Arizona to be unavoidably absent, is an amendment which is identical to S. 753, which amends title II of the Social Security Act, and was introduced by Senator HUMPHREY, myself, and several other Senators in February of this year.

The purpose of the amendment is to standardize the work requirement and remove the "earning limitation" for blind individuals who qualify for benefits.

While the principal sponsor of this legislation requested consideration of this bill in the context of the recent Finance Committee hearings, its provisions are not included in the bill as reported.

Moreover, I believe that this amendment, which is designed to assist our blind citizens, is extremely important and I hope we shall have an opportunity to consider it here today.

Let me review, briefly, the arguments in favor of this amendment. While the primary purpose of the pending legislation is to strengthen the financing of the social security system, it is both proper and desirable to make needed improvements in the ability of that system to fulfill its purpose of providing minimum financial security to the aged and disabled. In fact, the House-passed bill contains a dramatic commitment to reduce and eventually eliminate the work test for individuals over 65, because there is a growing conviction that everybody should have the right to better their economic status.

Mr. President, the Senator from Indiana does not need take a great deal of time to convince our colleagues of the particularly difficult situation in which blind citizens find themselves.

Social security insurance was designed to partially replace income loss due to a disability. Congress has previously recognized blindness as a distinct and unique condition. Certain economic consequences predictably follow the disability of blindness. It is compatible with the social security insurance concept to protect the blind from these adverse effects. For persons with a high earning capacity, compensatory help, for particular assistance, is difficult to get. The blind, as a group, suffer largely adverse effects. If persons with a high earning capacity are able to make a dramatic commitment, to reduce and eventually eliminate the work test for individuals over 65, there is a growing conviction that everybody should have the right to better their economic status.

Mr. President. Social security insurance was designed to partially replace income loss due to a disability. Congress has previously recognized blindness as a distinct and unique condition. The economic penalties exacted by discrimination are evident in a dramatic 70 percent rate of unemployment and underemployment. It is an economic status.

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eligible persons has been suggested as more realistic.

An adequate consideration has been given by the administration to the offsetting savings that would result from the transfer of blind beneficiaries now served by SSI, food stamps, and other work disincentives. 

The argument both pro and con have been presented each time this proposal has come before the Senate. However, in the words of the distinguished Senator from Minnesota who has been the leader in this field, I appreciate the opportunity to associate myself with him today as I have in the past.

Mr. HUMPHREY. I appreciate the Senator yielding.

I just wanted to thank the Senator for his initiative here today in bringing this worthy amendment to the attention of the Senate.

Blind people deserve this and the fund can handle this amendment.

I hope the Senate will once again, as the Senator has indicated we have passed this before, agree to its adoption.

It is not in any way going to wreak any serious damage upon the fiscal soundness or the strength of the social security fund. The Senator’s amendment deserves the Senator’s support.

Mr. President, I rise in support of the amendment being presented today by Senator BAYH and Senator DeConcini.

This amendment is essentially identical to legislation the Senate has passed on a number of previous occasions, and to a bill I introduced together with Senator BAYH.

The purpose of this amendment is clear and simple. A readily identifiable category of handicapped Americans is being sidelined from productive participation in our economy through an unintentional bias against work, which has been built into the disability insurance system.

The amendment would correct this work disincentive.

I want to address very briefly the arguments raised in the past against this proposal. It has been said that costs are unknown. That is probably less true of this amendment than of some other incentive programs we have recently adopted with no certain knowledge of how many persons or businesses will respond.

Perhaps we would have more firm cost estimates if the issue ever had received the attention and study it manifestly deserves. I do not believe we can dismiss the situation of a group of Americans who suffer an unemployment and underemployment rate of 70 percent, knowing that this unemployment is related more directly to social attitudes and discrimination than to incapacity.

The cost of earnings lost through unemployment has been estimated by the Department of Health, Education, and Welfare at $1 billion annually. The cost of this amendment has been estimated by the same Department at $500 million. However, to the best of my knowledge, there has been no effort to offset this estimate with the savings that would result as working blind persons transfer from public assistance to the disability program. It has been said that social security and income taxes, and contribute their productivity to our economy.

I wonder if we are talking incorrectly of preferential treatment, when we should be speaking in support of reasonable exceptions to redress handicaps and disadvantages imposed by social and economic barriers that have barred the blind, far more than their disability, from earning a decent and secure livelihood.

The law as it stands encourages the blind individual to be dependent, to lose himself or herself, to abandon the arduous efforts, apprenticeship, and risk required to train for, or resume, a job, or profession.

Too frequently, blind workers are hired last, if at all, and at a lower wage than others. They take a temporary job, when it disappears, they find themselves permanently deprived of disability benefits. If they take a low-paying job, in the hope of eventual advancement, they find themselves permanently out disability benefits, and with added expenses that working incurs. It is reasonable that some disability insurance payment be continued to compensate for a terminated salary earning.

Budget considerations are basic, but they cannot be the sole determinant of policy. They have to be tempered by a sense of priority, a recognition of social obligations, and a true accounting of the cost of undeveloped human potential.

I will not repeat arguments ably made by my colleagues who have presented this legislation, and who share my views.

I will just say that I consider this particular amendment an investment and an incentive that would sustain and strengthen blind Americans in their determination to join the ranks of working America. That is my objective in supporting this legislation.

I think it is just, I think it is timely, and I do not think it will bankrupt our Nation.

Mr. DURKIN. Will the Senator yield?

Mr. BAYH. I am glad to yield to the distinguished Senator from New Hampshire.

Mr. DURKIN. I am very pleased to join with the Senator from Indiana, the Senator from
Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Mr. Macuson be recognized to call up the continuing resolution; and that when that is disposed of, Mr. Roth again be recognized.

The PRESIDING OFFICER. The amendment is as follows:

SEC. 130. (a) Section 224 of the Social Security Act is repealed.

(b) At the appropriate place insert the following:

The amendment was agreed to.

Mr. WALLOP. Mr. President, I present this amendment to the social security financing bill on behalf of myself, Senator HUMPHREY, Senator THURMOND, Senator YOUNG, Senator CRANSTON, and Senator STARRS. This amendment would repeal section 974 of the Social Security Act, the section that deals with the workers' compensation provision.

Mr. President, the purpose of this amendment is quite simple. It would end the required monthly social security disability benefits when a disabled worker is also receiving workers' compensation. This reduction of social security benefits due to workers' compensation has been in effect since the 1965 social security amendments. Under present law, when a worker qualifies for both workers' compensation and social security disability benefits, the monthly social security benefit must be reduced because the disabled worker is also receiving workers' compensation. Where this offset provision is applicable, the social security benefit payable to the worker and his family are reduced by the amount that the total monthly benefits payable under the two programs exceed 80 percent of the worker's earnings prior to becoming disabled.

The Senator from Wyoming and the cosponsors of this amendment feel that the workers' compensation offset provision is unfair and inconsistent. Died disabled workers and their families under workers' compensation are the only category of social security beneficiaries whose benefits are reduced by the workmen's compensation provision. The great inequity is that the Social Security Act does not require a similar reduction in disability benefits from other Federal or private programs. A worker could become disabled and receive payments from civil service retirement annuity and Veterans' Administration disability payments, yet he would not have his social security benefits reduced as he would under the workers' compensation offset provision.

The disabled workers who receive lump sum or monthly payments under private disability insurance programs or receive damages in private tort actions do not have their social security benefits reduced. Only those workers who through no choice of their own depand on workers' compensation are3 laid off and have their social security payments reduced. The Senate severely recognizes the unfairness of a provision that requires a reduction in social security benefits because the worker is receiving compensation due to injury.

In my State and in every other State employers contribute to workmen's compensation funds to do so to provide a fair protection to injured workmen. In most cases the covered workmen have no right to civil damages. Awards on a contract agreement, if you will, and exchange the right to recover additional damages in court. The workmen's compensation fund exists solely for the benefit of injured and disabled workmen and not to enable actuarial soundness in the social security trust fund. Their employer's pay-
Mr. President, I shall briefly explain to the chairman what this does. It tries to correct an injustice in the American social security system whereby a workman who receives a lump sum payment under workman's compensation has that payment deducted from his social security disability payments. This leaves the disabled worker without the full benefit of his social security disability payments.

It is my understanding that the committee will accept this amendment and consider its financial impact in conference. Should it not meet the terms of the House bill and the amendment is not agreed upon in conference, the Finance Committee has agreed to hold hearings on the problems created by Section 224 of the Social Security Code and recommend legislation that would be implemented at a subsequent date.

Mr. LONG. Mr. President, my understanding is that the Senator from Wisconsin (Mr. Nelson) studied the amendment and he agreed that he would take the amendment to conference and, as far as I am concerned, I would be willing to join with the Senator in seeing that it is considered in conference.

Mr. ALBP: I thank the Senator very much.

I checked with Senator Curris, and he, under the same set of circumstances, agreed to it.

Mr. STEVENS. Mr. President, I have cosponsored this amendment in order to correct the inequities found in the present social security disability payments system.

Currently a disabled person who receives workmen's compensation payments may not be entitled to his full social security benefits. At the same time, however, should he be receiving disability payments from another source such as civil service retirement annuity, Veterans' Administration disability benefits, or coverage under other private sources, he would be entitled to his full social security benefits. There is no sound reason for this discriminatory practice.

The present law places a financial penalty on disabled wage earners at a time when they are least able to afford it. We must remember that these disabled workers have contributed their share into the social security system.

To deny them their full compensation is contrary to the spirit of the disability program and impose a hardship on those Americans that have become disabled.

I urge my colleagues to act favorably on this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming. The amendment was agreed to.
The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. Under the unanimous-consent order, the Chair now recognizes the Senator from Delaware for the purpose of offering an amendment.

VP AMENDMENT NO. 1057
Purpose: To provide tax credits to help offset college tuition costs.

Mr. ROTH. Mr. President, I send to the desk an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH), for himself and Mr. JOHNSTON, Mr. BIDEN, Mr. HELMS, and Mr. RANDOLPH, proposes an unprinted amendment numbered 1057.

Mr. ROTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill add the following new section:

"SEC. — COLLEGE TUITION TAX RELIEF.

Section 1. In general (a) subpart A of part IV of subchapter A of chapter I, of the Internal Revenue Code (relating to credits allowable) is amended by inserting before section 46 the following new section:

"Sec. 441. EXPENSES OF HIGHER EDUCATION.

"(a) GENERAL RULE.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount, determined under subsection (b), of the educational expenses paid by him during the taxable year to one or more eligible educational institutions for himself, his spouse, or any of his dependents (as defined in section 152).

"(b) LIMITATIONS.—

"(1) AMOUNT PER INDIVIDUAL.—The credit under subsection (a) for educational expenses of any individual shall be an amount..."
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equal to so much of such expenses paid in taxable years beginning after December 31, 1977, as does not exceed $250.

"(2) PREEMPTION OF CREDIT WHERE MORE THAN ONE TAXPAYER—In case the total educational expenses of an individual are paid by more than one taxpayer during the taxable year, the credit allowable to each such taxpayer during the taxable year is of the total amount of educational expenses of such individual paid by all taxpayers during the taxable year.

"(c) DEFINITIONS.—For purposes of this section—

(1) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' means—

(A) an institution of higher education or

(B) a vocational school.

(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means the institutions described in section 122(a) or 491(b) of the Higher Education Act of 1965.

(3) VOCATIONAL SCHOOL.—The term 'vocational school' means an area vocational education school as defined in section 108(2) of the Vocational Education Act of 1963.

(4) SPECIAL RULES.—(1) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND FELLOWSHIPS.—The amounts otherwise taken into account under subsection (a) as educational expenses of any individual described in paragraph (2) shall not be included in such amount (before the application of subsection (b)) by any amounts received by such individual during such period and

(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which under section 117 is not includible in gross income, and

(B) an educational assistance allowance under chapter 35 of title 38 of the United States Code or education and training allowance under chapter 33 of title 38 of the United States Code.

(2) GRADUATE, NONCREDIT, AND RECREATIONAL COURSES.—Amounts paid for educational expenses of any individual shall be treated as educational expenses only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school and are not attributable to any graduate program of such individual.

(3) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxable year by this chapter attributable to the sum of all credits allowable under this subpart (other than under this section, section 31, and section 39).

(4) FULL-TIME STUDENT.—No credit shall be allowed under subsection (a) for amounts paid during the taxable year for educational expenses with respect to any individual unless that individual, during any four calendar months during the calendar year in which the tax year begins, is a full-time student above the secondary level at an eligible educational institution.

(5) SPOUSES.—No credit shall be allowed under subsection (a) for amounts paid during the taxable year for educational expenses for the support of the taxpayer unless—

(A) the taxpayer is entitled to an exemption for his spouse under section 151(b) for the tax year,

(B) the taxpayer files a joint return with his spouse under section 6013 for the taxable year.

(e) DISALLOWANCE OF EXPENSES AS DEDUCTION.—No deduction shall be allowed under section 162 (relating to trade or business expenses) for any educational expenses which (after the application of subsection (b)) is taken into account in determining the amount which under section 117 is not includible in gross income, and

(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section.

(b) CONFORMING AMENDMENT.—(1) The table of sections for such subpart A is amended by inserting immediately before the item relating to section 45 the following:

"Sec. 44D. Expenses of higher education.

(2) Section 55(c) (2) (B) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (ix), by striking out the period at the end of clause (ix) and inserting in lieu thereof a comma and the word "and", and by adding at the end thereof the following new clause:

"(ix) section 44D relating to expenses for higher education.")

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to educational expenses paid after December 31, 1977, in taxable years beginning after December 31, 1977.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous consent to the amendment to be offered by the distinguished Senator from Alabama?

Mr. DANFORTH. Mr. President, I ask unanimous consent that an amendment to section 117(a)(1) (relating to educational expenses paid after December 31, 1977, to individuals) be added.

Mr. DANFORTH. Mr. President, will the Senator yield?

Mr. DANFORTH. Mr. President, I ask unanimous consent that the amendment be offered by the distinguished Senator from Alabama (Mr. CRANSTON), be adopted.

Mr. DANFORTH. Mr. President, I ask unanimous consent that an amendment to section 117(a)(1) (relating to educational expenses paid after December 31, 1977, to individuals) be added.

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Mr. DANFORTH. Mr. President, I ask unanimous consent that an amendment to section 117(a)(1) (relating to educational expenses paid after December 31, 1977, to individuals) be added.
ments to the Roth amendment and would like 10 minutes on each of his amendments to the Roth amendment.

The PRESIDING OFFICER. Objection is not in order. Mr. CRANSTON. That if that is accepted, I do not object.

Mr. LONG. I so modify the request. Mr. ROTH. Mr. President, reserving the time in which I did not hear the proposal.

Mr. CRANSTON. Senator KENNEDY would like 10 minutes for each of several amendments to the amendment of the Senator from Delaware.

Mr. ROTH. I do not know what his amendments are. I am not willing to enter into a unanimous-consent agreement.

Mr. LONG. Why do we not, for the time being, leave the limitation on the Roth amendment? Then we can obtain a limitation on amendments as they are called up and considered, and they will have to be put up to a vote of the Senate.

Mr. CRANSTON. That will allow Senator KENNEDY an opportunity to bring up his amendments.

Mr. LONG. Yes. There will be no limitation on amendments to the amendment.

Mr. ROTH. Reserving the right object, I am not clear on this.

Mr. LONG. The agreement is that we have a limitation on the Roth amendment, which is a half hour, equally divided. There is no limitation on amendments to the amendment. So, if a Senator has a time limitation, we can seek a limitation at that time on the amendment to the amendment; or one could move to table the amendment. That is the most severe limitation we can have.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered. There will be 30 minutes on the Roth amendment, equally divided.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield further?

Mr. ROTH. I yield.

Mr. ROBERT C. BYRD. I thank the Senator for his courtesy and indulgence. Can we now obtain a time limitation on the amendment of Mr. Danforth?

Mr. LONG. Morgan has no objection to that.

Mr. LONG. Ten minutes, equally divided.

The PRESIDING OFFICER. The unanimous-consent request of the Senator from Louisiana is that following the disposition of the amendment of the Senator from Alabama, he be permitted to call up an amendment, with the time to be 10 minutes on his amendment, equally divided.

Without objection, it is so ordered.

Mr. ROTH. Mr. President, this counting against my time?

The PRESIDING OFFICER. It is counting against the Senator’s time, unless there is unanimous consent otherwise.

Mr. ROBERT C. BYRD. Mr. President, I request unanimous consent that the time not be charged against Mr. Roth.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, I yield myself 3 minutes.

Mr. President, my amendment provides tax credits for education expenses made by an individual for himself, his spouse, and his dependents. If I am not eligible for the Roth amendment, an individual must be an full-time student at an institution of higher education or at a vocational school. The amount of the tax credit is to be $250. To avoid any dispute with the Budget Committee, I am not proposing that at this time the incremental increases to $500 as proposed in S. 3111, my college tax relief bill.

Mr. President, I ask that the Senate be in order.

The PRESIDING OFFICER. The Senate will be in order. The Senator is entitled to be heard. Will Senators kindly take their seats?

The Senator from Delaware.

Mr. ROTH. Mr. President, in consideration of this amendment, I want to remind my colleagues that the Senate provided room in this year’s budget for this amendment by a vote of 58 to 25 and the House by a vote of 211 to 17. A few months ago I convinced that Congress can and must enact this legislation to provide tax relief to the millions of families struggling to send their children to college. According to the statistics, there is a growing number of qualified students who are prevented from obtaining a higher education because of increasing costs. In the past few years the cost of a college education has skyrocketed. According to the College Entrance Examination Board, the annual average total cost of a public university has increased 40 percent in the past 5 years, from $1,782 to $2,700.

For a private university, the average annual total cost has increased 35 percent, from $2,782 to $4,066.

According to the New York Times survey the total annual cost at many colleges and universities is as high as $7,900.

Tuition costs will continue to increase. If a parent expects a child to be born by 1981, it has been estimated that it will cost $47,000 to send that child to a public university, and $83,000 for a private university in the 1980’s. For a student entering college next fall, the total cost will be $17,500 for a public university and $30,000 for a private college.

The PRESIDING OFFICER. The Senator’s 3 minutes have expired.

Mr. ROTH. I yield myself, 1 more minute.

These increasing costs are a primary reason why college attendance has declined in the past few years. The U.S. Census Bureau reports that there has been a significant decrease in the percentage of 18- to 24-year-olds attending college full time. In addition, U.S. Census Bureau data shows that the families are especially hard hit right now because many of them have more than one child of college age at the same time. These families face the difficult problem of educating two or more children over an 8- to 10-year period.

Middle-income families are especially hard hit by the increasing college education costs. There are millions of families today who are neither affluent enough to afford the high cost of college nor considered poor enough to qualify for the different Government assistance programs which their taxes make possible.

As a result, college attendance of middle-income students has declined substantially in the past few years. In 1969 and 1974, college attendance for children of middle-income families declined at a rate of 22 percent, while enrollment for lower- and higher-income students has remained stable.

Mr. President, we are rapidly approaching a situation in this country where only the very affluent and the very poor will be able to attend college, and I am convinced that action must be taken to ease the financial plight of middle-income American families.

Mr. President, I yield back the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. Mr. President, who is handling the time for the opposition?

The PRESIDING OFFICER. The Senator from Louisiana has controlled 10 minutes. The Senator from Louisiana has 5.

Mr. KENNEDY. Mr. President, if I may have the attention of the Senator from Louisiana, I am opposed to this amendment. Will the Senator yield me time?

Mr. LONG. How much time does the Senator want? I have 5 minutes. He may have 5.

Mr. KENNEDY. I thank the Senator. Mr. President, I rise in opposition to this amendment for several important reasons.

The amendment would allow a tax credit of $250 a year to parents for college tuition expenses.


This amendment is being offered on the wrong bill. It does not belong on the social security bill, and it is unlikely to be accepted by the House committee.

The Senate Committee on Finance has announced plans to hold hearings on the credit in January, and further floor action by the Senate should be deferred until the issue can be seriously considered by the committee.

As a matter of fact, the amendment belongs on the forthcoming tax reform bill, which Congress will be considering next year, after the proposals of the administration are submitted.

Serious objections exist against the amendment with regard to education programs, which Congress will be considering next year. As both the Senator from Louisiana and the Senate Finance Committee have suggested, a direct subsidy is preferable to a tax subsidy.

Federal grants and loan programs are better able to aid students in need. Congress will be considering college education costs, because such programs can target the relief to the specific needs of particular families.

The Federal Government is now spending $12.7 billion a year in direct outlays and $3.8 billion in tax expenditures for education, for a total of $16.5 billion in aid to higher education.
Since 1972, student aid programs in the Office of Education have increased from $1.0 billion to $3.4 billion; or a 340 percent increase in 6 years. This year, the maximum grant under the basic education opportunity grant program will increase from $1,400 to $1,600, and the program will reach 241,000 newly eligible middle-income students.

Income eligibility requirements for guaranteed student loans have been increased by the 1976 Higher Education Act to allow loans for families with income up to $50,000 per year. In ways like these, the direct grant programs are being targeted more toward middle-income families, and there is less need for the blunderbuss tax credit approach.

Second, the tax credit is inequitable. The credit is not refundable. Therefore, families with incomes too low to pay taxes will get no benefit at all from the tax credit. Fifty percent of the credit, low-income students will be left in worse condition than under present law—their costs of education will go up, but they will not receive the advancement of the college attended. The amendment discriminates against low-income students in another way, since other forms of student aid are shared with the middle-income students. Ninety percent of the recipients of basic education opportunity grants have family income up to $15,000, would be disqualified from the credit.

The amendment discriminates against self-supporting students, who are ineligible for the credit. The credit is available only for parents claiming dependents. Yet, self-supporting students are the fastest-growing group in the student population; the average college student age is 23.

The benefits of the tax credit will be distributed unfairly among income groups: 60 percent of the benefits will go to families with incomes over $25,000 a year. The bill will also change the balance between low cost public colleges and high cost private colleges.

Fifty percent of students in higher education attend schools where the costs of tuition are $1,000 a year or less. Forty percent charge $1,000 or less. Only 8.4 percent of private colleges charge $1,000 or less. Yet, the amendment will provide the same amount of tax subsidy, regardless of the tuition costs of the college attended. The amendment ignores this fact. Federal direct grant programs provide increased aid in such cases.

Third, the tax credit is inflationary. Colleges will use the credit as an excuse for new tuition increases. Colleges are less able to do so now, under existing programs, because the direct Federal subsidies are targeted to the smaller group of needy students, and tuition cannot be raised without driving away unsubsidized students. But 77 percent of all students would be subsidized by the tax credit.

The amendment is an open invitation to colleges to adopt across-the-board tuition increases of $250.

Fourth, the tax credit is essentially an appropriation for education, and it has not been through the authorization or appropriations process.

The credit is little more than an additional appropriation of $1 billion a year or more for colleges. Parents and students will get no benefit from a $250 tax credit if tuition costs go up simultaneously by $250. Since the benefit of the credit is likely to be apportioned off by institutions, Congress should appropriate the funds directly, through the authorization and appropriations process, rather than indirectly through the tax code.

The credit has a serious impact on the budget. The credit is a "wedge" provision, with a relatively low revenue loss in the first year and larger revenue losses in future years.

Federal budget dollars appropriated by the Finance Committee are as real as the dollars appropriated by the Appropriations Committee. The Senate ought to be giving the same close scrutiny to tax expenditures as it gives to direct expenditures. Supporters of such indiscriminate tax spending are the real budget busters and deficit financiers.

Pith, Mr. President, college costs are not rising as rapidly as income any more. The amendment is an idea whose time has passed. It is a relic of the surge in tuition costs of the early 1970's. Recent studies by the College Scholarship Service and the College Entrance Examination Board show that the problem is easing, with college cost inflation rates down and student aid up. For 1977-78, college tuition costs increased only 4.3 percent, compared to 7.5 percent last year, 8.8 percent the year before, and 17.3 percent in 1973-74.

Scholarship money is also increasing more rapidly than college costs—11 percent this year, and 12 percent last year. Since enrollments are down, there is more aid money to spread among fewer students.

In fact, in recent years, family income has been growing at a more rapid rate than education costs. According to the Congressional Budget Office, the median-family income grew by 73 percent from 1968-75, but college costs grew by only 57 percent. The need for the tax credit is declining as family income goes up.

Finally, Mr. President, the tax credit is complicated. It puts the Internal Revenue Service in the education business, adds complexity to the tax law, and adds another layer of bureaucracy to education programs.

For these reasons, Mr. President, I oppose the amendment.

Mr. JAVITS. Will the Senator yield?
Mr. KENNEDY. I am afraid I have no further time.

Mr. JAVITS. Mr. President, who has the time?
The proposed credit would provide a subsidy to a much broader range of students than the existing Federal loan programs. Approximately 77 percent of all undergraduate students would be subsidized under this amendment. Part-time students and students from lower income families who would not receive benefits. This is more than three times as broad as the coverage of the basic opportunity grants (BEQG's) program, the largest student aid program administered by the U.S. Office of Education. Since three out of every four students would receive a subsidy under this amendment, compared to the credit under the four undergraduate BEQG's program, it is clear that the Roth amendment would give institutions a substantially greater opportunity to capture the subsidy through tuition increases.

The Senate should be reminded that $250 does not go very far any more in paying for college tuition and expenses. The average annual cost of a college education is roughly $4,000. Thus, if the credit were enacted, subsequent efforts would be made to enlarge the credit to $500, $750, $1,000 or even more. The ultimate annual costs will be extremely high. There is considerable controversy over the merits of a college tuition tax credit. The administration opposes it: both the Treasury Department and the Department of Health, Education, and Welfare oppose it. A significant segment of the higher education community also opposes it. In these circumstances, the credit should be given close scrutiny before it is written into law as, indeed, into public policy. I understand that the chairman of the Finance Committee has made plans to hold hearings on the subject of higher education tax credits in January. Those hearings, announced this week, will constitute the first such Senate hearings held on this amendment by that committee or any other.

I commend the Senator from Delaware for persisting in this matter until he does at least get the hearings underway.

The Senate ought to await the conclusion of those hearings to insure that what results is consistent with both deliberate education policy and deliberate tax policy. There are a variety of reasons why a particular proposal may constitute inefficient education policy.

I would like to point out some of the problems. Each of these and other flaws presently unforseen need to be brought to light before the Senate mortgages the future of higher education policy.

First, the proposal is inequitable both in terms of who pays and who benefits. The proposed amendment would provide tax relief for upper middle income families with college-age children and little incentive or subsidy for other families. The credit fails to target relief to those who need it. In the final year of operation, 67 percent of the revenue reduction that would result from the Roth credit would accrue to persons in families with adjusted gross incomes above $25,000, loans and loan guarantees. Since the Roth credit is calculated after deducting other student aid available to individual students, 90 percent of the BEQG's recipients, and middle-income families whose income comes up to $15,000, would not be eligible for the Roth credit—those, Mr. President, are the students of the families that now—most—will be able to offset the distribution toward upper income taxpayers.

Second, existing legislation provides appropriate vehicles if there is to be a deliberate expansion of Federal student aid to middle-income families. Since 1972, there has been a dramatic increase in spending on student aid programs, from about $1.9 billion to $3.1 billion, FICA's programs alone, or a 340-percent increase in just 8 years.

Mr. President, that is almost 80 percent a year increase. Congress has provided for this purpose.

The thrust of Federal higher education student aid policy continues to be a mix of spending programs targeted on the disadvantaged, loans and loan guarantees available to moderate- and middle-income students. The centerpiece of Federal student aid for higher education is the BEQG's program. By increasing the maximum grant in BEQG's from $1,400 to $1,600 this year, as assumed in the second budget resolution and as acted on by the Appropriations Committee, the program will reach 241,000 newly eligible middle-income students. The increase in the BEQG's maximum grant will allow moderate-income families a small subsidy to defray the costs of their children's college schooling, thereby, responding in part to the concern raised by Senator Rorri. In response to the same concern the income eligibility requirements for guaranteed student loans were increased in the higher education amendments of 1976 to allow eligibility for families with gross earnings up to $30,000 per annum.

Third, the basic premise of the proposal, that middle-income families are sending a declining percentage of their children onto higher education because they cannot afford it, may be flawed. Supporters of the amendment argue that the proposal is necessary in order to address the explosive growth in the cost of college. What they fail to take into consideration is that incomes have grown at a faster rate than college costs. CBSI reports that from 1968 to 1975, the growth in the median family income was 73 percent, whereas the growth in college costs (both public and private) was only 27 percent.

Let me state that again, Mr. President. The growth in incomes in the period from 1968 to 1975 has been 73 percent, but the growth in college costs has been only 57 percent.

So it is easier now for a family to meet the costs of higher education than it was in 1968. Thus, there may actually be a declining need for tuition assistance as family income rises. We need to ascertain the roots of the problem before we prescribe ineffective remedies prematurely.

The Roth credit would likely upset the delicate balance between highly subsidized low-cost public higher education institutions and high-cost private schools. Almost 40 percent of the enrollments in higher education institutions attend schools where tuition and fees charges amount to $500 or less. Almost 50 percent of public institutions as compared with 24 percent of private schools charge $1,000 or less for tuition and fees. The Roth credit will worsen the competitive balance between public and private institutions.

Although there is room for the fiscal year 1978 costs of this amendment in the budget resolution, we will be seriously mortgaging future budgets if we approve this amendment. This untargeted credit would cause recipients to receive credits to be greater than they would need to— or if we ever get a balanced budget, higher taxes than otherwise necessary.

For all these reasons I urge the Senate to reject the amendment. I think the sponsors frequently realize. Again, I urge the Senate to reject the amendment.
November 4, 1977

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So it appears to me that the formula for loans, grants, and the Senator's income phaseout for the Roth tax credit does not take into consideration the kind of hardships families have that are related to income. The Senator would change the credit between one child and two in college. Therefore, since we cannot do that, it seems to me that the Roth approach is far more equitable over the long haul. It will permit those with a higher income and a larger number of children to still get the credit. It will not have so many built-in inequities.

In conclusion, the group that will be hurt the most by the Senator from Massachusetts amendment are those in the middle and upper middle income range when their children go to college.

I thank the Senator for yielding.

Mr. ROTH. I yield 3 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, I urge the Senator to offer his amendment on the floor, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate, rather than in the Finance Committee, because the amendment is not germane to the bill. 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But in the Senate, rather than in the Finance Committee, because the amendment is not germ
tion, and Welfare, Mr. Califano. I will read at this time from the final para-
graph:

You ask whether the proposed program—

Meaning the Roth amendment—

would be consistent with policies underlying the present direct Federal expenditures for education.

It would be a radical departure. Two fac-
tors presently determine the amount of aid a student receives from the Office of Edu-
cation: the family's ability to pay and the cost of the chosen college.

That is the sound underlying concept of the various Federal education pro-
grams, which provide several billion dol-
ars a year through the appropriations process. We are violating that sound con-
cept by adopting this unsound tax credit approach.

Mr. President, earlier we heard my friend from New Mexico talk about the dilemma of those in upper-income groups with large families. But we do not con-
sider the question of the cost of edu-
cation in isolation. There is a $750 tax ded-
uction for each member of the family.

There are other provisions in the Internal Revenue Code providing greater benefits for larger families.

We cannot consider this particular amendment in isolation.

Mr. President, the amendment that I offer provides a very simple modification of the Roth amendment. It gives a credit for the first child of $125; for the second child or more, it is $250. The amendment retains the essential part of the Roth amendment, but it draws a distinction between those who have only one child in college and those who have two or more children in college. The total cost of the Roth amendment is $8.2 billion over the period 1978-85. My amendment will reduce that cost by about 20 percent, or about $200 million a year.

So, Mr. President, I hope that the amendment will be accepted. I reserve the right to stand up again.

Mr. President, I ask unanimous con-
sent that the full text of Secretary Cali-
fano's letter may be printed in the Record.

No objection. I am hereby ordering the letter to be printed in the Record, as follows:

Hon. Edward M. Kennedy, U.S. Senate, Washington, D.C.

Dear Senator Kennedy: I am writing in response to your request for an analysis of proposals for the use of tuition tax credits to provide aid to families with college age students.

There is no question but that college costs are rising and that many families must make hard choices to finance a college education. Reduction of student debt, standard of living or increased borrowing is often necessary to meet educational expenses. However, there are few harder choices or greater anxieties than programs which would deal with this prob-
lem better and more fairly than a program of tuition tax credits, by distributing assist-
tance according to the financial need of the par-
ticular family's problem. For example, a highly paid professional sending his child to a low-income community college will get

as large a benefit under some proposals as a blue collar worker sending his child to an expensive private college with no other aid.

A family with $15,000 in income that it pays no tax would receive no aid at all. The "solut-

tion" proposed by such legislation badly misdiagnoses the problem.

This, of course, implies an answer to your question regarding whether such a program would treat those who need assistance. Such grants would have little relationship to need because almost all students at public institutions, including most public universities, incur sufficient tuition charges and other expenses to be eligible for the maximum credit. A reduction in the al-

towable credit would occur only where the student received grant or scholarship assistance, and, since today most grants and scholarships are awarded on the basis of need, such a reduction would almost always result from receipt of a need-based grant or scholarship.

A direct, targeted grant program in which both family ability to pay and costs of at-
tendance determine the amount of the stu-
dent's grant would be far more equitable, as it would take into account educational opportunities and was highly com-
plementary to loan programs. However, for families in the middle range of income, which would likely benefit from a grant program such as the tax credit proposal, I suspect that loan programs are preferable.

What they need most is to spread college costs over an extended number of years, as is currently done under the Guaranteed Student Loan Program. I think most of these families, when faced with large college costs in a particular year, would prefer a $2,500 long term 7 percent loan to a $250 to $500 grant. Where the issue is not ability to pay, but convenience, I believe the loan alterna-
tive becomes far more attractive.

The distribution of benefits under a grant program patterned after some proposals would appear to be inequitable among in-

come groups. Benefits would be largely the same, despite differences not only in college costs, but also in income. We estimate that at least 60 percent of tax credit benefits would probably go to families with income of $18,000 or more—which are considerably better off than the national average. Further, only 30 percent of the benefits would go to families sending children to private colleges, while 70 percent of the benefits of the tax credit program would go to families in the low income, as I think it should be.

You ask whether the proposed program—

Meaning the Roth amendment—

is as distinguished Senator from Middlesex, said $125. It is $250. The amendment in isolation.

Mr. Roth. They get a total of $250?

Mr. Kennedy. For more than one child.

Mr. Roth. They get a total of $250? Ms. Kennedy. The Senator is correct. Mr. Roth. Mr. President, I think that the proposal from Massachusetts is inadequate. Basically, he is merely reducing the credit for the first child. I might point out that this will barely cover the additional cost for college each year.

Mr. President, I had a constituent come into my office in Wilmington about 2 or 3 weeks ago. She is a schoolteacher. She told me that she also worked at night as a teacher and that her husband was a teacher as well. And she was complaining about how low my college tax credit was, that it was really not offering the basic help that my middle America needs.

She may have a point, when one stops and considers what college is costing to-

day. I pointed out earlier that the aver-

age public university is costing approxi-

mately $3,000 and the average private un-

iversity is costing around $4,600.

According to the New York Times, the total annual cost is going to rise very

significantly in the near future. So Senator from Massachusetts is offering is a mere pittance.

I point out that my $250 college tax credit is already weighted in favor of the low incomes that I am talking to. My amendment also provides that there will be $250 for each additional child.

Under the proposal of the Senator from Massachusetts you could have five children and you still would get only $250. That is practically no help to the average family.

About 2 years ago, Mr. President, the Commissioner of Higher Education in HEW, who at that time made $37,500, resigned. And he resigned for one rea-

son, and that was because he could not afford to send his children to college.

I said that the average income for the very individual who heads up higher ed-

ucation for the entire Nation he has to resign from public office, because he cannot afford to send his children to college.

But what about the person in the pri-

vate sector, the family that makes $20,000 or $25,000? That used to sound like a lot of money. Today it is not. They have to save at least $3,000 a year to send one of their children to college. And are we going to go home and tell them we cannot help them fulfill the American dream? I point out that the child-

card need as a relevant factor in the manner of some tuition credit proposals.

Sincerely,

JOSEPH A. CALIFANO, JR.

THE PRESIDING OFFICER. Who yields time?

Mr. Roth, Mr. President, I would like to ask you two questions to clarify his amendment.

The amendment at the desk says $150, and I believe the Senator from Mas-

sachusetts said $125.

Mr. Kennedy. It is $150 in the amendment at the desk, $150 for the first child and $250 for the second child.

Mr. Roth. Second or each addi-
tional child?

Mr. Kennedy. For more than one child.

Mr. Roth. They get a total of $250?

Mr. Kennedy. The Senator is correct.
I urge, Mr. President, the rejection of aid that is substantial. For that reason November, 1977.

I know that middle-income families are not denied the financial burden. No one is denying the financial burden from low-income college aptitude tests. In spite of the inequities of the Roth amendment, and my amendment does meet one of the inequities of the Roth amendment. And my amendment does address a pressing need the Senator from Massachusetts has raised. He is trying to help those in this country with talent who are not discriminated against, because of financial ability. There is nothing in the Roth amendment that is going to remedy that situation. Let us make no mistake about that. No one is denying the financial burden that middle-income families are under in terms of the cost of education. But the Roth amendment is the answer. If you put $8.4 billion between now and 1985 in the guaranteed student loan program, you could educate almost every child in this country. We ought to do that, where the need is. We have to have some sense of priorities. We know that our Federal education programs are starved for funds. It is wrong for us to squander a billion dollars a year this way.

The amendment of the Senator from Delaware offers no help to all of the young people who are working their way through college. It is not fair, in order to make enough money to go to college. It gives no help to them. It does not help any low-income families who have children in college, because it is not refundable.

Mr. President, what I am trying to do in this amendment is, at least, if the Senate is going to record on accept tax expenditures like this, to draw at least some distinction between those families that have more than one child who is going to college and those that have only one child in college.

Mr. President, I cite an example that Secretary Califano uses. He notes in his letter that a highly paid professional sending his child or her child to college. It gives no help to them. It does not help any young people who are working their way through college. It gives no help to all of the low-income families who have children in college, because it is not refundable.

Mr. President, what I am trying to do in this amendment is, at least, if the Senate is going to record on accept tax expenditures like this, to draw at least some distinction between those families that have more than one child who is going to college and those that have only one child in college.

Mr. President, I am prepared to yield back the time. I would like to get a yeas and nays vote.

Mr. ROTH. I make a motion to table the proposed amendment.

Mr. KENNEDY. On the motion to table.

Mr. ROTH. I make a motion to table the proposed amendment.

Mr. KENNEDY. On the motion to table.

Mr. ROTH. I make a motion to table the proposed amendment.

Mr. KENNEDY. On the motion to table.

The PRESIDING OFFICER. On the motion to table is there a sufficient second? There is a sufficient second. The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Delaware to lay on the table the amendment of the Senator from Massachusetts.

The clerk will call the roll. The assistant legislative clerk called the roll.

Mr. STONE assumed the chair.

Mr. CRANSTON. I announce that the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CASSIDY), the Senator from Arizona (Mr. DECONCINI), the Senator from Kentucky (Mr. HUBBLEDON), the Senator from Minnesota (Mr. HART), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RICHARDSON), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Texas (Mr. BENSON) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

On this vote, the Senator from Minnesota (Mr. HUMPHREY) is paired with the Senator from North Carolina (Mr. MORGAN).

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Arizona (Mr. GOLDBATER), the Senator from Utah (Mr. HAYS), the Senator from Oregon (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would vote "yea".

The result was announced—yeas 49, nays 26, as follows:

[Table of votes]

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Arizona (Mr. GOLDBATER), the Senator from Utah (Mr. HAYS), the Senator from Oregon (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would vote "yea".

The result was announced—yeas 49, nays 26, as follows:

[Table of votes]
Mr. President, I will be glad to enter into a 15-minute time limitation if it is agreeable to the primary sponsor.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk reads as follows:

The Senator from Massachusetts (Mr. Kennedy) proposes an unprinted amendment numbered 1050 to unprinted amendment No. 1057.

Mr. Kennedy. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subsection (b) of new section 44D of the Internal Revenue Code of 1984, as such section is intended to be added by the amendment, insert the following:

"(3) Phase out between $25,000 and $30,000.

(A) In general.—If the adjusted gross income of the taxpayer for the taxable year which includes the section 44D tax year exceeds $25,000, the amount of the credit allowed under this subsection (determined without regard to this paragraph) shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowed as the adjusted gross income of the taxpayer for the taxable year in excess of $25,000 bears to $5,000.

(B) Married individuals filing separate returns.—In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting "$12,500" for "$25,000" and by substituting "$25,000" for "$5,000.

Mr. Long. Mr. President, I ask unanimous consent that there be a $250 credit from Delaware, if I may.

Mr. Kennedy. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

The text of the amendment follows exactly the same pattern.

Mr. Kennedy. The acting President pro tempore. The Senate will be in order. The Senate is not in order. The Senate will be in order.

Mr. Roth. That is not correct. The text of the amendment provides a tax credit for the taxpayer, his spouse, or any of his dependents. According to the Joint Committee on Taxation, the fiscal 1978 revenue impact of the tax credit is $1.2 billion, and then it would go up to approximately $1.2 billion in the succeeding 4 years.

Mr. Kennedy. The Budget Committee of the Senate has given the figure of $1.2 billion for my proposal.

Mr. Kennedy. That is the amount for a single year, but it is still based on $250 per family. The cumulative effect through 1985 is how much? My understanding is that it is $2.2 billion for fiscal years 1978 to 1985, based on a $250 credit per family. That is provided by the Budget Committee.

Mr. Roth. Let me repeat the joint committee estimates. For the first year, 1978, it is $615 million; 1979 is $1.2 billion; and 1980 is $8.4 billion.

Mr. Kennedy. But that estimate is based on $250 per family.

Mr. Roth. That is incorrect. The estimate is based on a tax credit for each individual dependent in college.

Mr. Kennedy. Mr. President, I direct the Senator's attention to the amendment itself. It talks about the credit under this section shall be an expense which is payable as does not exceed $250. It is drafted per individual. That means per individual taxpayer, not per individual student.

Mr. Roth. That is correct.

Mr. Kennedy. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 2 minutes left.

Mr. Kennedy. I want to make it very clear; $8.2 billion at $250 per family is the revenue estimate. The intent of the author is $250 per dependent. That means the estimate will go up to between $13 billion and $14 billion by 1985.

Before time runs out, I want to explain my amendment.

What this amendment would do is phase out the tax credit for adjusted gross incomes between $25,000 and $30,000, the same way we did in terms of the education credit within the year. The amendment follows exactly the same pattern. It saves about 15 percent of the total expenditure cost.

In the case of the $50 rebate, before it was passed, that al ready had to have it set out for incomes between $25,000 and $30,000. It is the intention of this amendment to phase out the education credit for incomes between $25,000 and $30,000.

Another precedent is the home heating oil tax credit, which we adopted only last Saturday on the energy tax bill. We included a phaseout in the credit that would be at $15,000 of income. The phaseout in this amendment begins at $25,000.

Mr. President, I reserve the remainder of my time.
Mr. ROTH. That is correct. There are several billion dollars available, both in loans and grants, for that purpose.

Mr. BUMPERS. There are all kinds of funds for loans to students, too.

Mr. ROTH. I have limited time. Could we restore the original amendment?

Mr. BUMPERS. I did not realize the Senator was under a time agreement.

Mr. ROTH. Mr. President, I reserve the remainder of my time.

The Acting President pro tempore. The Senator from Massachusetts.

Mr. KENNEDY. The Senator from Delaware mentioned a $250 credit per dependent. The cost estimate on that is about $13 billion. This is a huge Federal subsidy for higher education. But we are providing it for a very select income group, and denying it to the lower income groups. That is bad education policy. It is bad economic policy.

Mr. President, it is important that the Senate know what it is doing. My amendment is an effort to modify the court in a more responsible and equitable way.

Mr. ROTH. Mr. President, I point out that we already have a number of tax credits in the energy bill. None of these credits have income limits. My amendment would not help only a select few. My proposal will help Middle America send its children to college. It will provide some relief to people who are not eligible for the Government assistance programs. Their taxes make possible. I urge the rejection of the amendment of the Senator from Massachusetts. I shall make a motion to table it upon the expiration of the time.

The Acting President pro tempore. All time has expired.

Mr. ROTH. Mr. President, I move to lay the amendment of the Senator from Massachusetts on the table. I ask for the yeas and nays.

The Acting President pro tempore. Is there a sufficient second? There is none.

The yeas and nays were ordered.

Mr. ROTH. Mr. President, I move to lay the amendment of the Senator from Massachusetts, and I ask for the yeas and nays.

Mr. BUMPERS. Mr. President, I propose an amendment to modify the court in a more responsible and equitable way.
The amendment in question is as follows:

The Senator from Arkansas (Mr. Bumpers), after some discussion, proposed an amendment numbered 1061 to the Roth amendment numbered 1057.

Mr. Bumpers. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the amendment add the following:

(A) by striking out "oil" and inserting in lieu thereof "oil, 43, and 44D,"

(B) by inserting "and 44D" after "credit";

(C) by inserting "or 43" and inserting in lieu thereof ",43, and 44D,"

(D) by striking out "and 43, and inserting in lieu thereof ",43, and 44D,"

(E) by inserting "or section 44D, after "income".

The subsection (d) shall be effective only during fiscal 1978.

Mr. Bumpers. Mr. President, I will take only a few moments.

This amendment is very simple. It provides for a refundable tax credit for the year 1978. It does not displace the people in this country who are not in a taxable category, who pay no income tax, or who pay less than the $250 tax credit for a student that would be allowed under the Roth amendment.

The Roth amendment is projected to cost a billion dollars. This amendment simply would add $100 million to the cost of that amendment. It is a very small amount, but it certainly is egalitarian. It would be patently unfair for us to approve the Roth amendment and say to a lot of people in this country who need help, that is, those who are going to get it under the Roth amendment, "There is nothing in the bill for you."

Mr. Stennis. Mr. President, may we have a roll call?

The PRESIDING OFFICER. The Senate is not in order. The Senate will be in order.

Mr. Bumpers. Mr. President, I will give a classic case in point, and I can speak from experience, because when I practiced law, I came across this frequently.

A woman with minor children loses her husband and is left to educate the children.

If her husband was covered under social security, as long as those children are minors or as long as they are in college and over 21, she and they would be entitled to social security benefits. It is a token amount, according to today's living standards. But this income is not taxable.

However, if this is her sole source of income, bear this in mind. She is trying to send a child to college on that small amount of social security payment and is limited in the past, as she has been, to $3,000 in earned income a year. She has virtually no taxable income. This amendment simply would say that she is entitled to that $250 tax credit. Why should she not be entitled to it?

I will give another example. I can tell Senators about one student in this country who had his own tuition last year from his summer earnings, and that was my son. He at least helps sustain himself to the extent of paying his tuition. By his doing that, and the fact that I have paid 10 times that much to maintain him during the year, the Roth amendment would deprive me of the tax credit.

By the same token, youngsters who are paying all their tuition and all their expenses and hundreds of thousands of these amounts are doing so in this country today—would be deprived of this tax credit.

Finally, those people who are on basic educational grants would have that amount subtracted from any tax credit which their parents would be entitled to. For those reasons and many more which I have not taken the time to enumerate for you, I think it seems like a minimal amount to spend toward a very egalitarian purpose, one that is worthy and one that I certainly hope my colleagues who are minors or as long as they are in college and over 21, she and they would be entitled to social security benefits. It is a token amount, according to today's living standards so doing so in this country today—would be deprived of this tax credit.

Mr. Randolph. Mr. President, will the able Senator yield?

Mr. Bumpers. I am happy to yield.

Mr. Randolph. Mr. President, I appreciate the point the Senator's son, during his work-study program. Frankly, there are thousands and thousands of sons, and yes, daughters too, not only teenage children, who could modify their living expenses. These youth are working in the afternoon and at night as they pursue their college education and then receive degrees.

There is equity in the Senator's amendment, which I cosponsor. I support it, as the Senator from Arkansas (Mr. Bumpers) has said because the provision is simple.

Mr. President, I recall that I worked as I went through academy and college years. Mrs. Randolph and I had two sons who did likewise. I recall this year, a student in my classes at Davis and Elkins College. He sold over 100 items, with his wares on the racks of a bicycle. He graduated with honors and became a State senator and successful educator.

Mr. Bumpers. I think the Senator very much.

Mr. President, I have no purpose in elaborating further. I hope I have made the point. I made it about as well as I could make it if I had another hour to spend on it.

I am prepared to vote on it. I do not want to deprive the Senator from Delaware of an opportunity to respond if he chooses.

Mr. Bumpers. Mr. President, I have some doubts because of the point raised by the Budget Committee that we could make this a refundable tax credit, but there have been some consultations held and the last advice I heard from the Parliamentarian was that the amendment apparently did not violate the budget.

Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senate will state it.

Mr. Long. Does this amendment in the opinion of the Chair violate the budget provisions of law by which we are restrained?

The PRESIDING OFFICER. The Chair sees no violation of any applicable provisions of the Budget Act.

Mr. Long. Mr. President, if that is the case, I hope that the Senator from Delaware will agree to accept the amendment.

Mr. Roth. As long as it is within the budget resolution, the Senator from Delaware will accept it.

Mr. Long. Mr. President, I ask unanimous consent that we rescind the order for the yea and nays.

Mr. Bumpers. I did not get the yea and nays on this. I am prepared to vote on it.

Mr. Bellmon. Mr. President, just to keep the record straight, this is not in a budget resolution, but because of a budget it is not out of order.

It is plainly outside the budget resolution.

Mr. Long. Mr. President, if it is not subject to the budget resolution, I hope the Senate will accept the amendment and take it by voice vote.

Mr. Bumpers. I wish to do that.

Mr. President, I ask unanimous consent I add my colleague from Virginia (Mr. Randolph) as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. Jackson. Vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arkansas. (Putting the question.) The ayes have it, and the amendment is agreed to.

The question now occurs on the amendment, as amended, by the Senator from Delaware.

Mr. Cranston. I announce that the Senator from Texas (Mr. Bentsen), the Senator from Delaware (Mr. Biden), the Senator from Nebraska (Mr. Cannon), the Senator from Arizona (Mr. DeConcini), the Senator from Mississippi (Mr. Eastland), the Senator from Kentucky (Mr. Huddleston), the Senator from Minnesota (Mr. Humphrey), the Senator from
Louisiana (Mr. Johnston), the Senator from Arkansas (Mr. McClellan), the Senator from North Carolina (Mr. Morgan), the Senator from Connecticut (Mr. Morse), the Senator from Tennessee (Mr. Talmadge), and the Senator from Alabama (Mr. Sparkman) are necessarily absent.

I also announce that the Senator from Maine (Mr. Muskie) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. Humphrey) would vote "yea.

On this vote, the Senator from Connecticut (Mr. Morse) is paired with the Senator from North Carolina (Mr. Morgan). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay.

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. Bartlett), the Senator from Massachusetts (Mr. Brooke), the Senator from Arizona (Mr. Goldwater), the Senator from Utah (Mr. Hatch), the Senator from Oregon (Mr. Hatfield), the Senator from California (Mr. Harken), the Senator from North Carolina (Mr. Metcalf), the Senator from Kansas (Mr. Pearson), the Senator from Illinois (Mr. Percy), the Senator from Alabama (Mr. Stevens), and the Senator from Connecticut (Mr. Wyler) are necessarily absent.

I also announce that the Senator from Virginia (Mr. Scott) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. Hatfield), the Senator from North Carolina (Mr. Helms), and the Senator from Alaska (Mr. Stevens) would vote "yea.

The result was announced—yeas 61, nays 11, as follows:

[Rollcall Vote No. 598 Leg.]

TEAS—61

Allen
Anderson
Baker
Barker
Bumpers
Burdick
Byrd
Burry
Chafee
Chafee
Church
Church
Deavor
Deaver
Deen
Demetri
Durham
Eastwood
Eastwood
Eskridge
Ford
Garner
Garner
Gravel
NATIONAL

NATS—11

Belknap
Chiles
Clark
Cooper
PRESIDENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—2

Metcalfe, against.
Abourezik, against.

NOT VOTING—26

Bartlett
Benson
Biden
Brooke
Brooks
Connor
Denham

Percy
Scott
Scott
Wallace

Pearson
Sasser
Sasser
Norton

Nelson
Mussen
than its expenditures for such payments in the preceding twelve-month period, or
(2) beginning on July 1, 1976, and July 1 of each subsequent year thereafter are not less than its expenditures for such payments in the twelve-month period beginning July 1, 1977, and ending June 30, 1978, or, if the first such period made by a State is less than one year, not less than its expenditures for such payments in the first full twelve-month period beginning July 1 in which such payments are made.

(e) Effective with respect to monthly benefits and lump-sum death payments payable after December 1978, section 215(1) of the Social Security Act, as amended by subsections (a) through (d) of this section and by section 104 of this Act, is further amended by—

1. Striking out so much of paragraph (2) as precedes subparagraph (A) (1) (I) thereof and inserting in lieu thereof:

"(2) (A) (1) The Secretary shall determine each year beginning with 1976 (subject to the limitations in paragraph (1) (B) where there is a base period (as defined in paragraph (1) (A) (II) or (III) in such year is a cost-of-living computation period."

"(II) If the Secretary determines that a base period in any year is a cost-of-living computation period, the Secretary shall, effective with the month of June of such year, when such period is the month of February of such year, and effect the month of December of such year, or (II) of (III) in such year is a cost-of-living computation period."

2. Striking out "each" place it appears in the penultimate sentence of subparagraph (2) (A) (II) and inserting in lieu thereof:

"(2) (A) (II)";

3. Striking out "(1) (A) (II)" and inserting in lieu thereof:

"(1) (A) (I)"

4. Striking out "months after May" and all that follows in subparagraph (2) (A) (III) and inserting in lieu thereof:

"months (I) after May of that year in the case of an increase based on a cost-of-living computation period of the month of December of such year in the case of an increase based on a cost-of-living computation period of the month of August of such year, or (II) after November of that year in the case of an increase based on a cost-of-living computation period of the month of August of such year, and in the case of lump-sum payments with respect to deaths occurring after such May or November."

Sponsors of Church semiannual cost-of-living amendments:

Domenici, Clark, Williams, Pell, Stafford, Humphrey, Abourezk, Hatch.

Bingaman, McNary, Eastland, McGovern, Metz, Meñez,

Bumpers, Leahy, Cannon, Anderson, Brooke, Thurmond, Byrd, Hart, Kennedy,

Magnuson, Weicker, Sarbanes, DeConcini, Heinz, Chafee, Case, Jackson,

Hart, Durkin, Javits, Hollings, Percy, Ford, Metzenbaum, Biden, Burdick, Hathaway.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield to me?

Mr. CHURCH. Yes, I am happy to yield to the majority leader.

Mr. ROBERT C. BYRD. I thank the Senator. Mr. President, may we have a change in the Senator's name?

The PRESIDING OFFICER. The Senator will be in order. Senators will cease conversations. Staff members will retire to the aisles provided for them in the rear of the Chamber, and will cease conversations.

The Senator from West Virginia.

Mr. ROBERT C. BYRD. I thank the Chair. Mr. President, I take the floor at this time to ascertain what amendments remain to be offered, and to try, if possible, to secure time limitations on those amendments that remain to be offered.

It is the intention of the leadership, and I think I speak on behalf of Mr. Baker, that he is present and can comment, and will. I am sure that the majority leader and I will not be sure to complete action on this bill tonight, and following that, we would hope, if it is not too late, that we can take up and dispose of S. 2158, which has to do with the medical schools receiving capital grants, and the enrollment of third year medical students in the school year 1978 and 1979 therein.

It is hoped that the time limitations agreement that has already been entered on that bill may be reduced, and I think there are good indications that that is possible.

Mr. BAKER. Mr. President, will the majority leader yield for just a moment?

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. I have an indication that we can recess for a moment on this side of the aisle to 30 minutes on the bill and 10 minutes on each of two amendments, one, I think, by Mr. Javits—

Mr. JAVITS. No. One by Mr. Schweiker?

Mr. BAKER. Schweiker and Hatch?

Mr. JAVITS. Well, it is going to be offered by Mr. Schweiker.

Mr. ROBERT C. BYRD. Will the distinguished minority leader repeat that?

Mr. BAKER. Yes; we can reduce the time limitation previously provided for to 1 hour on the bill and 10 minutes on an amendment, Hatch and 10 minutes on one by Mr. Schweiker.

Mr. ROBERT C. BYRD. I thought it was indicated there would be a possibility to reduce the time on the bill to 30 minutes.

Mr. BAKER. Yes; and there is another amendment, though, by the distinguished Senator from New York.

Mr. ROBERT C. BYRD. I have set it aside and will not have an amendment. But Senator Mathias is here, and he has an amendment.

Mr. MATHIAS. I agree with the Senator from Massachusetts that I could have about 7 minutes and he would have the balance, so there will be 10 minutes total on the amendment.

Mr. JAVITS. I do not know what the attitude of the Senator from Massachusetts is going to be.

Mr. ROBERT C. BYRD. I understand from the Senator from Massachusetts (Mr. Kennedy) that he would be agreeable to cutting the time limit.

Mr. JAVITS. I know, but I do not know whether he and myself—he has indicated that he would be agreeable to a 10-minute time limitation, but I am still hopeful we can do that bill tonight, because I think it is important that it be done before we go out. But I want to move back, now, until we resolve that matter, without taking too much time, to the amendments that still remain to be called up on the pending bill.

Mr. CHURCH. Yes. I would be happy with a 20-minute time limitation, but I would like to complete the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be a 20-minute time limitation on an amendment by Mr. Church, to be equally divided and contributed in accordance with the usual form.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. All right; now, Mr. Minority Leader, what is your proposal on the medical bill?

Mr. SCHWEIKER. I will be asking the majority leader. Mr. President, it is my understanding, and I see that the principals are here, with the possible exception of one, that we could reduce the time on the bill to 30 minutes, the time on an amendment by Mr. Hatch to 10 minutes, equally divided, the time on an amendment by Mr. Schweiker to 10 minutes, to be equally divided, and the time on an amendment by Mr. Javits—

Mr. JAVITS. I have no amendment.

Mr. BAKER. Mr. Javits will have no amendment, and that covers the provisions that will be on the medical bill.

Mr. ROBERT C. BYRD. And that the agreement be in the usual form?

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. I make that request, Mr. President.

Mr. MATHIAS. Mr. President, reserving the right to object, I have an amendment.

Mr. BAKER. We provided for it. Ten minutes, to be equally divided.

Mr. JAVITS. I will allow him more time on the bill, if he needs more than 10 minutes equally divided. It can be adjusted.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I thank the distinguished minority leader and all Senators.

This all comes after the social security bill tonight. If action is completed on the social security bill tonight, as we anticipate it will be, and on the medical bill, there will be no session tomorrow.

Mr. President, the limitation already agreed to on the Danforth amendment of 10 minutes, to be equally divided. There is an amendment by Mr.
The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I understand the Senator from Kansas has an amendment.

Mr. DOLE. Mr. President, I have an amendment with the distinguished Senator from New York (Mr. Moynihan) which will be accepted. It will take 1 minute.

Mr. CURTIS. Is it a good amendment?

Mr. DOLE. One which we have discussed with the distinguished floor leader of this bill, the ranking minority member, the Senator from Illinois, the Senator from Nevada, and the Senator from Oregon.

Mr. ROBERT C. BYRD. Mr. President, if I could have the attention of the Senator from Wisconsin (Mr. Nelson) for just a moment—and I beg his pardon, because he is working with Mr. Chiles on his amendment—Mr. Dole and Mr. Moynihan, I believe, have an amendment. What is the time limitation?

Mr. DOLE. One minute.

Mr. ROBERT C. BYRD. One minute, equally divided.

Mr. DOLE. Right.

Mr. ROBERT C. BYRD. What a bargain.

Mr. DOLE. Right.

Mr. ROBERT C. BYRD. This is a bargain basement night.

Mr. CURTIS. I am a little suspicious; this looks like collusion.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on the amendment by Mr. Dole and Mr. Moynihan there be 5 minutes equally divided. If they want to yield the time back, that will be all right.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MAGNUSON. How many hours does this add up to?

Mr. ROBERT C. BYRD. Not too many.

Mr. MAGNUSON. How many? Let us have some idea. We want to know if we are going to be here until 11 o'clock. I just added up the unanimous-consent agreements in my own mind, and it takes us up to 11 o'clock.

Mr. ROBERT C. BYRD. The Senator answered his own question.

Mr. MAGNUSON. We will stay until 11 o'clock.

Mr. ROBERT C. BYRD. Yes. May I say to the distinguished Senator that Mr. Nelson will yield back his time.

Mr. MAGNUSON. But the majority leader has us up to 11 o'clock.

Mr. ROBERT C. BYRD. No.

Mr. MAGNUSON. Unless I have added it up wrong.

Mr. ROBERT C. BYRD. The Senator never adds it up wrong.

Mr. ALLEN has an amendment. I will ask Mr. Nelson what time would be required there.

May I say to my friend from Washington, I do not believe we will be that late, but I could be wrong.

Mr. MAGNUSON. I will stay here until 11 o'clock in the morning, but I believe the Senators want to know or have a rough idea.

Mr. NELSON. What was the Senator's request?
and July—provided the inflationary index increases by at least 4 percent semi-annually from one benefit period to another. The ensuing period would be from February to August to determine whether beneficiaries would be entitled to a cost-of-living increase in January, and from August to February for any possible July adjustment.

The PRESIDING OFFICER. The Senator will suspend. There is so much confusion and noise in the Chamber the Chair is unable to hear the Senator from Idaho. The Senator will be in order.

The Senator from Idaho.

Mr. CHURCH. I thank the Chair.

The first possible semiannual adjustment under the cost-of-living amendment would be in January 1978. A 4-percent inflationary rate from the first quarter in 1977 to August 1977 would be necessary to trigger a cost-of-living adjustment in January 1978.

A 4 percent a year in fact, the inflationary rate fell below the triggering point.

If the inflationary rate did not reach this level, social security beneficiaries would not be entitled to a cost-of-living increase when the Consumer Price Index rises by at least 3 percent over a 12-month period since the last adjustment.

In the vast majority of cases, social security beneficiaries would receive only one cost-of-living adjustment per year under the amendment because an annual inflationary rate of 8.2 percent would be necessary for semiannual adjustments. The amendment, though, would provide protection when the aged and disabled need it the most—during periods of rapid inflation when rising prices are washing away their purchasing power.

In the 1976 campaign President Carter endorsed more frequent adjustments in social security benefits during times of accelerated inflation.

Civil service annuitants now receive two cost-of-living increases a year. To me, my way of thinking, similar protection should be available for social security beneficiaries.

As things now stand, they receive only one cost-of-living adjustment, whether the inflationary rate is 3 percent, 13 percent, or 20 percent. A one-year adjustment may simply be too rigorous for older Americans struggling to get by on limited incomes. Semiannual adjustments would keep social security benefits more current with rising prices.

The amendment would not only provide greater protection against inflation for about 33 million social security beneficiaries, it would also help others as well.

More than 4 million aged, blind, and disabled supplemental security income recipients would benefit because the SSI automatic escalator provision is pegged to the social security cost-of-living adjustments. The amendment, though, would provide protection when the aged and disabled need it the most—during periods of rapid inflation when rising prices are washing away their purchasing power.

Inflation is the elderly's No. 1 enemy. As prices go up, their purchasing power dwindles.

This semiannual cost-of-living adjustment amendment can provide essential relief for these older Americans.

I am pleased that leading organizations in this aging, including the National Retired Teachers Association, the American Association of Retired Persons and the National Council of Senior Citizens, have enthusiastically endorsed this amendment.

Today I received a letter from the National Retired Teachers Association and the American Association of Retired Persons endorsing the amendment. I ask unanimous consent that the letter may be printed at this point in the Record.

There being no objection, the letter was ordered to be printed in the Record, as follows:

"National Retired Teachers Association of America-American Association of Retired Persons."

November 2, 1977.

ROFL FRANK CHURCH,
Chairman, Special Committee on Aging,
Washington, D.C.

Dear Senator CHURCH: The 12 million member National Retired Teachers Association and American Association of Retired Persons strongly support your amendment to the social security financing legislation to provide more frequent cost-of-living adjustments in social security.

The elderly, more than any other age group, are particularly vulnerable to the ravages of inflation. Their expenditures for basic needs and necessities are concentrated in areas where some of the sharpest price increases have occurred—housing, fuel, food and medical care. The majority of them, while unable to supplement their limited and fixed incomes with employment income, must watch as their meager retirement savings or investments are eroded away.

Under current law, social security and supplemental security income benefits are automatically adjusted every July to reflect increases in the CPI which occur during the previous January through December period. Our Associations do not believe this automatic adjustment is adequate or timely enough to prevent a gradual erosion in benefits purchasing power during periods of rapid inflation. A significant lag time exists between the measuring period (during which prices are being inflated) and the adjustment made in benefits.

Your amendment to improve the cost-of-living mechanism directly addresses this problem by substantially reducing the lag time between benefit adjustments and measuring periods.

More importantly, your amendment would provide adjustments twice a year (in July and January) during periods when the CPI increases by an annual rate in excess of 6 percent. It therefore has our full and complete support.

Sincerely,

PETE W. HUGHES,
Legislative Counsel.

Mr. CHURCH. This amendment is based upon legislation—S. 1243, the Social Security Cost-of-Living Improvement Act—which I introduced earlier this year. That measure generated strong bipartisan support in the Senate. In fact, 44 Senators sponsored S. 1243.

Mr. President, I ask unanimous consent that a list of cosponsors of S. 1243—which would authorize semiannual cost-of-living adjustments for social security beneficiaries—be printed at this point in the Record.

There being no objection, the list of co-sponsors was ordered to be printed in the Record, as follows:

Sponsors of Church Semiannual Cost-of-Living Amendment...

Domenici, Clark, Williams, Pell, Stafford, Hatfield, Metcalf, Bumpers, Listerman, Long, Stone, McIntyre, Eastland, McGovern, Metcalf, Melcher, Bumpers, Leshey, Cannon, Metcalf, and Brooke.

Thurmond, Bayh, Hart, Kennedy, Magnuson, Weicker, Sarbanes, DeConcini, Heinz, Chiles, Case, Jackson, Haskell, Durham, Javits, Hughes, Percy, Ford, Metzenbaum, Biden, Burdick, and Hathaway.

Mr. CHURCH. Mr. President, for these reasons I urge the adoption of the amendment and reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, how much time is reserved to the opposition? The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, I yield myself 7 minutes.

Mr. President, here is an amendment that was brought here by compassion and interest for our elderly, but it is something which should not be adopted. It has far-reaching effects. It has never been before a committee and has never been analyzed. I will give some figures to show that this could become a costly thing running to $2 billion a year.

Here is what I want to remind Senators: It has to do with upgrading benefits which already exist. In 1972, a floor amendment was offered by the distinguished Senator from Idaho which, together with the increase in the benefits and that scheduling of automatic raises, brought about the very deficit that we have now. It was a matter not thrashed out in the committee. I commend the distinguished Senator for his interest in the elderly, but I believe the right way is to take this up in committee.

I find, after reviewing the material which the distinguished Senator from Idaho presented me concerning his amendment, that I must rise in opposition.

By the very cost estimates included in that documentation, we find there is a long-range cost estimated of 0.02 percent of taxable payroll. Taxable payroll currently is running slightly over $800 billion this year. Over the next 75 years, however, taxable payroll will average approximately $6.4 trillion, a tenfold increase in 75 years. That means the long-range cost of this measure would be—using the Senator from Idaho's own figures—approximately $12.5 billion.

However, even this estimate is premised upon the intermediate assumptions of the Social Security Administration, and I have been advised that the actual resulting cost would be on the order of 4 percent over the next 75 years. 4 percent inflation per year. Mr. President, we do not know what the inflation rate will be over the next 75 years. We do not know where it will be even 10 years from now. We have just finished a period of double-digit inflation, and if that kind of thing recurs the costs of the...
Church amendment would be much higher than what he implies that tells us.

Mr. CHURCH. Mr. President, I believe that the 0.03 percent estimate, and the 4 percent inflation rate, does not take into account the inflationary fuel that would be added by the provisions being suggested by the Senator from Idaho. They are based upon current assumptions, not what the rate of inflation is likely to be if important programs like social security are indexed every 6 months, even for limited periods.

Finally, Mr. President, the cost estimates presented at this point do not appear to take into account the very real accompanying cost that will be involved for supplemental security income (SSI) and the railroad retirement program. Each of these has indexing formulas that are tied to social security.

For these reasons, Mr. President, I believe the amendment offered by the Senator from Idaho should be considered thoroughly in the Committee on Finance, where it has not even had the vote of the committee. We have never considered it; we have never analyzed it. We have had some experience with an amendment of this nature offered by the Senator before, which created a significant estimate on cost. Financing principles in social security is now experiencing. I would trust, and I would urge, that the Senate be more careful this time, and I would call for consideration by the Committee on Finance of an amendment of this magnitude by the committee before it is hastily acted upon.

Mr. President, I hope that every Senator will consider the fact that we cannot recommit this amendment to the committee. If we could, that would be my move. Everyone dislikes to oppose an amendment and be in opposition. A vote of "no" must be regarded not as rejecting the good intentions of the amending amendment, but as the only means to have this far-reaching amendment be subject to a hearing and an examination.

Mr. President, the Committee on Finance does not always come up with the right answer. I am aware of that. But in the field of social security, our most costly amendments, those amendments that are not fully financed, usually come from the floor. That does not mean that the members of our committee are any more capable than anybody else, but it does prove that the system of committees holding hearings—announcing to the public what is going on, having the proponents come before it, cross-examination carried on by the committee members, the opposition appearing—is the right way to legislate.

I concede that the distinguished Senator from Idaho has excellent motives. His knowledge is just as good as that of any of the rest of us. But the procedure is to allow the public to participate in an open hearing before we start out on a program that could, very likely, cost as much as $2 billion a year.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER (Mr. CHILES). Who yields time?

Mr. CHURCH. Mr. President, in reply to the distinguished Senator from Nebraska, I really do not believe that this amendment could ever have the far-reaching impact that he foresees as a possibility. I think it is a very modest amendment. It only seeks to do for social security beneficiaries what we do for civil service retirees and military retirees, except in this case, the semiannual adjustment would occur only in years of accelerated inflation.

How often in the past 25 years would this amendment have been triggered by an annual rate of inflation of 8.2 percent? Our figures show that only four times in the last quarter of a century would it have been necessary to have given a semiannual adjustment by virtue of the severity of inflation.

In all likelihood, there will be infrequent occasions in the future when it will be necessary to make this 6-month, rather than the annual, adjustment in social security benefits. But when we do have steep inflation, then common justice requires that the elderly, who are the most limited income, the elderly of this country, should have at least the same protection now available to civil service annuitants and military retirees.

As to our estimate on cost, Mr. President, we have estimated that the long-term-cost projection that the taxable payroll. There is no short-term cost projected because there is no anticipated near-term period when the trigger mechanism would invoke the semiannual provision.

The figures have been given to us by Mr. Bush, who is an actuary for the social security system. It is my understanding that Robert Myers, the former actuary, actually thinks that these estimates are on the high side, modest as they are.

So, Mr. President, I hope that the Senate will adopt this amendment. It will not prove costly, in my estimation. Moreover, it will do justice to the elderly. I urge the Senator.

Mr. HARRY F. BYRD, JR. Will the Senator yield?

Mr. CHURCH. I am delighted to yield.

Mr. HARRY F. BYRD, JR. What is the trigger mechanism that the Senator refers to?

Mr. CHURCH. The trigger mechanism is an inflationary rate of 4 percent or more within a 6-month period. When those 6-month rates are compounded one on top of another, that amounts to an annual inflationary rate of 8.2 percent.

Mr. HARRY F. BYRD, JR. The Senator said 4 percent; then he said 8 percent.

Mr. CHURCH. Four percent is for a 6-month period; 8.2 percent is for an annual period.

Mr. HARRY F. BYRD, JR. So the triggering mechanism would be any time in a 6-month period that inflation exceeds 4 percent.

Mr. CHURCH. That is correct.

Mr. HARRY F. BYRD, JR. And if it is below 4 percent, there is no change.

Mr. CHURCH. There is no change. The annual adjustment would remain in effect.

Mr. HARRY F. BYRD, JR. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Kansas has 3 minutes remaining.

Mr. CHURCH. How much does the Senator from Nebraska have?

The PRESIDING OFFICER. The Senator from Nebraska has 3 minutes.

Mr. CURTIS. Mr. President, is there an industrial nation in the world that has inflation under control? Stagnation and depression are a worldwide situation.

Now, if this is such a good amendment, why not give it a hearing?

There was an argument just like this back in 1972 for automatically upgrad- ing approximately a 20 percent increase in benefits without a proper increase in taxes. That has caused the newspapers and the air to fill with comments that the system is bankrupt, and all sorts of things that frighten people.

I say that if you are a friend of the aged, do everything you can to keep the social security fund out of trouble. A vote of "no" is a vote in favor of the aged and the younger people who are still paying the bill.

Many times recently we have had double digit inflation—a worldwide situation.

Furthermore, this Congress is not going to lose all its compassion. They can act every year. Unfortunately for the country, they are in session most of the time. Senators can act quickly.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CHURCH. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. CHURCH. Mr. President, I think that the answer to the argument made by the distinguished Senator from Nebraska is simply this: If we mismanage our economy so badly that we get back into double-digit inflation, then we ought not to extract the cost of that inflation from the elderly.

We must find the discipline, and we must find the remedy for inflation in our general spending and fiscal policies. But if we manage so badly to have double-digit inflation, then we must provide relief to older Americans or terrible suffering will result.

This amendment would only be triggered in those years when inflation is well above the average for people who depend upon social security for the bulk of their retirement income.

Therefore, I hope this amendment will be adopted.

Mr. CURTIS. Mr. President, again I repeat that the friends of the elderly and the friends of the people who are working and paying social security taxes should vote "no" on this amendment.

Can one imagine the heartache over the country and the uneasiness about "Will I get my Social Security?"

We do not have to leave the radio on very long to find commentators—they are exaggerating, they do not know what
they are talking about—that are fright-
ening the people. They do not tell them
we are taking in $2 billion and running
over $6 billion and we have the problem
already dealt with. They say it is bank-
rup.

Well, from one standpoint, that may
be true, but it is operating as it always
has from the taxes from people who work
to pay the beneficiaries. That is what
social security is. It has never been a re-
serve account, by any means.

A vote of "no" is a vote to protect the
funds that belong to the aged of this
country.

Mr. WILLIAMS. Mr. President, I wish
to join the distinguished chairman of the
Senate Special Committee on Aging (Mr. 
CRUNCH) in proposing an amendment to
the social security financing bill to au-
thorize semiannual cost-of-living in-
creases in social security benefits.

As former chairman of the Aging Com-
mittee, I have been deeply concerned
about the devastating effects of inflation on
our older citizens. Rising prices have
compel many of the aged living on fixed
incomes to face increasingly difficult
choices in allocating their limited re-
sources. Expenses for basic needs—food,
housing, and health care—have in-
creased at a greater rate than all other
items in the Consumer Price Index by 29
to 43 percent. For the substantial number
of elderly citizens who depend solely on
their social security benefits, high infla-
tion rates place a crushing burden on
their budgets.

It is therefore essential that we take
immediate steps to alleviate this situa-
tion. The amendment we are proposing
would authorize cost-of-living adjust-
ments in July and January if the Consu-
mer Price Index increased by at least
4 percent on a 6-month measurement pe-
riod. If the Consumer Price Index does
increase by this percentage within the
appropriate period, social security bene-
ficiaries would receive a cost-of-living ad-
justment when the Index increased by
at least 3 percent, as under present law.

Thus, this amendment would protect
the elderly during periods of high infla-
tion. Since it is unlikely, however, that
prices will rise by more than 4 percent
every year, in most years beneficiaries
would only receive one cost-of-living ad-
justment. In the past 25 years, there have
been only 4 times where prices rose by 4
percent or more in the 6-month meas-
urement periods specified in this amend-
ment—August to February and February
to August. Thus, the long-range cost of
this amendment is expected to be
small.

It is anticipated that the cost will be .03
percent of taxable payroll. It therefore
will be necessary to raise taxes beyond
the levels set by the Finance Committee.

Mr. President, it is time that we at-
tempt to deal realistically with the debil-
itating effects of inflation on a group of
citizens least able to cope with this bur-
dy. I urge a favorable decision on this amend-
ment.

Mr. CHURCH. Mr. President, earlier
this afternoon I included a table from the
Social Security Administration which
pointed out that the Goldwater amend-
ment was about $2 billion more
efficient per year than my amendment
for application of the retirement test.

This table was based on the un-
erstanding that the Goldwater amend-
ment would increase the earnings limita-
tion for all social security beneficiaries to
$4,500 in 1978, and to $6,000 in 1979, and
that, in 1982, the earnings ceiling would
be abolished entirely for persons 65 or
older.

The final version of Senator 
GOLDWATER's amendment, however, increased
the earnings limitation only for per-
sons aged 65 through 71 to $4,000 a
year in 1978, $4,500 in 1979, $5,000 in 1980,
and $5,500 in 1981. In 1982 the retire-
ment test would be repealed for persons 65 or older. This measure is based upon
the House-passed provisions affecting
the retirement tests exempted amounts.

Mr. President, I ask unanimous con-
sent to insert in the Record a table com-
paring the additional cost of the Gold-
water amendment, as submitted, to the
Church amendment and the Finance
Committee bill.

This table reveals that in 1982—the
year the Goldwater amendment would
have repealed the retirement test for
person 65 or older—the added cost of
the Goldwater amendment, compared
with the Church amendment, would be
$400 million, increasing to $600 million
a year from 1983 to 1987.

Thus, being non-objection, the table
was ordered to be printed in the Record.

as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Committee bill</th>
<th>Goldwater amendment</th>
<th>Additional cost</th>
</tr>
</thead>
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<tr>
<td>1978</td>
<td>2.0</td>
<td>2.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>1980</td>
<td>2.4</td>
<td>2.6</td>
<td>-1.2</td>
</tr>
<tr>
<td>1982</td>
<td>3.0</td>
<td>3.4</td>
<td>-4.4</td>
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<tr>
<td>1984</td>
<td>3.7</td>
<td>4.0</td>
<td>-1.3</td>
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<td>4.0</td>
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</tr>
<tr>
<td>1988</td>
<td>4.4</td>
<td>4.4</td>
<td>-0.0</td>
</tr>
</tbody>
</table>

Mr. CLARK. Mr. President, Senators
CRUNCH, DOMENICI, and I are joined by
40 cosponsors in offering an amendment
today that would provide relief during
periods of rampant inflation to the mil-
ions of Americans who depend on the
social security system for their income.

Basically, this amendment would
just benefit for inflation on a semi-
annual basis, when the cost of living goes
up more than 4 percent over a 6-month
period. The present time, adjustments
are made just once a year, forcing older
Americans and other social security ben-
ficiaries to wait as many as 12 months
before they receive financial relief.

We know that two items alone—food
and medical care—account for one-third
of the household expenses for retired
persons. We also know that the prices
of these items have increased substantially
over the past several years, placing a
great burden on senior citizens living on
fixed incomes.

Each day, older Iowans write me about
the overwhelming problems they are fac-
ing in meeting their ever-increasing ex-
enses. They simply cannot wait a year until social security benefits reflect the
disabling cost increases they encounter every week in the
grocery store and at the doctor's office.

To reduce the hardship during periods
of high inflation, our amendment would
instruct the Social Security Admini-
stration to make cost-of-living adjustments
semiannually when the Consumer Price
Index rises by at least 4 percent over a
6-month period. These increases would
be made in July and January, accounting for
inflation from August to February, and in Janu-
ary, covering the inflation from Febru-
ary to August.

This amendment would not alter the
existing cost-of-living provision that ap-
plies to the annual inflation rate. When
inflation does not increase by 4 percent
in 6 months, beneficiaries would still re-
ceive their cost-of-living adjustment in July as long
as the cost of living rose 3 percent over the
previous year.

The Social Security Administration's
Board of Trustees has informed us that
this amendment would have virtually no
cost impact on the social security sys-

tem. The long range cost would amount
to no more than 0.015 percent for em-
ployers and employees. Using the Board of
Trustees' assumptions for inflation for
the next 5 years, there would be no short-
term cost.

While the immediate responsibility
of Congress is to respond to the rising costs
in the social security trust funds, we must not
ignore our responsibility for insuring that the OASDI program truly provides
"social security" to those who depend
on it. We would not have the problems
for older Americans are affecting an
ever-growing proportion of this Na-
ton. In fact, by the end of this century,
nearly one out of every six Americans
will be a senior citizen.

We should also not forget that there
are about 7 million low-income older
Americans among us, representing 1 in 5
every 3 American or older. These are the very people who are inflation's greatest victim, and to whom
we are obligated to cushion the impact of
rising prices.

Nearly all elderly individuals rely on
the social security program, which pro-
vides about half of all income for aged
persons living alone. Because of this
dependence on Social Security, and other
fixed income programs, every effort
should be made to ensure that benefits
are adjusted for increases in the cost of
living.

I urge the Senate and the House of
Representatives to accept this amend-
ment.
November 4, 1977

Congressional Record—Senate

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ment. It would instill in older Americans a greater sense of financial security and would help restore their trust in the social security program and in the Federal Government.

The Presiding Officer. All time on the amendment has expired.

The question is on agreeing to the unprinted amendment No. 1062. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ASHMAN), the Senator from Texas (Mr. BENJEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from North Carolina (Mr. MORGAN), the Senator from Arkansas (Mr. JOHNSTON), the Senator from Maryland (Mr. MCCLELLAN), the Senator from Arizona (Mr. CANNON), the Senator from Alabama (Mr. MCCARTHY), the Senator from Delaware (Mr. SEBACHER), the Senator from New Jersey (Mr. HUMPHREY), the Senator from California (Mr. HAYAKAWA), the Senator from Utah (Mr. HATCH), the Senator from Arizona (Mr. BROOKE), the Senator from Massachusetts (Mr. GOLDBLATT), the Senator from Illinois (Mr. PEARSON), the Senator from Tennessee (Mr. HUBERT), the Senator from Oklahoma (Mr. BARTLETT), and the Senator from Massachusetts (Mr. STEVENS) would vote "yea."

Mr. BAKER. I announce that the Senator from South Dakota (Mr. ASHMAN), the Senator from Nevada (Mr. CANNON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JORDAN), the Senator from Arizona (Mr. MCCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. MCCARTHY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from North Carolina (Mr. SPARKMAN), the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from North Carolina (Mr. HATCH) and the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BOREN), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HAYFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. FERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Alaska (Mr. STEVENS) would vote "yea."

On this vote, the Senator from Oregon (Mr. HAYFIELD) is paired with the Senator from North Carolina (Mr. HELMS).

If present and voting, the Senator from Oregon would vote "yea" and the Senator from North Carolina would vote "nay."

The result was announced—yeas 50, nays 21, as follows:

[Rollcall Vote No. 627 Leg.]

up Amendment No. 1063

Purpose: To relating to covered under divided retirement system for State and local employees.

The amendment will be stated. The assistant legislative clerk read as follows:

The Senator from New Jersey (Mr. WILLIAMS), for himself and Mr. CASE, proposes an amendment numbered 1063.

Mr. WILLIAMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

The Senator from New Jersey (Mr. WILLIAMS), for himself and Mr. CASE, proposes an amendment numbered 1063.

Mr. WILLIAMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

The Senator from New Jersey (Mr. WILLIAMS), for himself and Mr. CASE, proposes an amendment numbered 1063.

Mr. WILLIAMS. Mr. President, today I join the distinguished senior Senator from New Jersey in introducing an amendment to the social security financing bill.

This amendment would add the State of New Jersey to the list of 20 States which now allow public employees to obtain social security coverage under the divided retirement system provision of the Social Security Act.

Under this provision, a State has the option to extend social security coverage to public employees who elect to receive such coverage.

An identical proposal was adopted by the Senate as an amendment to H.R. 3183 in the 93d Congress.

Unfortunately, this provision was not finally approved because the conference committee never completed action on this bill.

This amendment would add the State of New Jersey to the list of 20 States which now allow public employees to obtain social security coverage under the divided retirement system provision of the Social Security Act.

Under this provision, a State has the option to extend social security coverage to public employees who elect to receive such coverage.

New employees would automatically be covered under the social security financing bill.

An identical provision was adopted by the Senate as an amendment to H.R. 3183 in the 93d Congress.

Unfortunately, this provision was not finally approved because the conference committee never completed action on this bill.

This amendment I offer today recently passed the House in H.R. 9346, the social security financing bill.

Last year, I received over 5,000 signed letters from the Essex County Board of Education Employees Pension Fund advocating the extension of social security benefits to workers and officials throughout Essex County. These letters indicate what I believe to be an abundant support for this proposal.

Mr. President, this measure would help to shore up the social security funds as well as extend desired coverage to public employees in New Jersey. A substantial group of my constituents have waited a number of years for this change, and I am hopeful that the Senate will approve this amendment.

This amendment would add the State of New Jersey to the list of 20 States which now allow public employees to obtain social security coverage under the divided retirement system provision of the Social Security Act.

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Mr. LONG. Mr. President, we accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. CHURCH. Mr. President, today I join the distinguished senior Senator from New Jersey in introducing an amendment to the social security financing bill.

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Last year, I received over 5,000 signed letters from the Essex County Board of Education Employees Pension Fund advocating the extension of social security benefits to workers and officials throughout Essex County. These letters indicate what I believe to be an abundant support for this proposal.
Mr. ALLEN. Mr. President, I have two amendments, and I do not intend to ask for a rolcall on either.

I hope at this time amendment No. 1619.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alabama (Mr. ALLEN) proposes an unprinted amendment numbered 1619.

Mr. ALLEN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill add the following new section:

Sec. . There is hereby allowed to each individual taxpayer, who has paid social security taxes as an employee, a deduction from income subject to Federal income taxes an amount equal to 50 percent of all social security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such social security taxes are paid. Self-employed taxpayers may deduct 50 percent of that portion of social security taxes paid by them that they would have paid on their earnings if they had been employees.

Mr. ALLEN. Mr. President, as we all know, social security taxes on the employees are not deductible against income tax by the employer. The employer is not allowed to deduct by this bill on employers and employees over the 5-year period some $72 billion. The purpose of this amendment is to provide that 50 percent of the amount that employees pay as social security shall be deductible against income subject to Federal income taxes.

The employer, if it is a profitmaking concern, has a business concern, that is not a nonprofit organization or eleemosynary institution or university, is allowed to deduct all of its social security payments on its employees. And this would permit employees to deduct 50 percent of the amount that they pay in social security. It would not be a credit. It would be merely a deduction.

Mr. ALLEN. Mr. President, I have two amendments, and I do not intend to ask for a rolcall on either.

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The amendment is as follows:

At the end of the bill add the following new section:

Sec. . There is hereby allowed to each individual taxpayer, who has paid social security taxes as an employee, a deduction from income subject to Federal income taxes an amount equal to 50 percent of all social security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such social security taxes are paid. Self-employed taxpayers may deduct 50 percent of that portion of social security taxes paid by them that they would have paid on their earnings if they had been employees.

Mr. ALLEN. Mr. President, as we all know, social security taxes on the employees are not deductible against income tax by the employer. The employer is not allowed to deduct by this bill on employers and employees over the 5-year period some $72 billion. The purpose of this amendment is to provide that 50 percent of the amount that employees pay as social security shall be deductible against income subject to Federal income taxes.

The employer, if it is a profitmaking concern, has a business concern, that is not a nonprofit organization or eleemosynary institution or university, is allowed to deduct all of its social security payments on its employees. And this would permit employees to deduct 50 percent of the amount that they pay in social security. It would not be a credit. It would be merely a deduction.
November 4, 1977

C O N G R E S S I O N A L  R E C O R D — S E N A T E

The PRESIDING OFFICER. Is there a sufficient second? There is not a sufficient second.

Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DANFORTH. Mr. President, I do think this amendment poses an important question that should be determined by a small vote. I hope the Senate will remember that this morning it adopted an amendment which I offered which would amount to a rate reduction for non-profit employers and for State and local governments. That amendment was the second version of an original proposal I had which would have provided that this group of employers would have paid in the full amount to the social security trust fund and then recouped 10 percent of their social security liability from the Treasury by means of a refundable tax credit.

The proposal ran into some problems with the Budget Committee and with the Budget Act and, therefore, I transformed it into a simple rate reduction.

But as a result of that there will be a shortfall of about $1 billion to $2 billion a year which otherwise would go into the social security trust fund.

This amendment would authorize appropriations to cover the amount of those shortfalls into the trust fund.

It could be argued that this amounts to an infusion of general revenues into the social security fund and, for that reason, I call it to the Senate's attention.

However, I would point out the fact that what it actually amounts to in practicality is an offset from general revenues of social security liability which would otherwise be incurred by this class of employers.

The way the tax laws work now for a profitmaking employer there is such an offset; that is, when a profitmaking employer pays his social security taxes he will receive a deduction from his Federal income tax in the amount of the social security tax paid.

For example, in the case of a corporation, 48 percent of the social security tax from the Treasury by virtue of the fact that it receive a deduction from his Federal income tax in the amount of the social security tax paid.

The original purpose of my concept of a refundable tax credit was to provide something of the same, although to a limited extent, for not-for-profit and for governmental employers.

It is my understanding that this amendment is acceptable to the leadership of the Committee on Finance and is also supported by the administration.

Mr. LONG. Mr. President, as the Senator stated, in view of the Senate's concurrence with the Danforth amendment we will see the Senator's proposal is doing the responsible thing in moving for an authorization for appropriations from the general fund to the social security fund to cover the cost of the previous Danforth amendment.

I can only applaud him for offering the amendment since he was precluded from doing what he is seeking to do by way of a refundable tax credit. So I personally will vote for the amendment. Anyone who wants to oppose it I would.
be glad to yield time to speak in opposition.

Mr. DANFORTH. How much more time do I have?

The PRESIDING OFFICER. The Senator has 1 minute remaining.

Mr. DANFORTH. I will yield 1 minute to the Senator from Kansas.

Mr. DOLE. Mr. President, I applaud the distinguished Senator from Missouri for his first amendment. I cannot applaud him as loudly for his second amendment. I know it may seem inconsistent, and it may be, but what we are doing, as a matter of principle may I say to this body, if we are dipping into general revenues to pay for certain social security benefits even though they may be indirect in this case, and I trust the Members of the Senate understand that when they vote, Mr. LONG. Mr. President, if there are no more requests for time, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator yields back his time. All Members of the Senate understand that when they vote.

Mr. FORD assumed the chair and was succeeded by Mr. MELCHER.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABEGREE), the Senator from Texas (Mr. BENNETT), the Senator from Delaware (Mr. BRANHAM), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HART), the Senator from Kentucky (Mr. HUMBLE), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. MCCOON), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RINGCOFF), the Senator from Tennessee (Mr. SMITH), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Nebraska (Mr. ZORENSKY) are necessarily absent.

I also announce that the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCORR) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would vote "yes."

The result was announced—yeas 44, nays 20, as follows:

[Roll Call Vote No. 929 Leg.]

YEA'S—44

Abourezk Hatch Magee Paul
Allen Beck Heinz Pell
Allen Bellman Durkin Meisenzahl
Allen Beurdeurk pour Nelsen
Byrd Burrage Gifford McCain
Byrd Hurst Hanes Promisie
Chiles Housley Haisayiier Scheckew
Church Magnussen Murphy Tummond
Culver McGovern Nott
Grave1 Nays—20

Cranston Laxalt Stahle
Dole Lugar Stone
Domenici Magnuson Taylor
Ford Mcgovern Wallop
Gann McIntyre Williams
Gravel Moynihan Young

NOT VOTING—30

Abourezk Hatch Moukie
Allen Beurdeurk Pearson
Byrd Bumpson Ercy
Biden Brooke Ribicoff
Byrd Burdick Huddleston Sasser
Cannon Humphrey Scott
DeConcini Johnson Sparkman
Eastland McClintic Stevens
Goldwater Metcalfe Weicker
Hart Morgan Zornsky

Su Mr. DANFORTH's amendment was agreed to.

Mr. DANFORTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. WALLOP. I move to lay that motion on the table.

The motion to lay on the table was agreed to.
SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 5346.

The PRESIDING OFFICER. The Senator from New York is recognized.

AMENDMENT NO. 1550
(Purpose: Relating to 6-month extension of Emergency Unemployment Compensation Act of 1974.)

Mr. JAVITS. Mr. President, on behalf of myself and Senators HEINZ, CASE, RIEGLE, CHAFEE, PELL, STEVENS, and WILLIAMS, I call up amendment No. 1550.
Mr. JAVITTS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the Act, insert the following new section:

SEC. 102. (2) of the Emergency Unemployment Compensation Act of 1974 is amended to read as follows:

"(2) No emergency compensation shall be payable to any individual under an agreement for any week ending after April 30, 1978.";

The amendment made by subsection (a) shall apply to weeks of unemployment ending on or before the end of the 180th day after the amendment took effect.

The PRESIDING OFFICER. There is a 40-minute time limit.

Mr. JAVITTS. I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from New York.

JAVITTS. Mr. President, this amendment proposes that the Federal supplemental benefits program providing additional unemployment compensation to long-term unemployed workers who have exhausted their entitlements to benefits under the permanent Federal-State unemployment insurance system be extended for a period of 6 months from its expiration date, which was October 31, 1977, just a few days ago.

In December 1973 the Congress responded quickly and effectively to the jobs crisis by creating the Federal supplemental benefits program, providing additional unemployment compensation to long-term unemployed workers who have exhausted their entitlements to benefits under the permanent Federal-State unemployment insurance system. The permanent UI programs include the regular State benefits, usually for a maximum duration of 26 weeks, and the Federal-State extended benefits program, which provides up to 13 additional weeks. Combined, these provide a potential maximum duration of 39 weeks of compensation.

During the deepest part of the recession, specifically from April 1974 through to April of this year, the FSB program provided up to 26 weeks of additional benefits, allowing an unemployed worker a maximum potential entitlement of up to 65 weeks of compensation. For the last 6 months, ending on October 31, 1977, the program has provided a maximum of 13 weeks of additional benefits for a total entitlement of up to 39 weeks.

Mr. President, the unemployment rate is very sticky. It remains at 7 percent, which is close to 7 million unemployed, and in the last months it has varied very little.

The month before it was 6.9 percent. The month before that, 7 percent. The month before that, 7.3 percent.

So we have almost 7 million unemployed, Mr. President, and the number of those who were unemployed for extended periods of time is increasing.

Right now, Mr. President, the persons unemployed for 27 weeks or longer have just increased by 20,000, and they come to 946,000.

The States now suffering high unemployment and participating in FSB are Alaska, Maine, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, Washington, and the Commonwealth of Puerto Rico. Fully one quarter of the U.S. labor force is located in these States.

Over the winter, this list of States is likely to more than double, incorporating more than half of the Nation's workforce, with the addition of California, Illinois, Massachusetts, Oregon, Vermont, Connecticut, Idaho, Maine, Montana, Minnesota, Nevada, and North Dakota.

Mr. President, one of the other things which appears very markedly, and I refer to the testimony given, by the Commission of Labor Statistics this very morning, who testified to the 7-percent figure, he points out, and I quote:

"The unemployment rate has now leveled for 6 months at an unprede
edated high level for an economic expansion period."

He points out, Mr. President, a very serious matter which bears upon this amendment.

He says:

"However, the black unemployment rate, and particularly the rate for black adult males, seems to be rising. The employment population ratio for black men has dropped to an all-time high, while the black ratio continues to fluctuate at historically low levels.

The PRESIDING OFFICER. The time of the Senator has expired.

JAVITTS. I yield myself 2 additional minutes.

Mr. President, in view of the impact of these unemployment terms upon the poorest part of our population; to wit, these black unemployed and the continuing fact that we have about 7 million unemployed—nothing has changed since October 31, or since we extended this program for 7 months—it seems to me that before we go home we should at least put on the books, as a standby, this particular extension.

Accordingly, the amendment we propose today would continue FSB for an additional 6 months to April 30, 1978. We can make a judgment again early next year whether this program should be continued further, or whether economic circumstances permit its extension. I wish to remind my colleagues that an extension of this program does not mean that any unemployed worker, no matter what the recession situation, will automatically draw 52 weeks of benefits. The FSB program contains its own State economic trigger which means that it will provide additional benefits only if the unemployment situation remains at a severe recessionary level in States which have insured unemployment of 5 percent—generally equivalent to about 7 percent for the preceding 13-week period. If it is not needed, it will not be available. This brief extension is simply standby insurance against the danger of increased unemployment and the probability that the Congress will not be in session to restore the program again in time for most of the winter months.

Although participation in the FSB program had declined in recent months, this apparent lessening of the unemployment crisis cannot be read as an indication that further FSB for the program has abated. A careful examination of the unemployment data shows just the opposite.

The summer and fall months traditionally show a decline in unemployment rates, but also take an upswing in the late fall and peak in late winter. Even more importantly is the recent rapid escalation of participation in the extended benefits program. As of last week in August, participation in the extended benefits program—those unemployed for between 26 and 39 weeks—had dropped to 890,000. But, by the first week of October, the figure had jumped to over 450,000, an increase of 60 percent.

If this trend continues, as many long-term unemployed workers will be relying on additional Federal benefits this year as last year. Participation in the extended benefits program could easily rise to 600,000 or more, equal to the level reached during much of last winter. And, during last winter, and the winter before that as well, Federal supplemental benefits were available for all unemployed workers for 26 weeks. With the extension I am proposing today, the maximum will be for 53 weeks.

The figures for participation in the EB program take on added significance with regard to extension of the FSB program when it is realized that historically about 50 percent of exhaustees of the EB program go on to participate in the FSB program. In addition to increased participation, data recently released by the Bureau of Labor Statistics last month indicate that the average duration of unemployment for an individual unemployed worker is once again on the rise.

In short, there are disturbing indications that the unemployment picture is deteriorating once again. Until such time as we are sure that we have overcome the recession, it would be unwise to discontinue the FSB program, a crucial weapon in our antirecession arsenal.

Since its December 1974 enactment, Congress has on several occasions, modified and extended the program, continuing to provide for the needs of the long-term unemployed. The most recent extension came just last April. At that time the extension of the FSB program for an additional seven months in the hope that the economic picture would improve sufficiently so as to permit its expiration. The sad reality remains, however, that unemployment has not improved significantly. If the FSB program is not extended, hundreds of thousands of American workers will exhaust all entitlement to unemployment benefits and be left without the wherewithal to earn...
Mr. LONG. Mr. President, the administration does not support this amendment. This amendment would cost $500 million. It would benefit certain persons in the states of Alaska, Maine, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, Washington, as well as the Commonwealth of Puerto Rico. The other 42 states would not benefit from this amendment.

This program for a solid year of unemployment benefits for persons working at least 20 weeks develops some situations that cry out for correction. For example, the Labor Department did a survey as to what families receive in these emergency unemployment benefits, and they found that, on the average, the family income is so low that the families are counting the unemployment benefit. The benefit was in addition to $8190 in average family income.

For women with husbands, the average family income was $10,640 without unemployment benefits. Since these families have substantial income on the average, it may be questioned whether the unemployed person is truly available and seeking work. For example, it has been discussed that in many situations the wife has gone to work and worked about 20 weeks, or whatever the minimum is that it takes for them to become eligible. Then, when she finds herself out of work, she goes back to the house and she is working for the family. Her services are of great value to the family in the home. I believe if she is making more money after taxes because the wife is not working than if the wife were working, especially if you consider the family income and the services of the wife, she should not have to join the welfare rolls until we develop a system which provides adequate income maintenance without robbing its beneficiaries of their self-respect or incentive to seek employment.

Mr. President, this program has been extended and extended and extended. It has been extended to the point that we have other programs. It was felt that we could get into this program, that we would continue it until other programs were being developed to deal with unemployment. We have those programs.

We have only these eight States plus Puerto Rico that have the high unemployment rate, and in Puerto Rico 70 percent of the population receives food stamps. That probably bears some relation to the high unemployment rate in Puerto Rico.

I suppose that if I represented one of those States, I would be taking the same view as the Senator from New York, saying that we should continue the program when it expires again and saying that we should continue it when it comes up for renewal.

At some point, these temporary programs should be terminated. It seems to me that this is about as good a time as any to terminate that. That is what the administration seems to think.

I hope the amendment will not be agreed to.

Mr. JAVITTS. Mr. President, I yield 5 minutes to the Senator from Pennsylvania.
The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 5 minutes.

Mr. HEINZ. Mr. President, this is an enormously important amendment. It is important not only for the States that are going to be affected by it, but the Senator Javits has pointed out, but also, it is going to be immensely important, I fear, for a large number of other States. States that incorporate half this Nation's workers, for example, California, Illinois, Massachusetts, Oregon, Vermont, Connecticut, Idaho, Montana, Minnesota, Nevada, and North Dakota, because during this winter, these States, according to more or less fashionable, are estimated to be States that may need these benefits. Thus, we are talking about something that is truly national in scope.

When unemployment rises to the 5 percent insured, however, as in approximately a 7 percent actual rate, the unemployed have an extremely difficult time, an impossible time, finding a job. If there is unemployment of 4 or 5 percent, actual rates, there is change in the work force. Although there are always, unfortunately, people who are unemployed, who are the men and women of the work force. But when the actual rate rises to 7 percent, as it is here, some unemployed workers simply cannot find a job. The consequences of that to the individual worker, the family who has been feeding, housing, and clothing a family, are traumatic. Therefore, in such a period of high unemployment, extended unemployment benefits, as are provided for in the proposed amendment, are needed.

Mr. President, I originally intended to offer this amendment because of the acute unemployment problems facing the working people of my home State of Pennsylvania, when I discovered that Senator Javits' State of New York faced similar problems, I concluded that it would be more appropriate for him to introduce this amendment, because he is responsible on both sides of the aisle as being the most knowledgeable and effective legislator on this issue. I asked him to participate and he generously agreed. I wholeheartedly applaud his commitment to the plight of our unemployed.

I wholeheartedly endorse this amendment to extend the Federal supplemental benefits programs. Extension of FSB will provide critical assistance to those workers in States which have experienced and continue to experience consistently high unemployment rates.

The issue which we address ourselves through this amendment is the right of American working men and women to have sufficient financial means to meet their basic needs. It is the acceptance of welfare assistance. I correct myself. This is not a choice. In order to survive, these previously employed workers will be forced to swallow the welfare role.

In certain States, their receipt of welfare will be conditioned on the liquidation of some of their assets. Thus, a worker might be forced to sell his or her home, purchase a house for $20,000, price, only to find out a week later that the sale was unnecessary, because he or she had finally been successful in the search for employment.

The workmen who are eligible for FSB, I hasten to add, have been employed. These American men and women, I emphasize, are in need of assistance because economic conditions have rendered fruitless their efforts. It was the severity of the economic conditions existing in December, 1974 and our commitment to provide for the basic needs of workers forced into unemployment by those economic conditions which moved us to enact the Emergency Unemployment Compensation Act of 1974. The continuation of this economic recession exacerbated by the severity of the winter resulted in our extension of FSB.

Many areas of our country are still economically devastated by recessionary conditions. The impact of foreign imports on our market, especially on the steel industry, has deflated an already problem-ridden economy with more difficulties. In view of these facts and in view of our past commitment to assist Americans working and women whose employment expectations are frustrated by economic conditions beyond their control, I treat my colleagues to again bring to the aid of these Americans, who are unemployed but looking forward to the day when there will again be a place for them in the American economy.

The supplemental benefits program has provided the long-term unemployed worker with a minimal level of subsistence; it amounts to only an average of $70 per week on a national basis. This is not a luxury or a question of allowing people to live in luxury; it is simply providing the bare minimum for basic human needs during the extended period of unemployment.

Mr. President, nearly 1 million unemployed workers, including over 21,000 Pennsylvanians who were receiving the benefits of the supplemental benefits program when it was recently terminated, could be deprived of these benefits when the phasedown is completed on January 31, 1978. A very substantial portion of these families who have not exceeded the 26 weeks' of benefits under the extended benefits program will face cutoffs this week without immediate congressional action.

This will be the first in 2 years when they have faced without a supplemental benefits program. In the last 2 years the unemployment benefits have been extended to 65 weeks. Now, with the unemployment picture clouded at best, and the weather situation and with industrial fuels such as natural gas likely to be in short supply, we will face winter with only 39 weeks of benefits available.

Mr. President, under Secretary of Labor, Robert J. Brown stated on September 9, as reported in the Philadelphia Inquirer of that date, that "unless the unemployment rate dropped below 7 percent in October or November, the Carter administration will seriously consider legislation extending benefits beyond 26 weeks. The extension will probably be for an additional 13 or 65 weeks."

Today, the Department of Labor released the unemployment statistics for the last week of October. The unemployment rate stands at 7 percent in October. And during October, blacks and factory workers, especially steelworkers, were hit the hardest by the economic conditions we are experiencing now. Nothing can act to do it. In the same way, we are getting lip service to the problems of the unemployed. I do not understand how the administration can continue to ignore this problem, especially after the economic statistics are available for a full 26 weeks less than the 65 weeks of benefits which the Under Secretary of Labor stated would be the administration's goal.

I cannot believe that in the final days of this session, as we are about to stop conducting business for nearly 3 months that the administration could set upon a course which is so shortsighted. Under the best circumstances, the Congress would not be able to respond to an increasing unemployment rate until late January or early February. I believe that this "wait and see" attitude is foolish and will cause unnecessary hardship for thousands of families when the severe consequences of long-term unemployment could be judiciously dealt with.

Mr. President, the basic issue here is one of equity: Equity for those States which continue to face high unemployment and for which the situation has little chance of change for the immediate future . . . and equity for the individuals who wish to enter the job market but who find all the doors closed to them right now.

If we cannot deal equitably and fairly with our previously employed who have become unemployed involuntarily then...
what hope can we seriously offer to our minorities or to our young who find the doors closed even tighter than those with skills and a previous employment record? It is important to bear in mind, Mr. President, that the national unemployment rate has not improved over the past 6 months. It has remained on a plateau of about 7 percent, seasonally adjusted.

Looking beyond this disappointing reality, it is important to bear in mind that the seasonal adjustment factors camouflage the fact that, in real numbers, many more workers are off the job now than last month, and many more will be added to the unemployment lines in the months just ahead.

A key statistical indicator is the number of persons enrolled in the extended benefits (EB) program, which provides benefits for those who have exhausted their entitlements under the regular 26-week program. These EB recipients would be eligible for the FSB program that would be made permanent by the Javits amendment, if they remain unemployed despite their best efforts to find work for up to 52 weeks.

In the first week of November last year, 556,880 workers were enrolled in the EB program. By the end of February, this number had risen to 630,474, reflecting both the general rise in unemployment and the greater difficulty of the long-term unemployed to find a job.

By the third week of August, EB enrollments had dropped to 279,216, reflecting a dramatic decrease in long-term unemployment in the months just ahead. But within a few weeks, the trend made an even more dramatic turnaround. During September and October, EB enrollments have risen by more than 458,411 in the third week in October. In short, Mr. President, long-term unemployment has increased dramatically in recent months. Jobs have become so difficult to find, and for those who cannot find them, the situation will worsen as winter sets in. It is this group of workers for whom we seek adoption of our amendment today.

The need for this legislation is particularly crucial in my home State of New Jersey, which had the highest unemployment rate last year of any State, 10.4 percent. Conditions have improved significantly in recent months in New Jersey, but joblessness remained at 8.8 percent in August. Over 268,000 workers were counted as unemployed persons who were looking for a job but could not find one.

Nearly 33,000 jobless workers were receiving extended benefits (EB) in August. Another 23,000 were receiving Federal supplemental benefits (FSB), or emergency compensation (EC) as it is known in my State. Without enactment of our amendment, some 3,000 New Jersey residents will be dropped from the UI rolls abruptly.

Still another 57,000 New Jersey residents, not now receiving FSB, would qualify for, but not receive, these benefits if our amendment is not enacted.

In summary, some 60,000 unfortunate workers and their families in my State alone will need the FSB payments this winter.

Without these benefits, their choices will be few. Unable to find a job during the most difficult winter season, they may be forced to use their life savings and, in many cases, turn to the welfare program to keep home and family together.

Mr. President, the monthly unemployment report of the Bureau of Labor Statistics, released just this morning, gives little reason for comfort to jobless Americans.

Overall unemployment in October was up slightly to 7 percent. It has remained virtually unchanged since April.

Long-term unemployment—persons unemployed 27 weeks or longer—increased by 20,000 last month alone to a level of 946,000 workers. These are the workers who will, in many cases, have dire need for FSB assistance this winter.

Among blue-collar workers, who have among the lowest earnings in the workforce and need help the most as a result, unemployment increased sharply in October from 7.9 percent to 8.3 percent.

If there were any humane reason for unemployment to continue well into the winter season in this country, it would be a classic case of the worst possible timing.

As the Congress of the United States heads toward the end of the current session, I urge my colleagues to agree to the Javits amendment, and through it, demonstrate our strong commitment to the welfare of the unemployed and their families.
ator from Wyoming is recognized for 3 minutes.

Mr. HANSEN. Mr. President, it has been stated here this evening that this is not a regional or a local program but, indeed, a national program.

I call attention to that fact. I do not think it really makes much difference to a man in Wyoming whether he lives in the State of New York or in a State such as the State of Kentucky, where the rate of unemployment at the present time runs about 2.97 per cent.

I do not believe it is fair or equitable that it should be to an unemployed work-er's advantage to be able to say he is in one of these States where this trigger is going to apply.

I voted against extending benefits when that extension came up a few years ago. This amendment would extend Fed-eral benefits to the worker for another 3 months.

I know it is tough to be out of work. I do not think it can be contended that there are not cases where work could be found if one set his mind on the objective and looked for it very long. But right in this city of Wash-ington, D.C., you can look at the want ads or you can drive around the town, as I have and I know that many Members have, and find signs asking people to come in and offer their services to take a job.

But the thing that strikes me that is basic is the idea that this amendment is that it rewards people who are un-employed if they happen to be fortunate enough to live in a State where the trigger applies, and on that basis I think the Senate should reject this amendment.

If it were going to be applied equitably over the entire United States, there would be greater justification for it than there is at the present time, but since only a few States receive the benefit, I do not believe the amendment actually provides a "national solution to the national problem of unemployment."

That, as a consequence, that the Sen-ate will reject this amendment.

Mr. LONG. Mr. President, I yield my-self 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, we have in this bill the Moynihan amendment which the administration will accept. It provides $374 million for the remainder of this fiscal year to be spread among all the States. New York, for example, will get $53 million of that money, and California will get a nice big chunk of it. Those are the two States that get the biggest benefit under this amendment, and I think the States that have suffered fiscal relief they had not even planned on or budgeted and all of that they can use for their welfare programs. They will certainly have a priority to welfare if they need it, but they will not have to use this money with people drawing the benefits where the family income is $12,500, and that is the average family income. I will not dwell on unemployment ben-efits for these families with husband and wife where the wife is receiving unem-ployment compensation. For all recipro-cants the average is $10,420 with the un-employment benefits, $8,180 without.

Those people are not all that hard up. That is way above the poverty line. If anyone is in a situation of need, we have right in this bill $286 million for the States, and even in budgeting on to help take care of the needy.

Mr. President, no one needs suffer be-cause we have a lot of money in this bill to help take care of situations where people really need it.

Mr. BELLMON. Mr. President, will the Senator yield?

How much time does the Senator from Oklahoma desire?

Mr. BELLMON. Five minutes. Mr. LONG. I yield 5 minutes to the Senator from Oklahoma.

Mr. BELLMON. Mr. President, I hesi-tate to throw a cold blanket over the fun of Members are having spending the taxpayers' money as well as the money of future generations of taxpayers. But I believe the total budget implications of this bill needs to be called to the Sen-ate's attention. Senator Javits on the Senate Finance Committee, I shall give a little report on what actions have been taken so far today in terms of the budget for fiscal year 1978.

When the Senate came out of the Com-mittee on Finance it managed to walk a fine line under the budget resolution the Senate passed less than 2 months ago. Actually the Committee on Finance was only tempering the Senate Finance's allocation under the budget resolution.

That resolution. Mr. President, assumed a $350 million amount in medi-care and medicare cost savings, that up to now the Committee on Finance has not yet reported a bill on it.

Taking the committee version of the social security bill into account, and assum-ing there were no medicare-medicaid savings, which seems to be a fairly reason-able assumption at this point, the Committee on Finance would have been about $380 million over its allocation of direct reductions in entitlements under the budget resolution.

The Senate Finance Committee did not make a fuss about it. We hope the Committee on Finance will try to make such savings. There is still time to do it, and we urge them to go ahead and reach that goal.

There was also a small average of al-locations. That small average could dis-appear when we make some updated estimates later on, so there really was not much to be glad about.

We were able to agree with the Com-mittee on Finance that it was consistent with the second budget resolution. But look what we have done here on the floor the last couple of days.

We have added fiscal year 1978 spend-ing in these ways:

First of all, the DeConcini-Bayh amend-ment on benefits to the blind added $300 million in spending; the Wallop amendment on benefits to the blind added $100 million in spending; the man's compensation benefits against social security costs $150 million; the Bunigans amendment to the Roth amendment--Mr. President, this would help college tuition was $160 million; so we have added $150 million to the bill that was at least $350 million over.

In addition we are going to quickly vote, hopefully, on the Javits amend-ment that is going to extend Federal supplemental unemployment benefits for 39 weeks, and this is going to cost another $500 million over.

So, Mr. President, this means we have got more than $1 billion in fiscal year 1978 not covered in the budget resolu-tion.

If this bill is not to rupture the budget entirely, it is going to be absolutely es-sential that the conference agreements reduce some of the fiscal year 1978 spending under this bill or it will ult-imately be $5 billion more than we can afford under the budget.

The Budget Committee cannot legally raise points of order against these costly floor amendments the way the law is written. We can only tell the Senate what we are doing to the budget with these big spending schemes. The fact is that we are now rupturing the budget that we planned so carefully and adopted only a few weeks back.

I want to conclude by again saying that the Javits amendement adds $500 million to the deficit, which is already approaching $83 billion for fiscal year 1978. The deficit in fiscal year 1977 was only $45 billion and we are roughly then going to be $20 billion fur-ther in the red in fiscal year 1978 than we were in fiscal year 1977.

We are moving in precisely the wrong direction. It is going to have immensely damaging effects on the economy of the country, and I urge that we begin to practice restraint by defeating the Javits amendement.

Mr. LONG. Mr. President, I appreciate the statement of the distinguished Sen-ator from Oklahoma. In this situation, the Committee on Finance is pleading with the Senate not to put this addi-tional $500 million on the bill. We do not think it is justified, and we are urging that it not be agreed to.

We are also trying to comply with the Budget Committee's admonition that we not spend any money, and I do not want to spend it.

Mr. JAVITS. I yield myself 30 seconds. I would like to call attention to this Alice-in-Wonderland situation of the Senate. We have been spending all day adding billions of dollars, and we are suddenly becoming economical at the expense of the unemployed.

I yield a minute to the Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I must say one man's thrift is another man's wild spending.

In this particular bill, it seems to me, as we come into these difficult days ahead, particularly with respect to those workers who have had this long-time un-employment, many of whom are in marginal industries which are going to be hit very severely by the taxes that have been dramatically increased in the Senate over the past 2 weeks—and I am speaking of the energy taxes and the social security taxes that are going to force many marginal firms, with the concomitant and associated unemployement, Mr. President, that being so, I support the remarks of those who
have gone before in favor of this measure.

Mr. JAVITS. Mr. President, I yield the remainder of our time to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York.

Mr. MONTANAN. I thank my colleagues who I have joined in this colloquy.

I would like to speak directly and quickly to the economics of this situation. The fact of the matter is that we have done the last 2 days, Mr. President, is to overwhelmingly raise taxes in America, and we do so at a time when the rising, and I think now a majority, judgment of economic opinion of this country is that there must be a tax cut. The President has as much as said so.

For example, the costs to the gross national product alone of the social security tax increases that were adopted by the House, Merrily Lynch estimates at $2.9 billion GNP. The point, Mr. President, is that President Carter will probably propose a tax cut this January because this economy is not moving as it should. In my State unemployment is 7.8 percent, but the effect of the Javits amendment would be a tax cut, an immediate direct increase in disposable income in the family budgets of people who are in this economy.

It is not only social justice but it is, in my view, prudent economic anticipation of the fact that the economy needs stimulation. It needs more purchasing power. Now that we have greatly increased the amount of money the government will take out of the economy, here is an opportunity in an area of great need and equity to increase the amount that will go in. It will partially compensate for what we have done.

This could be, in effect, the first economic stimulus of President Carter's 1978 program. I thank my colleagues. Mr. LONG. I yield back the remainder of my time.

Mr. JAVITS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered. The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Arizona (Mr. CANNON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSON), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIEGLE), the Senator from Tennessee (Mr. SASSAM), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alabama (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

On this vote, the Senator from Oregon (Mr. HATFIELD) is paired with the Senator from North Carolina (Mr. HELMS). If present and voting, the Senator from Oregon would vote "yea" and the Senator from North Carolina would vote "nay."

The roll was announced—yeas 29, nays 43, as follows:

[Rollcall Vote No. 629 Leg.]

YEAS—29

Allen

Baker

Belin

Bumpers

Burke

Byrd

Culbertson

Culver

Dole

NAYS—43

Allen

Baker

Belin

Bumpers

Burke

Byrd

Culbertson

Culver

Dole

NAY VOTING—28

Bartlett

Bentsen

Bingaman

Brooke

Brockenbrough

Brown

NAY VOTING—28

Bartlett

Bentsen

Bingaman

Brooke

Brockenbrough

Brown

Not voting—28

Hawks

Helms

Hill

Humphrey

Johnston

Lautenberg

Muskie

Pearson

So Mr. Javits' amendment was rejeeted.

The PRESIDING OFFICER (Mr. SARRBUS). Under the unanimous consent agreement, the Chair recognizes the Senator from Texas (Mr. TOWER).

UP AMENDMENT NO. 1066

(MODIFICATION OF AMENDMENT NO. 1061)

(Purpose: A proposal to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system.)

Mr. TOWER. Mr. President, I call up my amendment No. 1541.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk read as follows:

The Senator from Texas (Mr. TOWER) proposes an amendment numbered 1541.

Mr. TOWER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with, and I send to the desk a modification.

The PRESIDING OFFICER. Without objection, the reading of the amendment is dispensed with, and the amendment of the Senator from Texas is modified.

The amendment, as modified (UP No. 1066) is as follows:

Strike out section 101. Strike out section 102. Strike out section 103 and insert in lieu thereof the following:

PARTIAL TRANSFER OF HOSPITAL INSURANCE TAX INCREASE TO OASDI TRUST FUND; INCREASE OF EMPLOYMENT AND SELF-EMPLOYMENT TAXES; REALLOCATION AMONG TRUST FUNDS

SEC. 103. (a) TAX ON EMPLOYEES—

(1) Old-age, survivors, and disability insurance—Paragraphs (1) and (2) of section 3101(a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages received during the calendar years 1978 through 1981, the rate shall be 5.10 percent;

(3) with respect to wages received during the calendar years 1982 through 2010, the rate shall be 5.15 percent; and

(4) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent."

(2) Hospital insurance.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 0.95 percent;

(3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.20 percent; and

(4) with respect to wages received after December 31, 1985, the rate shall be 1.35 percent."

(b) TAX ON EMPLOYERS—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Paragraphs (1) through (4) of section 3111(a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages paid during the calendar years 1978 through 1981, the rate shall be 5.10 percent;

(3) with respect to wages paid during the calendar years 1982 through 2010, the rate shall be 5.15 percent; and

(4) with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent."

(2) Hospital insurance.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 0.95 percent;

(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.20 percent; and

(4) with respect to wages paid after December 31, 1985, the rate shall be 1.35 percent."

Mr. TOWER. Mr. President, the amendment to which I have just referred is a 10-page amendment relating to the amendments that have been adopted or made to the Revenue Act of 1975.
the calendar years 1978 through 1980, the rate shall be 0.96 percent; 
(8) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.20 percent; and
(9) with respect to wages paid after December 31, 1985, the rate shall be 1.35 percent.

(c) Tax on self-employment income.—

(1) Old-age, survivors, and disability insurance.

In addition to other taxes there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1)(A) Of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

(2) In the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 7.15 percent of the amount of the self-employment income for such taxable year; and

(3) In the case of any taxable year beginning after December 31, 1980, the tax shall be equal to 7.30 percent of the amount of the self-employment income for such taxable year.

(2) Hospital insurance.—

Paragraphs (2) through (4) of section (b) of section 1401 of the Code are amended to read as follows:

(2) In the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 6.95 percent of the amount of the self-employment income for such taxable year.

(3) In the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year; and

(4) In the case of any taxable year beginning after December 31, 1984, the tax shall be equal to 7.30 percent of the amount of the self-employment income for such taxable year.

Strike out section 104 and insert in lieu thereof the following:

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 104. (a) Section 215(a) of the Social Security Act is amended to read as follows:

(1) (A) The primary insurance amount of an individual (except as otherwise provided in this section) is equal to the sum of—

[(I) 80 percent of the average indexed monthly earnings (determined under subparagraph (b)) up to the amount established for purposes of this clause by paragraph (1),]

[(II) 37 percent of the portion of the average indexed monthly earnings to the extent that they exceed the amount established for purposes of this clause by paragraph (1),]

[(III) 20 percent of the average indexed monthly earnings to the extent that they exceed the amount established for purposes of this clause by paragraph (1),]

rounded in accordance with subsection (g), and thereafter increased as provided in subsection (j).]

[(B) In the case of an individual who becomes eligible for old-age or disability insurance benefits on or after January 1, 1972, and before January 1, 1978, the amounts established with respect to subparagraphs (A)(I) and (A)(II) are $500 and $1,010, respectively.

[(C) In the case of an individual who becomes eligible for old-age or disability insurance benefits on or after January 1, 1978, the amounts established with respect to subparagraphs (A)(I) and (A)(II) are $500 and $1,010, respectively.

[(D) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to such benefit in respect of such disability, and the period during which such individual was entitled to such benefit attributable to that entitlement, re-entitlement, or death is the greater of—

[(1) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by general benefit increase provided under subparagraph (A)(II) that would have applied to such benefit had the individual been entitled to such disability insurance benefit until the month in which he became entitled, reentitled, or died, or

[(2) the amount computed under paragraph (1)(C).]

[(E) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to such benefit in respect of such disability, and the period during which such individual was entitled to such benefit attributable to that entitlement, re-entitlement, or death is the greater of—

[(1) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by general benefit increase provided under subparagraph (A)(II) that would have applied to such benefit had the individual been entitled to such disability insurance benefit until the month in which he became entitled, reentitled, or died, or

[(2) the amount computed under paragraph (1)(C).]

[(F) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to such benefit in respect of such disability, and the period during which such individual was entitled to such benefit attributable to that entitlement, re-entitlement, or death is the greater of—

[(1) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by general benefit increase provided under subparagraph (A)(II) that would have applied to such benefit had the individual been entitled to such disability insurance benefit until the month in which he became entitled, reentitled, or died, or

[(2) the amount computed under paragraph (1)(C).]
eligible for an old-age or disability insurance benefit, or died, and

"(1) the individual's average monthly wage shall be computed as provided by subsection (b) (4)."

"(B) With respect to computing the primary insurance amount, after December 1975, of an individual to whom paragraph (1) does not apply (except an individual described in paragraph (4)), this section as in effect in December 1978 remains in effect."

"(b) Section 215(b) (except the caption thereof) is amended to read as follows:

"(1) The average of an individual's average indexed monthly earnings is equal to the quotient of the individual's total wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2) ) by

"(B) the number of months in those years.

"(3) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that such number of years may not be less than two.

"(B) For purposes of this subsection—

"(i) a 'benefit computation years' means, in the case of any individual, those computation base years, equal in number to the number determined under subparagraph (A) of subsection (a) (3) of the individual's wages paid in and self-employment income, after adjustment under paragraph (3) of this subsection.

"(ii) the term 'computation base years' means, in the case of any individual, the calendar years after 1950 and prior to the earlier of—

"(I) in the case of an individual entitled to old-age insurance benefits who attained age 62 after 1978, the year in which such entitlement became effective, or (II) in the case of an individual who has died, the year preceding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (as so in effect in December 1977), the year in which the individual attained age 21 and before which no year of any part of which is included in a period of disability.

"(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (3) is deemed equal to the product of—

"(I) the wages and income credited to such year;

"(ii) the quotient obtained by dividing—

"(I) the average Consumer Price Index published by the Department of Labor for the 12 months of the second calendar year (after 1976) preceding the earliest of the year in which the individual attained age 21 and before which no year of any part of which is included in a period of disability, by

"(II) the average of such Consumer Price Index for the computation base year for which the determination is made.

"(B) Wages paid in or self-employed income credited to an individual's computation base year—

"(i) which occurs after the second calendar year specified in subparagraph (A) (II), and where applicable, or

"(ii) in subparagraph (C) (II) of this subsection (f) (2) (D) considered to be the last year of the period specified in subparagraph (b) (2) (B) (II), are available for use in determining an individual's primary insurance benefit without applying subparagraph (A) of this paragraph.

"(4) in determining the average monthly wage of an individual whose primary insurance amount is computed after 1978 under section 215(a) or 215(d) as in effect (respect to the tables contained therein) in December 1978, by reason of subsection (a) (4) (B), this subsection as in effect in December 1978 shall apply, except that paragraph (2) (C) (as then in effect) is deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or, if applicable, and prior to the year in which occurred the first month for which the individual was entitled to old-age insurance benefits (as defined in subsection (a) (3) of this section as in effect in January 1979) for an old-age or disability insurance benefit, the calendar year of which is included in a period of disability shall not be included as a computation base year.'.

"(c) Section 215(c) (except the caption thereof) is amended to read as follows:

"(1) The matter in section 215(d) which precedes subparagraph (1) of this paragraph is amended to read as follows:

"(1) If an individual has wages or self-employment income for a year after 1978 (but excluding 1978 for any part of which he is entitled to old-age or disability insurance benefits, and the Secretary, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a) (1) to the average indexed monthly earnings of an individual to whom subsection applies and who, prior to December 1978, receives a benefit under this title, the term 'average indexed monthly earnings' means the average of the individual's total wages paid in and self-employment income for a year after 1978 (but excluding 1978 for any part of which he is entitled to old-age or disability insurance benefits, and the Secretary, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(D) A recomputation under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (II), and subsection (b) (3) (A) shall apply with respect to any such recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by this subsection (a) (1) and (b) (3) (A) of this subsection, the amounts that were, or, in the case of an individual described in subsection (a) (4) (B) would have been, used in the computation of the individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (II), and subsection (b) (3) (A) shall apply with respect to any such recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by this subsection (a) (1) and (b) (3) (A) of this subsection, the amounts that were, or, in the case of an individual described in subsection (a) (4) (B) would have been, used in the computation of the individual's primary insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with respect to any year shall be effective—

"(I) in the case of an individual who did not die in that year, for monthly benefits beginning in the month in which such individual begins such benefits for January of the following year, or

"(II) in the case of an individual who died in that year, for benefits for January of the following year.

"(2) Section 215(f) (3) is repealed.

"(3) Section 215(f) (4) is amended to read as follows:

"(4) The provisions of this subsection as in effect in December 1977 shall remain in effect, except that for purposes of the tables contained in section 215(c), the year in which occurred (whether by reason of Section 215(c) or otherwise) the first month of that entitlement; and

"(d) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (as so in effect in December 1977), the calendar year before the year in which the individual attained age 62; except—

"(I) in the case of an individual to whom that subsection applies and who, prior to 1979, the year in which occurred the first month for which the individual was entitled to old-age insurance benefits (as defined in subsection (a) (3) of this section as in effect on January 1979) for an old-age or disability insurance benefit, the calendar year of which is included in a period of disability shall not be included as a computation base year.

"(2) Section 215(f) (2) is amended to read as follows:

"(2) (A) If an individual has wages or self-employment income for a year after 1978 (but excluding 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a) (1) to the average indexed monthly earnings of an individual to whom subsection applies and who, prior to December 1978, receives a benefit under this title, the term 'average indexed monthly earnings' means the average of the individual's total wages paid in and self-employment income for a year after 1978 (but excluding 1978 for any part of which he is entitled to old-age or disability insurance benefits, and the Secretary, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(D) A recomputation under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (II), and subsection (b) (3) (A) shall apply with respect to any such recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by this subsection (a) (1) and (b) (3) (A) of this subsection, the amounts that were, or, in the case of an individual described in subsection (a) (4) (B) would have been, used in the computation of the individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (II), and subsection (b) (3) (A) shall apply with respect to any such recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by this subsection (a) (1) and (b) (3) (A) of this subsection, the amounts that were, or, in the case of an individual described in subsection (a) (4) (B) would have been, used in the computation of the individual's primary insurance amount prior to the application of this subsection.
A recomputation is effective under this subsection only if it results in a primary insurance amount that is higher (by at least $1) than the previous primary insurance amount."

(b) The amendments made by section 103 of this Act shall be effective on January 1, 1978.

(2) The amendments made by the preceding provisions of this Act, except as provided in subsection (a), and other than section 104(d)(1), shall take effect October 1, 1972, except as provided by the act of December 1977, as amended.

(3) Members of the Commission shall receive $138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(4) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission, but shall not be in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age insurance or disability insurance benefit, or for any year thereafter.

(1) Section 210(1)(2)(A),(II) is amended to read as follows:

"(II) The Secretary determines that the base quarter in any year is a cost-of-living computation quarter if, with respect to the month of June of that year, as provided in subparagraph (A),--

(a) The benefit amount of each individual which becomes eligible under subsection (a) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age insurance or disability insurance benefit, or for any year thereafter."
the next 76 years, and for keeping the reserve fund available at a 50 percent level.

(4) In order to provide an effective oppor-
tunity for public participation in particu-
larly in the study, investigation, and review un-
der this section, the Commission in con-
ducting such study, investigation, and re-
view under subsection (c), shall include a rea-
sonable advance notice of the hearing and an a-
dequate opportunity to appear and express views on the matters under consideration.

(c) (1) No later than 4 months after the date on which a majority of the au-
norized committee thereof, is authorized to
vestigate, and review and the methods pro-
posed to be used in conducting it.

(2) On or before January 1, 1978, the Com-
mission shall submit to the President and
the Congress an interim report on the study,
investigation, and review under subsection
(b), with particular reference to the scope of such study, in-
vestigation, and review and the methods pro-
tected by the Social Security Act.

The Senate from Texas.

Mr. TOWER. Mr. President, the modi-
fication I have made does not change my amendment substantially, except to the section relative to the elimination of—
Mr. NELSON. Mr. President, may we
have order so we can hear the Senator from Texas?

The PRESIDING OFFICER. The point
is well taken. Will Senators please cease
their conversations.

The Senate from Texas.

Mr. TOWER. Mr. President, the only
change my modification makes in the
original amendment No. 1541 is to change
the section relative to earnings limitations
to conform with the amendment of
the Senate from Arizona, as modified by
the Senator from Idaho. In other re-
pects it is the same, except that it is not
offered as a substitute, but as an amend-
ment to the bill.

Mr. President, everybody in this coun-
try has a stake in the future of the social
security system—and there is no longer
any question that its financing needs to
be overhauled. That is why the choices
we make in Congress must now make in find-
ing ways to shore up its sagging financial
structure are so critical. The decisions
we make, the legislation we write, will
determine if generations of working
Americans to come can expect meaning-
ful benefits in return for their years of
contribution that the system once again.

While I share with my colleagues on the
Finance Committee's desire to solve
this particularly complex issue, I believe
there are alternatives to those sugges-
tions made in the current schedule of
decoupling, which would correct the error in the 1972 amendments.

Mr. President, financial soundness can be
achieved and a number of long-standing
problems in the social security system
must be overhauled. That is why the choices
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determine if generations of working
Americans to come can expect meaning-
ful benefits in return for their years of
contribution that the system once again.
believe, that debating, that is, resolving this combination of two different methods of indexing, has to be accomplished.

The bill which is before us would decouple by retaining wage indexing. I do not have the figures before me now, but the fact of the matter is that if instead of retaining wage indexing we retain price indexing, we would protect those who do reach the age for receiving social security from the effects of inflation, which is exactly what indexing is supposed to do. We would still preserve the possibility of earning the benefits the those who have already reached retirement age, which possibility is, I believe, foregone by the approach that we are taking in this bill, which would retain the wage indexing method of computation.

The Senator's proposal would also result in a considerable saving for the social security trust fund.

Mr. DANFORTH. As far as the Senator's sole proposal I would have no hesitation at all in supporting the Senator, and supporting him enthusiastically. However, I am a little bit concerned about the possibility of a further study. We have had a study for the last few years, and I think have pretty well debated the course we can take in resolving the short-term problems of social security financing.

My question is, how long does the Senator intend to put it off? If we do put off the resolution of the short-term problem, we simply increase the actuarial problems we are going to have to solve down the road, which would be even more tax or base increases in some future year than we have in this bill.

Mr. TOWER. I want to thank the Senator for his very constructive contribution to this discussion. I may say that he has certainly stated the case for decoupling far more eloquently and lucidly than I could.

I must say, this proposal does make the social security benefits inflation-proof but does not result in the enormous costs that wage indexing would result in. Therefore, I think it makes the system more sound.

In terms of the commission, it is my intent that it would be a very bipartisan commission, also from political considerations, that could look at this matter in a seasonal and timely fashion and make some sort of recommendations to us. They would be required to report on January 1, 1983. The fund would not run out until the year of 1983. Therefore, there would be an ample period of time in which Congress could act subsequent to the report of the commission. There would be approximately 3 years in which Congress could act. It could, of course, accept or reject what the findings of the commission or the recommendations of the commission might be.

Mr. DANFORTH. As far as the short term problem, the short term solution, the Senator would, in essence, put off all indexing?

Mr. TOWER. Well, the short term solution is that we make the system solvent through 1983 by a judicious transfer of funds. Therefore, there would be no fear of bankruptcy of the system before 1983 if we failed to act before that time. But I would expect that we would act in a more permanent solution subsequent to the report of the commission.

Mr. DANFORTH. Mr. President, the disability fund, as I understand it, would run out of money in 1979 and health insurance in 1984.

Mr. TOWER. No, by the transfer of funds, they would all run out in 1983.

Mr. DANFORTH. 1983?

Mr. TOWER. Yes, what we are doing is taking money out of one pocket and putting it into another, but to the extent that it all runs out in 1983. We would have to act prior to that time.

Mr. DANFORTH. Replenishing the reserve at that time would become more difficult, because we would have less time—we would have less of a reserve; therefore, we would have to replenish more. Therefore, the recommendation, therefore, would have to be higher.

Mr. TOWER. I might say to the Senator from Missouri that I am not promoting anyone a rose garden. What I am suggesting is that if we can meet the problem of ultimate bankruptcy in this way, over a short term, the commission would be required to report in January of 1980. We would have ample time, then, to act on that report. Hopefully, it would be sufficiently objective and statesmanlike and sound that we could embody those recommendations in legislation that would give us a permanent solution, at least a long-range solution.

Mr. DANFORTH. I do want to commend the Senator on the second word of his answer to this problem. I think his decoupling approach is highly responsible. As a matter of fact, we have had a commission in existence for the past few years which has been something of a blue ribbon commission to study the problems of social security. One of the proposals that it made was to retain price indexes, which is, of course, what the committee would be interested.

Mr. DOLE. Mr. President, will the Senator yield briefly?

Mr. TOWER. I yield to the Senator from Kansas.

Mr. DOLE. I just want to ask a question on the earnings limitation. How has the Senator from Texas modified his amendment in that area?

Mr. TOWER. What we did was simply incorporate the Goldwater amendment that was modified by the Church amendment that was adopted earlier this evening. That amendment stands. My provision was that there be a total removal of earnings limitations financed by a 1.25 tax to commence in the year 1979.

Mr. DOLE. I agree with the distinguished Senator's original proposal. Of course, we have modified it.

I want to point something out. Mr. President, during the debate on the Church substitute to the Goldwater-Dole amendment in the paper circulating in the well with some cost figures on the Goldwater-Dole amendment. These cost figures were inserted into the record by Senator Church. The fact is, the figures are inaccurate. Senator Church stated that the amendment to eliminate the earnings limitation would cost:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$2.4</td>
</tr>
<tr>
<td>1984</td>
<td>2.5</td>
</tr>
<tr>
<td>1985</td>
<td>2.6</td>
</tr>
<tr>
<td>1986</td>
<td>2.7</td>
</tr>
<tr>
<td>1987</td>
<td>2.7</td>
</tr>
</tbody>
</table>
| 1988 | $15.4 billion more than the committee bill.

That is incorrect. I believe the Senator from Idaho will admit to the inaccuracy.

More than the Goldwater-Dole amendment does cost about $1 billion more per year than the committee amendment in 1987, the fact is the Goldwater-Dole amendment would have cost only $100 million more over the first 8 years than the committee amendment.

These figures are directly from the Social Security Administration. The cost difference between the Church substitute and the Goldwater-Dole amendment is no more than $500 million in any year, not the $2 billion represented by the Senator from Idaho.

While the mistake was inadvertent the record must be set straight. I believe that the vote would have been different if these inflated figures were not circulated.

I hope that the conference will adopt the House amendment.

There was a great deal of discussion about the cost of the Goldwater amendment, that it would cost $15.4 billion more than the original bill was an inaccurate statement. I think the Senator from Idaho now understands it was not an accurate statement. I do not think it was made intentionally, but it was based on one of the Goldwater proposals that was not offered. As I said, I think the overestimation of costs might have cost Senator Goldwater a number of votes. I think the record should show what the actual costs are, because it might help in the adoption of this amendment.

Mr. TOWER. I might say I may prefer to eliminate the limitations altogether, but I am facing up to the realities of life here. The Senate has already acted, so I have incorporated that action of the Senate into my amendment.

Mr. CHURCH. Will the Senator yield for a comment?

Mr. TOWER. I yield to the Senator from Idaho.

Mr. CHURCH. It is true that the original figures that I placed in the Record related to an earlier version of the Goldwater amendment. That was a confusion that was not understood at the time. It has now been clarified and another set of figures have been inserted in the Record. I only want to state that the accurate set of figures still reflect a very substantial difference in cost between the Goldwater amendment and the Church amendment, a difference of $400 million a year, increasing to $600 million a year from 1983 to 1987. So the proper figures are now in the Record. The confusion has been corrected.
think the basic fact that the Goldwater amendment is substantially more costly than the one that the Senator did adopt is substantiated by the accurate figures that have been included in the second chart.

Mr. TOWER. Mr. President, I am prepared to allow the members of this bill the opportunity to use some of his time. I am also prepared to yield back the remainder of my time. I shall reserve that time for the time being.

Mr. NELSON. I yield the Senate for his generosity in allowing me to use some of my time.

Mr. TOWER. I am always delighted to be generous to my distinguished friend from Wisconsin, especially with his own resources.

Mr. NELSON. I yield to the Senator from South Dakota. Mr. McCovey, Mr. President, I ask unanimous consent that Mr. Jeffrey Smith of my staff be granted the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Bill Morris of the Finance Committee staff be granted the privilege of the floor during consideration of this bill. The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, the Finance Committee members are familiar with the proposal that was made by the Senator from Texas, because we heard testimony on it by Dr. Hsiao, a professor from Harvard. I will now tell you to the Members of the Senate that this provision, like both Senator Curtis' proposal and the Finance Committee proposal, is flawfully sound. That is to say, they lay the necessary taxes to pay the benefits provided. So there is not any question at all that, if the Senate adopted the proposal of the Senator from Texas, the security of the fund is guaranteed.

Now, there is some fundamental difference, but not only one distinction, between the proposal by the Senator from Texas and the proposal made by the Senator from Nebraska and the proposal that the Finance Committee made on the question of retirement replacement rates.

That is to say, the percentage of the salary that employees retire at was the same in Senator Curtis' two proposals as in the Finance Committee proposal. The Tower proposal would lower replacement rates.

Mr. President, I ask unanimous consent to have printed in the Record at this point the comparative tables on the replacement rates of the two proposals.

There being no objection, the table was ordered to be printed in the Record as follows:

### Tower Amendment

(Proposal recommended by panel of consultants to Congressional Research Service)

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual benefit in 1977 prices</th>
<th>Worker with average earnings</th>
<th>Replacement rate for worker with—</th>
<th>Aggregate OASDI expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low earnings X</td>
<td>High earnings X</td>
<td>As percent of payroll</td>
<td>As percent of GNP X</td>
</tr>
<tr>
<td>1979</td>
<td>$4,444</td>
<td>$58</td>
<td>10.29</td>
<td>4.2</td>
</tr>
<tr>
<td>1980</td>
<td>$5,713</td>
<td>34</td>
<td>10.56</td>
<td>4.1</td>
</tr>
<tr>
<td>1985</td>
<td>5,145</td>
<td>35</td>
<td>10.84</td>
<td>4.3</td>
</tr>
<tr>
<td>2000</td>
<td>5,068</td>
<td>31</td>
<td>11.79</td>
<td>4.5</td>
</tr>
<tr>
<td>2010</td>
<td>6,177</td>
<td>32</td>
<td>12.85</td>
<td>5.7</td>
</tr>
<tr>
<td>2020</td>
<td>6,472</td>
<td>34</td>
<td>13.72</td>
<td>7.0</td>
</tr>
<tr>
<td>2030</td>
<td>10,021</td>
<td>36</td>
<td>17.87</td>
<td>7.9</td>
</tr>
<tr>
<td>2040</td>
<td>11,830</td>
<td>32</td>
<td>17.90</td>
<td>6.8</td>
</tr>
<tr>
<td>2050</td>
<td>13,978</td>
<td>34</td>
<td>18.01</td>
<td>6.6</td>
</tr>
</tbody>
</table>

### Average medium-range cost (1977—2051)

- Total: $183.33
- As percent of payroll: 10.9%
- As percent of GNP: 4.5%

### Average medium-range cost (1977—2050)

- As percent of payroll: 10.8%
- As percent of GNP: 4.9%

### Average medium-range cost (1977—2054)

- As percent of payroll: 10.6%
- As percent of GNP: 4.7%

### Average medium-range cost (1977—2059)

- As percent of payroll: 10.4%
- As percent of GNP: 4.5%

### Average medium-range cost (1977—2060)

- As percent of payroll: 10.3%
- As percent of GNP: 4.4%

### Average medium-range cost (1977—2061)

- As percent of payroll: 10.2%
- As percent of GNP: 4.3%

### Average medium-range cost (1977—2062)

- As percent of payroll: 10.1%
- As percent of GNP: 4.2%

### Average medium-range cost (1977—2063)

- As percent of payroll: 10.0%
- As percent of GNP: 4.1%

### Average medium-range cost (1977—2064)

- As percent of payroll: 9.9%
- As percent of GNP: 4.0%

### Average medium-range cost (1977—2065)

- As percent of payroll: 9.8%
- As percent of GNP: 3.9%

### Average medium-range cost (1977—2066)

- As percent of payroll: 9.7%
- As percent of GNP: 3.8%

### Average medium-range cost (1977—2067)

- As percent of payroll: 9.6%
- As percent of GNP: 3.7%
Mr. TOWER. Mr. President, I would just like to say that the Senator from Wisconsin has certainly stated the case for doing away with the social security tax.

It is something of a Hobson’s choice we have to make between benefits and taxes, and that is the choice. It is there, and I cannot say anything to ameliorate the choice.

I simply say, however, in terms of 1977 prices that the benefits would almost double from the year 1979 to the year 2050. It would not, perhaps, enable the beneficiary to keep up with the Joneses, but it would enable him to meet the inflationary rate and it would be less costly and, I think, in the final analysis, it would have less hazardous impact on the ultimate security of the social security system.

Mr. DANFORTH. Mr. President, will the Senator yield?

Mr. TOWER. I will yield, believe the Senator from Missouri was on his feet first, and then I will yield to the Senator from Nebraska.

Mr. DANFORTH. Mr. President, we have to indexing. If we were to retain price indexing rather than wage indexing, it would protect people who retire from the ravages of inflation. It would protect the purchasing power of their social security benefits from inflation. That is the purpose of indexing.

The difference between wage indexing and price indexing has to do with the social security tax rate that we are going to have to charge in the long term. Under the committee’s bill, between 1986 and the year 2011 and thereafter, the social security tax rate is going to increase from 7 to 9.2 percent.

The fact of the matter is that if we had—

The PRESIDING OFFICER. The time of the Senator.

Mr. DANFORTH. Instead of wage indexing, we could freeze it.

The PRESIDING OFFICER. The Senator’s time has expired.

Mr. TOWER. Mr. President, might I borrow some time from my good friend the Senator from Wisconsin to yield to the Senator from Nebraska?

Mr. CURTIS. Just 2 minutes.

Mr. NELSON. Yes, with interest.

Mr. CURTIS. I am sure there will be an interest in what I have to say.

Mr. NELSON. All right. What time does the Senator desire?

Mr. TOWER. Two minutes to the Senator from Nebraska.

Mr. NELSON. I yield 2 minutes to the Senator from Nebraska.

Mr. CURTIS. I thank my distinguished friend.

Mr. President, to the Senator from Nebraska, the big difference between the Tower amendment and the committee amendment is the tax rate different than has been discussed here. The Tower amendment is a temporary arrangement. It calls upon a report to give guidelines for us to follow meeting the long-range cost of social security. So the advantage of the Tower amendment is twofold. It will avoid the matter of going to a program of doing away with the balance, an employee paying half, an employer paying half. That has never been approved by a majority vote anywhere. In the committee it was 9 to 9. It has a majority of a Vice President, that is all.

It was a tie here. It is a departure. It should not be followed.

Here is a chance to take a temporary measure, if the committee’s report. It is not my choice. I would rather have us meet it right now, levy the taxes, be honest with the people, restore the fund.

Mr. NELSON. Mr. President, I am prepared to yield back the remainder of my time.

Mr. TOWER. My time has expired and I think we have debated it enough.

The PRESIDING OFFICER. All time has been yielded back. The yeas and nays have been ordered.

Mr. TOWER. The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Wisconsin (Mr. BRESHEIRE), the Senator from Nevada (Mr. CANNON), the Governor from Arizona (Mr. DORN), the Senator from Arizona (Mr. DeCONCINI), the Senator from Arizona (Mr. DeWINE), the Senator from Kansas (Mr. PARKINSON), the Senator from Arkansas (Mr. BURD), the Senator from Arkansas (Mr. McCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RUSCIO), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STEVENS), the Senator from Nebraska (Mr. ZIRKEL), the Senator from Wisconsin (Mr. JOHNSTON), the Senator from Montana (Mr. MARSHALL), and the Senator from South Dakota (Mr. ABSURDEZ) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKET) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

On this vote, the Senator from Connecticut (Mr. RUSCIO) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARR), the Senator from Massachusetts (Mr. BROOKS), the Senator from Arizona (Mr. GOLDFIELD), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Oregon (Mr. PACKWOOD), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WATTERS) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would each vote "nay."

The result was announced—yeas 48, nays 21, as follows:

[Vote Call Vote No. 630 Leg.]

<table>
<thead>
<tr>
<th>Yeas</th>
<th>Nays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>Gravel</td>
</tr>
<tr>
<td>Anderson</td>
<td>Hart</td>
</tr>
<tr>
<td>Bentsen</td>
<td>Hatch</td>
</tr>
<tr>
<td>Bumpers</td>
<td>Hays</td>
</tr>
<tr>
<td>Bartlett</td>
<td>Hayakawa</td>
</tr>
<tr>
<td>Byrd, Robert C.</td>
<td>Hollings</td>
</tr>
<tr>
<td>Case</td>
<td>Inouye</td>
</tr>
<tr>
<td>Chafee, J.</td>
<td>Jackson</td>
</tr>
<tr>
<td>Chiles</td>
<td>Javits</td>
</tr>
<tr>
<td>Church</td>
<td>Kennedy</td>
</tr>
<tr>
<td>Clark</td>
<td>Leahy</td>
</tr>
<tr>
<td>Cranston</td>
<td>Long</td>
</tr>
<tr>
<td>Culver</td>
<td>Mansfield</td>
</tr>
<tr>
<td>Durkin</td>
<td>Magnoli</td>
</tr>
<tr>
<td>Domenici</td>
<td>Mathias</td>
</tr>
<tr>
<td>Ford</td>
<td>McCollum</td>
</tr>
<tr>
<td>Glenn</td>
<td>McIntyre</td>
</tr>
</tbody>
</table>

NAYS—21

Baker | Gore |
| Bellmon | Grisham |
| Byrd | Haden |
| Harry, F. J., Jr. | Hernsley |
| Curtis | Johnson, Edward M. |
| Danforth | Johnson, James |}

Dole | McClellan |
| Domenici | Metzenbaurn |
| Schmitt | Young |

NOT VOTING—31

Abourezk | Hayakawa |
| Boren | Heflin |
| Bentsen | Huddleston |
| Bennett | Humphrey |
| Brooke | Johnston |
| Cannon | Johnston, John B. |
| Cannon, J. | Johnson, Sam |
| Chafee, J. | Johnston, Tower |
| Chiles | Jordan |
| Cranston | Johnson, Gerald |
| Daschle | Johnson, William |
| Domenici | Johnson, Wendell |
| Goldwater | Keating |
| Hatch | Keating, John D. |
| Hatchfield | Keating, William |
| Hatfield | Kennedy |
| Scott | Keating, William D. |
| Stone | Keating, William P. |

So the motion to lay on the table was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to lay the amendment of the Senator from Texas on the table was agreed to. Mr. JAVITS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.
Mr. CHILES. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Mr. President, in order to make sure that the effects of this amendment would not have any negative effects on low-income workers, I asked the Social Security Administration to calculate the number of persons at each income level who would have their earnings reduced. I ask unanimous consent to print a table showing the results in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

<table>
<thead>
<tr>
<th>Percent of workers with reduced benefits under annual retirement test, by income (Data from 1975)</th>
<th>Annual earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(I) Less than $3,900</td>
<td></td>
</tr>
<tr>
<td>$3,900-$4,600</td>
<td></td>
</tr>
<tr>
<td>$4,600-$5,400</td>
<td></td>
</tr>
<tr>
<td>$5,400-$6,400</td>
<td></td>
</tr>
<tr>
<td>$6,400-$7,400</td>
<td></td>
</tr>
<tr>
<td>$7,400-$8,400</td>
<td></td>
</tr>
<tr>
<td>$8,400-$9,400</td>
<td></td>
</tr>
<tr>
<td>$9,400-$11,000</td>
<td></td>
</tr>
<tr>
<td>$11,000-$14,000</td>
<td></td>
</tr>
<tr>
<td>More than $14,100</td>
<td></td>
</tr>
</tbody>
</table>

All workers (Total does not add due to rounding) 100

Mr. CHILES. Mr. President, it is clear that no more than 1 percent of the affected workers earns less than the expanded earnings limit of $3,900. That is, 99 percent of workers who are covered by the new provision would be able to avoid the limits we are imposing on low-income workers who work every month of the year. Even assuming an increase in earnings to $6,000 as provided in the House-passed version of the bill, no more than 0.93 percent of the affected workers would be exceeding the annual limit by means of the monthly computation.

I hope my colleagues will join me and support this amendment so that we can keep social security retirement benefits directed to those who really need them.

Mr. CURTIS. Mr. President, will the distinguished gentleman yield?

Mr. CHILES. I yield.

Mr. CURTIS. We had an opportunity to examine the statement of the distinguished Senator from Florida, and I am speaking for the manager of the bill also. We are willing to take the amendment.

Mr. CHILES. I think this could be a cost-saving amendment. I think it is fair and it is determined on this basis.

I thank the distinguished ranking minority member, and I urge adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Florida.

The amendment was agreed to.
covered, they do not contribute to the trust funds. However, many government pension systems, including the Federal one, have generous provisions for early retirement. As a result, government workers may retire while they are still active and healthy, work a few years in private jobs covered by social security, then qualify for the minimum benefit. In these cases, the individual receives a benefit based on what he earned prior to his retirement, not on his actual earnings and contribution to the trust fund. Of course, he is also double dipping by drawing down his government pension in addition to the $1,400 a year in social security. While I think we should encourage older workers to keep working if they are healthy and active, we ought not to burden the system with paying benefits to persons who have not made an appropriate contribution.

Mr. President, I believe we really ought to freeze the minimum benefit for current beneficiaries and eliminate it for future retirees. The future recipients are not those who have put in long years of work and contributed to the trust fund in the expectation of receiving a specified level of benefits. As I understand it, when Mr. Corman offered that as an amendment in the House, it was defeated. I am therefore offering the same provision in the Senate bill, which provides a very gradual transition, simply letting the value of the minimum benefit erode by excluding it from the provision that automatically increases benefits to traditional recipients.

I think the House was also wise to increase the special minimum benefit from $9 to $11.50 per covered year. In contrast to the regular minimum benefit, the special minimum only covers persons with over 10 years of covered employment. It is thus protected against double dipping or from providing benefits to persons with a minimal attachment to the work force. The $2 multiplier has not been updated for inflation since the original amendment was adopted in 1972. However, since the House provision was adopted in 1972 and 1976, it would be out of order under the Budget Act. I feel very strongly that we should not be circumventing the budget process by passing future benefits that have not competed against other needs and priorities in the deliberations on the first budget resolution. I have therefore omitted that provision from my amendment and hope that we will be able to adopt it next year.

Mr. President, I hope my colleagues will join me in adopting this cost-saving improvement.

Mr. CURTIS. Mr. President, will the Senate yield?

Mr. CHILES. I yield.

Mr. CURTIS. I believe this is a good amendment. Talked it over with the distinguished ranking minority member.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Florida.

The amendment was agreed to.

VP AMENDMENT NO. 1962
(Purpose: To correct a typographical error in the bill.)

Mr. NELSON. Mr. President, I send to the desk a technical amendment and I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Wisconsin (Mr. Nelson) proposes an unprinted amendment numbered 1962.

The amendment is as follows:

In section 124(b) of the bill, strike out: "3102.3111." and insert in lieu thereof: "3301.3302.".

Mr. NELSON. Mr. President, this changes numbers in the bill. And it has been cleared on both sides.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin.

The amendment was agreed to.

The PRESIDING OFFICER. Are there further amendments to be proposed?

VP AMENDMENT NO. 1970
(Purpose: Relating to coverage under medicare of certain devices which are designed to meet the same similar purpose as that performed by a wheelchair.)

Mr. GRIFFIN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Michigan (Mr. Griffin) proposes an unprinted amendment numbered 1970.

At the appropriate place in the Act, insert the following new section:

SEC. 1861(c)(6) (a) Section 1861(c)(6) of the Social Security Act is amended by inserting after the word "wheelchairs" the following: "(and devices designed to serve the same or similar purpose as that performed by a wheelchair.)

(b) The amendment made by this section shall be effective in the case of services furnished after the date of enactment of this Act.

Mr. GRIFFIN. Mr. President, I have discussed this amendment with the managers of the bill on both sides of the aisle.

This amendment is offered primarily because the bureaucracy in H.E.W. has taken a very arbitrary view in interpreting the word "wheelchair" in the Social Security Act as it applies to medicare, and has precluded the coverage of a very fine electric-powered vehicle that is produced in my State and particularly for handicapped and invalid people.

The best way to describe what it is is that the thing that Margaret Chase Smith used following her operation when she rode one into my Senate office. Senator Charlie Potter rode one into my Senate office. Senator Potter's enthusiasm for the AMIGO wheelchair helped to make me a believer. Later, I tried the AMIGO wheelchair used by our former colleague, Margaret Chase Smith, following an operation.

True to the American spirit of building a better mouse trap, the AMIGO has caught on and is being used by several thousand handicapped Americans. It is very strange that the H.E.W. bureaucracy at HEW interpreted the statute to cover the AMIGO wheelchair which is manufactured in Bridgeport, Mich. However, in that year, for no good reason, the regulations were "revised" to preclude the AMIGO wheelchair from medicare coverage.

Because the AMIGO wheelchair is manufactured in my State of Michigan, I have written to officials at H.E.W. on several occasions requesting an explanation for the change in policy. The justification I received can best be characterized as bizarre and ridiculous.

In its reply to my letters, H.E.W. officials refer to the AMIGO wheelchair as a golf cart-type vehicle which could be used by those who are not sick or injured. They also compared the AMIGO wheelchair to room air-conditioners and bathtubs.

This is ridiculous. The AMIGO is not a golf cart-type vehicle; it is used by those who are sick or handicapped and it is used by the patient in his home.

Mr. President, 8 years ago, Allan Thieme of Bridgeport, Mich., designed the first AMIGO wheelchair for his wife, who was suffering from multiple sclerosis and had been using a conventional wheelchair. The AMIGO gives handicapped people more mobility, freedom for a wider variation of activity than was available with conventional wheelchairs. He accomplished this by making the AMIGO wheelchair more maneuverable and easier to transport than conventional wheelchairs.

As one example of the AMIGO's ability to give the handicapped greater mobility, the chair is equipped with a swivel seat that allows the user to pull up to a normal desk or table and function comfortably without undue awkwardness. In addition, the AMIGO's narrow width allows users to get through doorways—particularly in private homes—that conventional models cannot negotiate.

I first saw the AMIGO wheelchair in operation several years ago when our former Senator Charlie Potter rode one into my Senate office. Senator Potter's enthusiasm for the AMIGO helped to make me a believer. Later, I tried the AMIGO wheelchair used by our former colleague, Margaret Chase Smith, following an operation.

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reappraisal has been so arbitrary in its refusal to make this device available.

It should be pointed out that the AMIGO wheelchair has been approved by the VA for VA beneficiaries. And, it should be noted that the AMIGO has undergone extensive testing at the prestigious Institute of Rehabilitation at New York University Medical Center, and been found superior to conventional wheelchairs for many handicapped persons.

Mr. President, this amendment and this legislative history should make it clear, once and for all, that the AMIGO is a wheelchair within the meaning of the statute.

Mr. CURTIS, Mr. President, will the distinguished Senator yield?

Mr. GRIFFIN. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, we had an opportunity to examine the amendment. We believe it is to the interest of the beneficiaries that use these machines as well as the social security fund, and we are willing to accept it.

Mr. GRIFFlN. Individually, it will cost less than electric-powered wheel chairs that are now being authorized for payment.

Mr. CURTIS. The distinguished manager of the bill joins me in willingness to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Michigan. The amendment is agreed to.

AMENDMENT NO. 1071

Mr. DOLE. Mr. President, I send an amendment to the desk on behalf of myself and the distinguished Senator from New York (Mr. MOYNIHAN) and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk reads as follows: The Senator from Kansas (Mr. DOLE), for himself and the distinguished Senator from New York (Mr. MOYNIHAN), asks for an unprinted amendment numbered 1071.

The PRESIDING OFFICER. Without objection, further reading of the amendment will be dispensed with.

The amendment is as follows:

At the appropriate place, insert the following:

Sec. (a) Section 328 of the Federal Election Campaign Act of 1971 (2 U.S.C. 441) is amended—

(1) by inserting "(a)" immediately after "Sec. 328," and

(2) by adding at the end thereof the following:

"(b) If an honorarium payable to a person is paid instead at his request to a charitable organization selected by him from a list of 5 or more charitable organizations provided for by that person, that person shall not be treated, for purposes of subsection (a), as accepting that honorarium. For purposes of this subsection, the term 'charitable organization' means an organization described in section 170(c) of the Internal Revenue Code of 1954.

(c) For purposes of determining the aggregate amount of honoraria received by a person during any calendar year, amounts received by the person paying an honorarium before the close of the calendar year in which he is paid shall be disregarded.

(d) For purposes of paragraph (2) of
These two select provisions do not overshadow the major problem with the legislation. The tax increases fly in the face of general public attitudes about the system. I have received many telephone calls in my State and Washington offices against the tax increase, and my mail has been overwhelmingly against this increase.

Mr. President, I ask unanimous consent to insert at this point in the Record a copy of a survey done by Cities Service Co. on the social security proposals. This survey is representative of the type of mail I have been receiving. The figures in the survey concerning the use of general revenue income to finance the system, the payment of a larger portion of the tax by employers, the increase in the tax, and the discontinuance of the system are particularly significant.

The Cities Services employees, and the public, are not only skeptical, but incensed at the continued expansion of programs under the social security system. This expansion of programs has led to continuous tax increases which lag behind the actual expenditures for benefits.

I would like to make one last point. Mr. President, I ask unanimous consent to have inserted at this point a copy of two pages from an informational bulletin published by the Social Security Board in 1936. My colleagues should note that under the section entitled "Taxes" the rates are explained, and at the end of the subsection entitled "Your part of the tax" the following statement is made: "That is the most you will ever pay." Mr. President, this is only one of many broken promises to the American public, and I believe that the voters of this Nation recognize the folly in our present action.

There being no objection, the material was ordered to be printed in the Record, as follows:

WASHINGTON, D.C. — Cities Service Company mailed the enclosed article on proposed Social Security legislation, along with a questionnaire, to its employees and annuitants.

The results of the enclosed survey represent the opinions of our employees and annuitants and are not intended to reflect the position of Cities Service.

To date, more than 500 responses have been received from persons residing in over 200 communities in 38 states. Response to the questionnaire was voluntary and not structured so as to represent a scientific sampling. Nevertheless, I feel that these opinions received from such a wide area, may be of value to you.

Sincerely,
R. C. Moore

Citizens Service employees and annuitants voice their opinions on social security

<table>
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<th>[in percent]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you favor</td>
</tr>
<tr>
<td>Decoupling, to eliminate compensating retirees</td>
</tr>
<tr>
<td>Using general revenue funds from the Treasury to help pay cost of social security</td>
</tr>
<tr>
<td>Employers paying a larger tax to help pay for social security</td>
</tr>
</tbody>
</table>

Do you favor Increasing tax on both employees and employers Discontinuing present social security system, after current obligations are met, and replacing it with a voluntary program

<table>
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</table>

In summary, Cities Service respondents favor only one of President Carter’s Social Security proposals, i.e., “decoupling.” Respondents sharply oppose the President’s proposals to increase taxes on employees or employers and are also in opposition to the use of general revenue funds for Social Security. These measures are two of the key elements in the President’s legislative package.

In addition to responding with opinions on current legislative proposals, respondents also took the time to write additional comments regarding what they felt should be done to improve the “System.” The major suggestion, made by 32 percent of those commenting, was to terminate the Social Security system function as it was originally intended, i.e., balance in and outflow. Respondents felt this could be accomplished by:

1. (paying contributors only—not survivors, disability cases, etc., and
2. (stopping benefit increases until Social Security is brought under control

THE GENERAL CONSENSUS

Cities employees and annuitants who responded favor “decoupling.” It is estimated that this action could reduce the system’s projected deficit by 50 percent. Of the realistic alternatives remaining—namely, either retaining or cutting back benefits—respondents favor reduced benefits over increased taxes.

SECURITY IN YOUR OLD AGE

(To employees of industrial and business establishments—factories, shops, mines, mills, stores, offices, and other places of business,

(Beginning November 24, 1936, the United States Government will set up a Social Security account for you, if you are eligible. To understand your obligations, rights, and benefits you should read the following general explanation:—

The same law that provides these old-age benefits for you and other workers, sets up certain new taxes to be paid to the United States Government. These taxes are collected by the Bureau of Internal Revenue of the U.S. Treasury Department, and inquiries concerning them should be addressed to that bureau. The law also creates an "Old-Age Reserve Account" in the United States Treasury, and Congress is authorized to put into this reserve account each year enough money to provide for the monthly payments you and other workers are to receive when you are 65.

YOUR PART OF THE TAX

The taxes called for in this law will be paid both by your employer and by you. For the next 3 years you will pay maybe 15 cents a week, maybe 26 cents a week, maybe 30 cents or more, according to what you earn. That is to say, during the next 3 years, beginning January 1, 1937, you will pay 1 cent for every dollar you earn, and the same time your employer will pay 1 cent for every dollar you earn, up to $3,000 a year. Twenty-six million other workers and their employers will be paying at the same time.

After the next 3 years—that is to say, beginning in 1940—you will pay, and your employer will pay, 1½ cents for each dollar you earn, up to $3,000 a year. This will be the tax for 3 years, and then, beginning in 1943, you will pay 2 cents, and so will your employer, for every dollar you earn for the next 3 years. After that, you and your employer will each pay half a cent more for 3 years, and finally, beginning in 1946, twelve years from today, each of you will pay 3 cents on each dollar you earn, up to $3,000 a year. That is the most you will ever pay.

Mr. ROTH, Mr. President, there is no question that action must be taken to restore financial stability to the social security trust fund. Social security is the first and major ingredient for financial security for many of our senior citizens and it is absolutely necessary for steps to be taken to save the system.

However, I am deeply concerned that the proposed legislation is not the right answer to our social security problems. Because of the amount of time spent on this and many other important bills, neither the Finance Committee nor the Senate had enough time to adequately consider this bill and to explore the whole range of alternatives.

For example, I proposed an amendment to use a portion of any new energy tax revenues to help the social security system. This amendment could have allocated billions of dollars to the social security trust fund, and reduced the need for social security taxes proportionately.

There are more than 100 million people paying taxes to support the social security system, and my amendment would have provided some tax relief to all of them while still restoring financial stability to the trust fund.

Unfortunately, the Senate refused to accept my amendment to ease the tax burden on working Americans.

I am concerned the substantial tax increases will have a devastating impact on the economy. In addition, I fear the higher tax burden will erode the public’s support for the social security system and put pressure on Congress to reduce, or at least not increase, social security benefits for senior citizens.

Therefore, I cannot support this bill. I believe Congress should go back to the
Mr. McCOVERN. Mr. President, while I fully support the need to restore the financial integrity to our social security system and while I strongly favor providing ample assistance to those who have contributed to this system, I nonetheless vote "no" because of my conviction that the additional cost of social security should be paid by general revenues—not by additional payroll taxes on workers and employers.

Earlier this week, I joined with 15 of my colleagues in an unsuccessful attempt to move the financial footing of the system away from exclusive reliance on payroll taxes. My distinguished colleague from Missouri (Mr. Eagleton) moved to recommit this bill to the Finance Committee with instructions to report back a bill to authorize appropriations out of general revenues to cover not less than 4 percent of the total cost of the bill. That was the purpose of the administration's proposal to introduce general revenue funds as one source of the funds which would be used to shore up the financial foundation of the system. The administration proposal was criticized as turning social security into another welfare program and away from our increasing reliance on general revenues to finance our social security system.

In closing, I want to indicate my strong support for one particular aspect of the bill before us. That is the proposal of Senator Church (Mr. Church), which will increase the earnings limitation. I believe that it is entirely proper that some upward adjustment be made to reflect the reduced purchasing power that these additional earnings represent in an economy subjected to continued inflation.

While the financial integrity of the system has been endangered, we must certainly contemplate moving it away from its reliance on higher and higher payroll taxes.

Mr. CHURCH. Mr. President, reluctantly, I move to recommit the bill for the reasons that led me to favor the motion to recommit the bill yesterday.

I ask unanimous consent that the explanation I gave at that time be inserted here in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

I opposed the bill. I will vote to recommit it because it provides for a huge tax increase—one of the largest in history—and a highly regressive tax, at that. The Social Security tax, like the sales tax, falls hardest on those less able to pay. I recognize that the Social Security System must remain solvent. But I had hoped that it would be possible to fashion a bill that would not meet the fiscal needs of Social Security itself but also accommodate other objectives as well.

For example, this country needs a much-improved comprehensive medical program for the elderly, the handicapped, and the poor. We need a program that eliminates the gap that now exists between coverage under Medicare and Medicaid.

I feel that Medicare should be removed from the Social Security Trust Fund and financed, instead, through general revenues. Medicaid is already financed this way, and the two should be blended into a uniform system. General revenues come mainly from the income tax, so that the financing would be made progressive in nature, rather than regressive.

If we were to remove Medicare from Social Security as part of a general overhaul, it would lift a big burden from the Social Security Trust Fund. That, in turn, would make it possible for us to lower substantially the rate increase contemplated by this bill.

I am voting against the bill because of its regressive nature, its failure to correct the problems in financing social security.

Mr. CHILDS. Mr. President, I think it is regrettable that the Finance Committee and the Senate chose to place a heavier tax burden on employers than on employees. Such action may well put heavy pressure on already burdened employers and may result in contributions for future benefits for their employees. Moreover, it suggests to Americans that they do not have a full measure of responsibility to provide for their old age security. Because Americans do wish to pay their fair share of premiums for the social security insurance programs, I will vote against the Finance Committee bill.

I also vote against the bill, because it continues to rely on indexing for its primary benefit formula structure. I would suggest that indexing got the fund into its present straitjacket and suggestions to continue to rely on such an unpredictable and unreliable foundation.

Notwithstanding these reservations, I applaud the chairman for having the courage to lead the Senate to restore the confidence of the American people in the social security system.

Mr. HANSEN. Mr. President, I will vote against final passage of this legislation, because I believe that the proposal of the Finance Committee, while it does much to restore the integrity of the social security trust fund, contains momentous changes in the fundamental philosophy of social security.

At its inception, this program was designed to supplement the incomes of retired workers, through the shared financial contributions of employers and employees. I emphasize this concept of parity, because I believe that that philosophy of sharing gave the program credibility for employees who recognized that they were contributing towards their own futures, and not simply receiving a welfare benefit. During the deliberations on this bill, three attempts were made to restore parity, I supported each, because I believe that Americans cannot believe that they are taking responsibility for their own futures, rather than leaving their own future security to others.

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I have succeeded in getting it on record for "de-coupling" the benefit structure, which is the major key to restoring the integrity of the trust fund. However, the reason I helped create the congressional budget process was to create this orderly way to consider major changes in tax and expenditures. All the studies by Congress and the administration have shown that the social security trust fund will have reserves of over $40 billion by the end of 1978. There would thus be plenty of time to bring the bill up in January and look at these provisions in detail.

The biggest choice that Congress has to make is how to distribute the burden of increased taxes. The Finance Committee bill was a disproportionate share on employers. Unfortunately, that would be an illusory benefit to workers. Most of all, most economic studies show that payroll tax increases on employers get passed right on as increased prices and forgoing wages. The workers would thus pay the cost, and the mechanism used would have the most rapid possible inflationary effect. Second, the biggest problem we are having with economic recovery is that this is the failure of businesses to invest in new facilities and thus create new jobs. To cut drastically into their cash flow at this point in time would simply delay recovery and cost jobs. That is clearly no benefit to workers.

For these reasons I voted in favor of the amendments offered by Senator Currie, which would have provided equal tax rates for employers and employees. If the Senate had been allowed time to consider a full range of alternatives, I would have favored a combination of an equal share between employers and employees, but with a higher wage base and a lower tax rate. That combination would have been the fairest for all parties. I hope the conference will adopt a version that is closer to that combination.

I have been concerned for a long time that we are undermining the basic social compensation system in this country by paying welfare-type benefits out of the retirement fund. I cannot eliminate some of these provisions we are minimize the tax increases necessary to safeguard the trust fund.

I therefore offered two cost saving amendments to the Finance Committee bill and the Senate adopted both of them. As the chairman of the Budget Committee I have been on record for making these savings for each of the last 3 years, just as we have been on record for de-coupling.

The first of my amendments was to freeze the minimum benefit. The minimum benefit is a classic example of the need for "sunset" legislation. It was a good idea when it was first adopted, but it has outlived its purpose. The original intent of the minimum was to provide a floor for low-wage workers and to keep the Social Security Administration from having to write checks for very small amounts. Several events have eliminated these needs. In 1973 Congress created a special benefit structure for persons with many years of work at low wages, thus meeting the primary need for a floor on benefits. At the same time we created the supplemental security income program which takes care of low income elderly individuals who have only a few years of work history. Benefits under both of these provisions greatly exceed the social security minimum benefit. Finally, the payroll tax cut makes it easy to apply the benefit computation formulas at any level and issue an appropriate check.

As conditions and benefit structures have changed, two types of individuals have emerged as recipients of the minimum benefit. First, we have individuals who work most of their adult life in government jobs which are not covered by social security. Since their jobs are not covered, they do not contribute to the trust funds.

However, many government pension systems, including the Federal one, have generous provisions for early retirement. As a result, government workers may retire while they are still active and healthy. Yet a few years in private jobs covered by social security, they qualify for the minimum benefit. In these cases, the individual receives a benefit greatly exceeding what he would get based on his actual work history and contribution to the trust fund. Of course he is also "double dipping" by drawing down his government pension in addition to the $1,400 a year in social security. While I think we should encourage our workers to keep working if they are healthy and active, we ought not to burden the system with paying benefits to persons who have not made an appropriate contribution.

Mr. President, I believe we really ought to freeze the minimum benefit for current beneficiaries and eliminate it for future retirees. The future recipients are not the ones who benefit from work and contributed to the trust fund in the expectation of receiving a specified level of social security benefits. However, when we added these curers to the minimum benefit as an amendment in the House, it was defeated. I am therefore offering the same provision as in the House bill, which provides a very gradual transition, simply letting the value of the minimum benefit erode by excluding it from the provision that automatically increases benefits to match price changes. The Congressional Budget Office estimates that this amendment will save $159 million between now and 1983.

The second amendment I offered was to eliminate the monthly computation of the earnings limit for determining whether an individual is retired. I think we should encourage older people to keep working to the degree that they are still physically able to. More than any economic reason, this is a pragmatic way to provide a valuable social support that prevents the loneliness and isolation which so many of the elderly suffer. I have long opposed those persons who try to forego their right to work by limiting the level of allowable retirement earnings in order to encourage continued employment, and I congratulate the Finance Committee for providing significant increases in this bill.

At the same time, I believe it is necessary to be as fair as possible in how we calculate the earnings limit. One flaw in the current law is that it allows an individual to have $1,400 in the first 3 months, working in another, and so on, without regard to how much is earned in the working months. Many people can regulate their flow of income by reasons of self-interest, or by reorganizing a business. Thus, they can earn $100,000, $100,000, and $100,000 for three months of the year, then "retire" and draw social security benefits for the rest of the year.

Then go back to work again the next year and repeat the pattern. Social security is for them just a bonus piece of income. At the same time, we tell a salaried employee that we will reduce his benefits 50 percent for any earnings over $3,000. This is obviously unfair and discriminates against the salaried workers who tend to have lower incomes. The Social Security Administration estimates that about 80,000 individuals currently avoid the earnings limitation by this mechanism.

My amendment would correct this flaw by increasing the earnings limit on an annual basis. This improvement was recommended by President Carter in his 1978 budget. It was also recommended by the previous administrations in their budget proposals. It has been recommended by the social security advisory commission, an independent body that is appointed by the Secretary of HEW to oversee the soundness of the system.

My amendment would well save $774 million in fiscal year 1978, $234 million in 1979, and more in later years. If we can cut down on a lot of these flaws in the benefit structure, we can minimize the tax increases necessary to keep the system solvent and pay a decent level of benefits to our retirees.

Mr. President, in order to make sure that the effects of this amendment would not have any adverse effect on the upper levels of income, I asked the Social Security Administration to calculate the number of persons at each income level who would have their earnings reduced. I ask unanimous consent to insert a table showing the results of the Recons at this point:

<table>
<thead>
<tr>
<th>Percent of Workers with Reduced Benefits Under Annual Retirement Test, by Income (Data from 1975)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Earnings:</td>
</tr>
<tr>
<td>Less than $3,900:</td>
</tr>
<tr>
<td>$3,900-$4,400:</td>
</tr>
<tr>
<td>$4,400-$4,900:</td>
</tr>
<tr>
<td>$4,900-$5,400:</td>
</tr>
<tr>
<td>$5,400-$6,400:</td>
</tr>
<tr>
<td>$6,400-$7,400:</td>
</tr>
<tr>
<td>More than $7,400:</td>
</tr>
</tbody>
</table>

All workers (total does not add due to rounding): 100

Mr. President, it is clear that no more than 1 percent of the affected workers earn less than the earnings limit of $3,900. That is, 99 percent are using this mechanism to avoid the limits we are trying to eliminate. I think we should consider the increase in the earnings.
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limit to $6,000 as provided in this bill. 93 percent of the affected workers would be exceeding the annual limit by means of the monthly compilation.

During the consideration of the social security financing bill, I backed the Church substitute amendment to permit higher outside earnings for social security recipients. This provision allows unlimited earnings for those over 70, strengthens the trust fund's financial condition. I believe the law should permit a more reasonable allowance for outside earnings without affecting social security benefits. I believe the law should permit every person over 65 access to social security benefits without some earnings limit, we would really be doing a tremendous disservice to the great majority of elderly citizens who have small incomes and rely on social security. We would be placing a tremendous drain on an already overburdened trust fund. The Congressional Budget Office estimates that the bill would cost the administration $4 billion in the first year. The earnings tests were dropped, a cost that would have to be met either by increased taxes on workers and employers or reduced benefits. Inflation, so I have great concern for the worker and security recipients. This provision allows more reasonable allowances for out-side earnings without affecting social security. We would be placing a tremendous drain on an already overburdened trust fund for those over 70. I believe the law should permit every person over 65 access to social security benefits without some earnings limit. I believe we would really be doing a tremendous disservice to the great majority of elderly citizens who have small incomes and rely on social security. We would be placing a tremendous drain on an already overburdened trust fund.

In my view, the law should permit the older citizen the opportunity to earn a reasonable amount while having benefits for outside earnings affect social security payments. My votes supported efforts to permit higher earnings in 1978 and subsequent years that would not be subject to reduction in social security benefits.

Florida has the largest percentage of persons over 60 years of age in the Nation, so I have great concern for the thousands of Florida citizens who are generally fixed-income people who seldom respond to cost of living increases. Costs for food, health care, transportation, electric and water bills—the basic necessities—have all risen dramatically in recent years. I believe it is essential that we help the senior citizens cope with such increases whenever possible to secure that the elderly are able to live with dignity and security.

I firmly believe that social security beneficiaries deserve better protection against inflation. This protection would be provided in an amendment I have sponsored to authorize two cost-of-living adjustments each year when consumer prices rise more than 4 percent semi-annually.

Twice yearly adjustments in social security benefits would mean those who depend on their monthly checks could keep up with rising prices which hit the elderly harder. The amendment I have provided in an amendment I have provided for the Secretary of Health, Education, and Welfare to develop a special consumer price index for the elderly to more adequately reflect the impact of inflation on them.

Mr. President, as I stated at the outset, I believe that adequate financing of the social security system is a top national priority. But a top national priority ought not to be dealt with hastily. I believe I have been as diligent as any other Member of the Senate to aid the condition of the elderly. I have taken an active role as a ranking member of the Special Committee on the Aging to investigate the needs and problems of the elderly and have sponsored many amendments to help them with their needs for income, for fuel payments, for nutrition, for safe medical care, for transportation, and for housing. But no one suffers more from inflation and recession than the elderly. Older workers got pushed out of jobs when unemployment is high. Most pensions and other sources of retirement income are not adequately adjusted for increases in the cost of living. I voted in 1972 to index social security benefits to the cost of living, and this year to make that adjustment twice a year. But for most people social security benefits would not cost of living increases. I believe the Senate has had adequate time to consider the economic effects it will have. Even with the adoption of the cost-saving amendments which I sponsored, the bill will add over a billion dollars more to the Federal deficit than was set in the congressional budget resolution for this year. The effect on the deficit in future years will be many billions. Many of the provisions of the bill, and many amendments added on the floor of the Senate, are part of the economic effects. Pushing ahead with a law that would add to inflation is no favor to either retirees or workers.

Mr. BELLMON  Mr. President, the social security proposals we are now considering include changes that are very much needed. The following are some of the aspects of the Senate Finance Committee's bill that I regard as strong features:

First. The bill would reassure the American people that the social security system is sound. This obviously must be a very high priority goal for the Congress.

Second. The bill would remedy the overindexing of benefits for future retirees, thereby avoiding in future years the payment of unnecessary sums out of the Treasury.

Third. The bill would partially correct the double-dipping problem, by requiring spouses' benefits to be reduced by the amount of any retirement payments under a Federal Government, or other public retirement plan.

Fourth. I also favor the elimination of the retroactive lump-sum retirement option and some of the other smaller corrections that I regard as superfluous and make. I do have some serious concerns, however, about the bill before us and even greater concern about the process by which we are considering it. Few issues of this magnitude and consequence to the Congress have the extensive impact on the American people that social security legislation has. Major social security legislation needs concentrated and extended consideration by the entire Senate. Unfortunately, this bill will not receive that kind of consideration. The Senate Finance Committee bill was introduced 3 days ago. There are only 3 days left for normal Senate business in this session. As Senator MORGAN has pointed out, we began consideration of this bill without having either a printed bill or printed report.

Mr. President, yesterday some of us tried to convince the Senate that we should hold this bill until February so we would have time to consider it fully. But no one is serving the congressional budget resolution as we should by proceeding in haste on this important matter. I regret that the majority leader and others chose to accede to the request of trying to kill the bill. That was certainly not my motivation, and I believe all Senators recognize that we must soon provide added social security financing. The display of leadership muscle we saw yesterday may get a social security bill passed this month. It will not produce as good a plan as would be possible if we and the public had adequate time to study the Finance Committee's proposals and return now to some specific concerns I have about the bill and the potential for action in the House-Senate conference:

First. While the Senate bill as originally proposed would have added $1.3 billion in added social security financing, the House bill provides for $75,000 in 1985 while the wage base would be increased to $75,000 in 1979 and then increased again to $75,000 in 1985. The Senate Finance Committee proposals added to the House position, budget targets which Congress set less than 2 months ago would be breached even more substantially.

Second. I fear that solving the financing problems of social security as this bill proposes will take pressure off Congress and the executive branch to make the kind of review of the benefit side of social security that this Congress has had. The House provides for $1.3 billion in added social security financing. The budget resolution, amendments we have added today now put the bill over the budget. Moreover, the House bill provides for $1.3 billion in added social security financing. The higher cost of living will raise pressure to accept the House position, budget targets which Congress set less than 2 months ago would be breached even more substantially.

Third. The Senate Finance Committee proposes that the wage base for the social security payroll taxes be more than doubled to $50,000 in 1979 and then increased again to $75,000 in 1985. The general public will pay them in higher prices for goods and services and the employees will absorb part of them.
because of lower wage increases, fewer new employees, and at the very time the economy desperately needs added capital investment, some companies will cancel or delay capital investments because of the added social security costs they will be required to pay. This kind of tax increase will impose substantial burdens on universities, State governments, and other nonprofit organizations. I realize that the choices between higher payroll taxes and a higher wage base for employers are difficult one. I personally believe either the bill or the proposal by Senator Cranston is preferable to the Finance Committee's plan which the Senate is about to adopt.

Fourth. I am very concerned that Congress will produce a bill that almost entirely eliminates the earnings limitations in social security. While I recognize that this limitation is considered a serious deficiency in social security by many people, totally eliminating the limitation would have a very high income. In other words, a very high percentage of the added benefits will go to people with high incomes. Is it fair to tax all workers so we can make social security payments to people over $100,000, or even $100,000, or even more?

Fifth. The possibility of using price-indexing instead of wage-indexing for correcting the over-indexing problem deserves consideration. We have received from the Senate Finance Committee or is likely to get here on the floor. If we adopt the committee's bill, we will be fixed the over-indexing problem in a way that is still somewhat generous. I wonder how many Senators have looked at the table on page 21 of the Finance Committee's report. That shows that the average annual social security benefit in 1977 dollars will be $13,500 a year 2050 under the "price-indexing" approach adopted by the Finance Committee. Data compiled by the Senate Finance Committee show that if instead of the "wage-indexing" approach recommended in the Senate Finance Committee bill, a modified price-indexing approach was used, we would need only a very modest tax increase over present law in order to fully fund the social security system. Under this approach, the annual benefit in 1977 dollars for a worker with average earnings would be $13,500 in the neighborhood of $8,000 in the year 2050, or twice what it is today. In other words, a modified price-indexing approach would result in a doubling of the existing power of social security benefits over the next 30 years. A tax increase averaging only 1 percent each for employees and employers over that 15-year period would be required under the modified price-indexing approach.

Sixth. Mr. President, I am very concerned that this bill does nothing about melding the numerous retirement systems financed by the Federal Government. The vote in the House overwhelmingly rejecting coverage of public employees by social security shows that we have a long way to go before Congress will correlate and integrate these retire-
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ported to the full Senate within an hour. Later that day and early on Thursday, several individual Senators introduced amendments related to the Budget Committee for consideration. Again, the Budget Committee arranged to meet in midafternoon to receive the amendments and to act thereon by four senators. After a poll of the Committee which resulted in a tie vote with seven members voting for and seven members voting against, the Committee ordered the request to proceed with a more orderly fashion on the floor. It is one of the most extraordinary cases that such a waiver should be granted to permit individuals who desire to make amendments thereto on the Senate floor.

In summary, the review by the Budget Committee of the bill and its amendments is necessary to ascertain whether the changes therein are substantial and whether they will have a significant impact on the budget process and the priorities for the coming fiscal year. We cannot lightly waive the constraints of the Budget Act on future year spending. It is only in the most extraordinary cases that such a waiver should be granted to permit amendments to be offered in the course of the Senate debate and consideration of important legislation.

Review by the Finance Committee of the amendments to the Social Security bill and the Budget Act. The Finance Committee reported the waiver resolutions back to the full Senate for its action. On Thursday, the Finance Committee reported the bill and its amendments back to the full Senate. The Budget Committee then acted favorably on the requests for Budget Act waivers and reported them back to the full Senate for its action.

I am inclined to think the system proposed is unsound. The costs are high, and so are the taxes. They will raise the cost of labor and in some measure cause a further increase in unemployment. We have not had an opportunity to weigh all of the economic implications for costly and controversial measures.

In closing, Mr. President, let me make it clear that the Budget Committee is not intended to pass judgment on the substance of any amendment, or the legislation itself. The Budget Committee does not have the role of a legislative committee or an authorizing committee. We view our role as simply that of a watchdog for the Constitution and the Congress in permitting the debate to focus on current, as well as out-year implications for costly and controversial measures.

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I believe that the debate of the last 10 years has provided us with an opportunity to weigh all of the economic implications for costly and controversial measures.

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I believe that the debate of the last 10 years has provided us with an opportunity to weigh all of the economic implications for costly and controversial measures.
First. How will this drastic tax increase affect our recovery from the recent recession?

Second. Should we shift the tax burden, now shared by employer and employee, from the employee to the employer?

Third. If we abandon the parity concept will it lead us, in future years, to shift most or all of the tax burden onto the employers?

Fourth. Will private pension plans suffer from this change in the tax structure?

Fifth. Will the future growth of our economy be adversely affected by this increased tax liability?

Sixth. Can our middle-income families stand to have their social security taxes doubled or tripled in the next 10 years?

Seventh. Will more Americans be unemployed as a result of the enactment of this legislation? If so, how many?

Eighth. Will the enactment of this tax increase generate opposition to future benefits to American workers by hard pressed taxpayers?

Mr. President, the economic impact of this bill will be far greater than the Finance Committee is projecting. Several economists have estimated that this increase will push the U.S. inflation rate up by an additional 1 percent in 1981. Michael Young, an economist at the Wharton Economic Forecasting Associates said:

"What that does is make the impact of the regular cyclical slowdown even worse. It means any tax cut the administration was planning will have to be visibly larger."

Young went on to point out that breaking parity between employer/employee taxes will "blot out labor costs and prompt companies to pass on the full brunt of the increases in higher prices to consumers." The House approach—parity—would have less impact on prices.

Art Pine, writing in this morning's Washington Post stressed that the brunt of the impact will come in 1981 and 1982 when "the economy is expected to be weak anyway"—and that is the time period when the last phase of the energy consumption taxes take effect.

Some leadership leaders have expressed the view that this tax increase will drive up prices, reduce private pensions, and push the U.S. inflation rate up by an additional 1 percent in 1981. Michael Young, an economist at the Wharton Economic Forecasting Associates said:

"What that does is make the impact of the regular cyclical slowdown even worse. It means any tax cut the administration was planning will have to be visibly larger."
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PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—3

Heiat, for.

Leahy, for.

NOT VOTING—31

Abourezk
Bentsen
Biden
Bromke
Bumpers
Cannon
DeConcini
Eastland
Biden
Eastland
Goldwater
Hatch
Muskkie
Hatch
Bender
Hayskawa
Helms
Huddleston
Humphrey
Johnston
McClellan
Metcalf
Morgan
Scott
Sasser
Saxby
Stevens
Weicker
Zornsky

The bill (H.R. 9346), as amended, was passed.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. SARBANES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, may we have order.

Mr. ROBERT C. BYRD. Mr. President, I take this opportunity to pay tribute to the distinguished managers of H.R. 9346, the Senator from Wisconsin (Mr. NELSON) and the Senator from Nebraska (Mr. CURTIS), and, of course, the distinguished chairman of the Finance Committee, Senator LONC, upon the passage of this bill today by the Senate.

The importance of the social security amendments to the Nation and the necessity of their passage before the end of the first session of the Congress have been discussed before and are well known to the Members of the Senate. I will not repeat them now. Suffice it to say that it had to be done.

But though it had to be done, the issues that had to be resolved were by no means easy ones. They were difficult and complex.

When confronted with such a challenge, I can think of no Members of this body more capable of meeting it than the three Senators—Senators LONG, NELSON, and CURTIS—who did so much to bring about passage of the social security bill today.

Their knowledge and expertise—and their extraordinary legislative skills—are well known to every Member of this Chamber. They brought all of these qualities to bear on this bill. And because of these skills and their tireless efforts, what many had argued could not be achieved at all has indeed been accomplished—and in a manner that does the Senate and the people of the Nation proud.

Mr. President, every person who will enjoy the benefits of our social security system—and that includes every citizen of this country—owes these three Senators a profound debt of gratitude. On their behalf I say thank you.
Mr. President, I have a copy of the amendment I offer at this time is needed to enable the Social Security Administration to repay Alabama approximately $600,000 which has been owed to the State since 1974.

When the supplemental security insurance (SSI) program was implemented on January 1, 1974, Alabama, along with approximately 17 other States, chose to have State administration of the mandatory supplementation. The law mandated that State welfare agencies supplement the amount given by SSI, at least up to the amount the person was receiving from the State agency in December 1973. For example, if a person was receiving $100 from the State agency in December 1973, SSI determined him to be eligible for $50 from their program, pensions and security was mandated to also send him a $50 check. The only method whereby the department of pension and security could determine the amount for which it was liable to each client was by SDX tapes from SSI in Baltimore, which listed the amount of payment the person received from SSI and thus determined the State agency match. For the first 3 months of 1974, these tapes were grossly incorrect and inaccurate and caused Alabama to expend $1.2 million in erroneous payments based on these faulty data furnished by SSI. After the first quarter of 1974, SSI was able to furnish the States more accurate data and the overpayments ceased.

Following discussions between representatives of the Social Security Administration and the Alabama Department of Pensions and Security, Gov. George Wallace wrote to Mr. James B. Cardwell, Commissioner, Social Security Administration, and requested that immediate reimbursement be made to Alabama for the amount of $1.2 million. Commissioner Cardwell replied to Governor Wallace that the matter was under consideration. After discussion regarding Alabama’s claim with Dr. David Mathews—who was Secretary of HEW at the time—representatives from the Alabama Department of Pensions and Security met with SSA officials and HEW auditors and agreed on a statistically valid sample for an audit of Alabama’s claim against HEW for States-administered mandatory supplementation payments. The audit was conducted from October 1975 through March 1976, and the subsequent audit report stated that the amount of $600,000 was owed to the State of Alabama. There was approximately $30,000 in addition which the auditors recommended be negotiated between SSI and the Alabama Department of Pensions and Security.

After completion of the audit, the Social Security Administration stated that it would be necessary to have legislative authority to repay Alabama any moneys. However, the Social Security Administration was unable or unwilling to come up with a legislative proposal that was acceptable to Alabama.

The States that elected to have Federal administration of the SSI program have had their claims settled, since it did not take enabling legislation.

Mr. President, this amendment would not require large amounts of money. It is my understanding that there are not more than six States that would make claims under this enabling legislation and the largest amount reported, with the exception of Alabama, is a claim of approximately $83,000.

Mr. President, I have a copy of the audit by the Department of Health, Education, and Welfare. It is lengthy, therefore I am not requesting that the entire report be printed in the Congressional Record. However, I would like to read a portion of the audit listed under the subtitle "Conclusion and Recommendation."

.. We believe that our estimates are statistically reliable, that the State has a valid claim for about $600,000, and that our estimates may be used as a basis for negotiating a settlement of the State’s claim. Consequently, we recommend them for that purpose.

As I pointed out in an earlier part of my statement, negotiations for a settlement were never completed because Commissioner Cardwell stated that it would be necessary to have legislative authority before the Social Security Administration could repay Alabama these funds.

Therefore, I ask my colleagues to lend their support to this amendment, so that restitution due the State of Alabama—according to HEW’s own audit—can be made without further delay.
Mr. ROBERT C. BYRD. I ask unanimous consent that the Senator from Maine (Mr. HATHAWAY) replace the Senator from Colorado (Mr. HASSELL) as a conferee in the conference on the social security amendment (H.R. 9346).

I understand this has been cleared all the way around.

The PRESIDING OFFICER. Without objection, it is so ordered.
AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

1. Be it enacted by the Senate and House of Representa-
2. tives of the United States of America in Congress assembled,
3. That this Act, with the following table of contents, may be 
4. cited as the "Social Security Financing Amendments of 
5. 1977".
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Sec. 502. Elimination of monthly earnings test.
Sec. 503. Liberalization of test for determining deductions on account of nonecovered work outside the United States.

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TITLE I—PROVISIONS TO IMPROVE THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

ADJUSTMENTS IN TAX RATES

Sec. 101. (a) (1) Section 3101(a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.05 percent;

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar year 1981, the rate shall be 5.25 percent;

"(4) with respect to wages received during the
calendar years 1982 through 1984, the rate shall be 5.35 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.65 percent; and

"(6) with respect to wages received after December 31, 1989, the rate shall be 6.20 percent."

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

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 5.05 percent;

"(3) with respect to wages paid during the calendar year 1981, the rate shall be 5.25 percent;

"(4) with respect to wages paid during the calendar years 1982 through 1984, the rate shall be 5.35 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.65 percent; and
“(6) with respect to wages paid after December 31, 1989, the rate shall be 6.20 percent.”.

(8) Section 1401(a) of such Code (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out “a tax” and all that follows and inserting in lieu thereof the following: “a tax as follows:

“(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;

“(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

“(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1984, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

“(4) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 8.05 percent of the amount of the self-employment income for such taxable year;

“(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the
tax shall be equal to 3.45 percent of the amount of the
self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning
after December 31, 1989, the tax shall be equal to 0.30
percent of the amount of the self-employment income
for such taxable year."

(b) Section 3101 (b) of such Code (relating to rate
of tax on employers for purposes of hospital insurance) is
amended by striking out paragraphs (1) through (4) and
inserting in lieu thereof the following:

"(1) with respect to wages received during the
calendar years 1974 through 1977, the rate shall be
0.90 percent;

"(2) with respect to wages received during the
calendar years 1978 through 1980, the rate shall be
1.00 percent;

"(3) with respect to wages received during the
calendar years 1981 through 1985, the rate shall be
1.30 percent; and

"(4) with respect to wages received after December
31, 1985, the rate shall be 1.45 percent."

(2) Section 3111 (b) of such Code (relating to rate of
tax on employers for purposes of hospital insurance) is
amended by striking out paragraphs (1) through (4) and
inserting in lieu thereof the following:
“(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

“(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

“(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.30 percent; and

“(4) with respect to wages paid after December 31, 1985, the rate shall be 1.45 percent.”.

(3) Section 1401(b) of such Code (relating to tax on self employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

“(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self employment income for such taxable year;

“(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.00 percent of the amount of the self employment income for such taxable year;

“(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the
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tax shall be equal to 1.30 percent of the amount of the
self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after
December 31, 1985, the tax shall be equal to 1.45 per-
cent of the amount of the self-employment income for
such taxable year."

ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

Sec. 102. (a) (1) Section 201(b) (1) of the Social
Security Act is amended by striking out clauses (G)
through (J) and inserting in lieu thereof the following:

"(G) 1.55 per centum of the wages (as so defined) paid
after December 31, 1977, and before January 1, 1979, and
so reported, (H) 1.50 per centum of the wages (as so
defined) paid after December 31, 1978, and before Janu-
ary 1, 1981, and so reported, (I) 1.60 per centum of the
wages (as so defined) paid after December 31, 1980, and
before January 1, 1985, and so reported, (J) 1.80 per
centum of the wages (as so defined) paid after Decem-
ber 31, 1984, and before January 1, 1990, and so reported,
and (K) 2.20 per centum of the wages (as so defined)
paid after December 31, 1989, and so reported,".

(2) Section 201(b) (2) of such Act is amended by
striking out clauses (G) through (J) and inserting in lieu
thereof the following: "(G) 1.090 per centum of the amount
of self-employment income (as so defined) so reported for any
taxable-year beginning after December 31, 1977, and before January 1, 1979, (H) 1.055 per centum of the amount of self-employment income (as so defined) so reported for any taxable-year beginning after December 31, 1978, and before January 1, 1981, (I) 1.200 per centum of the amount of self-employment income (as so defined) so reported for any taxable-year beginning after December 31, 1980, and before January 1, 1985, (J) 1.350 per centum of the amount of self-employment income (as so defined) so reported for any taxable-year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.650 per centum of the amount of self-employment income (as so defined) so reported for any taxable-year beginning after December 31, 1989;”.

**INCREASES IN EARNINGS BASE**

**SEC. 103.** (a) (1) Section 230 (a) of the Social Security Act is amended by inserting “or (c)” after “determined under subsection (b)”.

(2) Section 230 (b) of such Act is amended by striking out “shall be” in the matter preceding paragraph (1) and inserting in lieu thereof “shall (subject to subsection (c)) be”.

(b) Section 230 (c) of such Act is amended—

(1) by inserting “(1)” immediately before “the ‘contribution and benefit base’”; and
(2) by striking out "section." and inserting in lieu thereof the following:

"section, and (2) the 'contribution and benefit base' with respect to remuneration paid (and taxable years beginning) —

"(A) in 1978 shall be $10,000,

"(B) in 1979 shall be $22,000;

"(C) in 1980 shall be $25,000, and

"(D) in 1981 shall be $20,700.

For purposes of determining under subsection (b) the 'contribution and benefit base' with respect to remuneration paid (and taxable years beginning) in 1982 and subsequent years, the dollar amounts specified in clause (2) of the preceding sentence shall be considered to have resulted from the application of such subsection (b) and to be the amount determined (with respect to the years involved) under that subsection.

For purposes of determining employer tax liability under section 3221 (a) of the Internal Revenue Code of 1954 and for purposes of computing average monthly compensation under section 3 (j) of the Railroad Retirement Act of 1974, except with respect to annuity amounts determined under section 3 (a) or 3 (f) (8) of such Act, clause (2) and the preceding sentence of this subsection shall be disregarded."
(e) (1) Section 230 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of law, the contribution and benefit base determined under this section for any calendar year after 1976 for purposes of section 4022 (b) (3) (B) of Public Law 93–406, with respect to any plan, shall be the contribution and benefit base that would have been determined for such year if this section as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without change.

(2) The amendment made by paragraph (1) shall apply with respect to plan terminations occurring after the date of the enactment of this Act.

(d) (1) The second sentence of section 215 (i) (2) (D) (v) of such Act is amended by striking out "is equal to one-twelfth of the new contribution and benefit base" and inserting in lieu thereof "is equal to, or exceeds by less than $5, one-twelfth of the new contribution and benefit base".

(2) The third sentence of section 215 (i) (2) (D) (v) of such Act is amended by striking out all that follows "clause (iv)" and inserting in lieu thereof "plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over
such second figure for the calendar year in which the table
of benefits is revised."

STANDBY GUARANTEED OF TRUST FUND LEVELS

SEC. 101. (a) Section 201 of the Social Security Act is
amended by adding at the end thereof the following new
subsection:

"(j) (1) If at the close of any calendar year after 1977
the balance remaining in the Federal Old Age and Survivors
Insurance Trust Fund or the Federal Disability Insurance
Trust Fund (as determined by the Secretary of the Treasury
in the following February) is less than 25 percent of the
total amount of the expenditures made from such fund under
this title during that calendar year, there is hereby appro-
priated to the Secretary of the Treasury for loans to such
fund, out of any moneys in the Treasury not otherwise ap-
propriated, as of the following July 1, an amount equal
to the difference between (A) such balance, and (B) 27\%
percent of the total amount of such expenditures.

"(2) If at the close of any calendar year succeeding a
calendar year with respect to which an appropriation for
loans to either trust fund is made under paragraph (1)—

"(A) the balance remaining in that fund (as deter-
mimed by the Secretary of the Treasury in the following
February) is less than 35 percent of the total amount
of the expenditures made from such fund under this title
during such succeeding calendar year (whether or not
an appropriation for loans to such fund is made under
paragraph (1) with respect to such succeeding year),
and
"(B) the outstanding balance of all loans (includ-
ing accumulated interest) which were made to such
fund under paragraph (1) with respect to calendar years
before such succeeding year (and which have not been
repaid to the Treasury under paragraph (3)) is $2,000,000,000 or more,
the taxes imposed by sections 1401 (a), 3101 (a), and 3111
(a) of the Internal Revenue Code of 1954 with respect to
wages received or paid (and taxable years beginning) in
the second calendar year after such succeeding year shall
be increased as provided in section 3125 of such Code.
"(3) Any amount appropriated for loans to either
trust fund with respect to any calendar year under para-
graph (1) shall be repaid, with interest, by transfer from
such fund to the general fund of the Treasury. A repay-
ment of such amount shall be made on July 1 next succeed-
ing any subsequent calendar year at the close of which (as
determined by the Secretary of the Treasury in the follow-
ing February) the balance remaining in such fund exceeds
20 percent of the total amount of the expenditures made from such fund under this title during that calendar year, and any such repayment shall be in an amount equal to the difference between (A) such balance, and (B) 20 percent of the total amount of such expenditures. Interest on any such loan shall be at a rate, as determined by the Secretary of the Treasury, equal to the average market yield on the outstanding marketable obligations of the United States of comparable maturities at the time the loan was made."

(b) (1) (A) Section 1401(a) of the Internal Revenue Code of 1954 (as amended by section 101(a) (8) of this Act) is amended by inserting "(subject to section 3125)" after "a tax" in the matter preceding paragraph (1).

(B) Sections 3101(a) and 3111(a) of such Code (as amended by section 101(a) (1) and (2) of this Act) are each amended by inserting "(subject to section 3125)" after "equal to the following percentages" in the matter preceding paragraph (1).

(2) (A) Chapter 21 of such Code (the Federal Insurance Contributions Act) is further amended by redesignating sections 3125 and 3126 as sections 3126 and 3127, respectively, and by inserting after section 3124 the following new section:
"SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAYMENT OF LOANS MADE TO TRUST FUNDS."

"Whenever an appropriation has been made under section 201 (j) (1) of the Social Security Act for loans to the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, and section 201 (j) (2) of such Act applies with respect to a succeeding calendar year, each of the rates of tax which would otherwise be effective under sections 3101 (a) and 3111 (a) with respect to wages received or paid in the second calendar year after such succeeding year shall be increased by 0.10 percent, and the rate or rates of tax which would otherwise be effective under section 1401 (a) with respect to taxable years beginning in the second year after such succeeding year shall be increased by 0.15 percent."

(B) The table of sections for subchapter C of chapter 21 of such Code is amended by striking out the last two items and inserting in lieu thereof the following:

"See. 3125. Increase in tax rates to assure repayment of loans made to trust funds.


"See. 3127. Short title."

EFFECTIVE DATE

SEC. 105. The amendments made by sections 101, 102, and 103 shall apply with respect to remuneration paid or received, and taxable years beginning, after 1977. The
amendments made by section 104 shall apply with respect to calendar years after 1977.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 201. (a) Section 215(a) of the Social Security Act is amended to read as follows:

"(a) (1) (A) The primary insurance amount of an individual shall (except as otherwise provided in this section) be equal to the sum of—

"(i) 90 percent of the individual's average indexed monthly earnings (determined under subsection (b)) to the extent that such earnings do not exceed the amount established for purposes of this clause by subparagraph (B);

"(ii) 32 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (i) but do not exceed the amount established for purposes of this clause by subparagraph (B), and

"(iii) 15 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (ii),
rounded in accordance with subsection (g), and thereafter
increased as provided in subsection (i).

"(B) (i) For individuals who initially become eligible
for old-age or disability insurance benefits or die in the cal-
endar year 1979, the amounts established for purposes of
clauses (i) and (ii) of subparagraph (A) shall be $1,80
and $1,085, respectively.

"(ii) For individuals who initially become eligible for
old-age or disability insurance benefits or die in any calendar
year after 1979, each of the amounts so established shall
equal the product of the corresponding amount established
with respect to the calendar year 1979 under clause (i) of
this subparagraph and the quotient obtained by dividing—

"(I) the average of the total wages (as defined in
regulations of the Secretary and computed without regard
to the limitations specified in section 209 (a) ) reported
to the Secretary of the Treasury or his delegate for the
second calendar year preceding the calendar year for
which the determination is made, by

"(II) the average of the total wages (as so defined
and computed) reported to the Secretary of the Treasury
or his delegate for the calendar year 1977.

"(iii) Each amount established under clause (ii) for
any calendar year shall be rounded to the nearest $1, except
that any amount so established which is a multiple of $0.50
but not of $1 shall be rounded to the next higher $1.

"(C) (i) No primary insurance amount computed under
subparagraph (A) may be less than—

"(I) the dollar amount set forth on the first line of
column IV in the table of benefits contained in (or
deemed to be contained in) this subsection as in effect
in December 1978, rounded (if not a multiple of $1) to
the next higher multiple of $1, or

"(II) an amount equal to $11.50 multiplied by the
individual's years of coverage in excess of 10, or the
increased amount determined for purposes of this sub-
division under subsection (i),

whichever is greater. No increase under subsection (i), oc-
curring before the year in which an individual becomes eli-
gible for old-age or disability insurance benefits or dies, shall
apply to the dollar amount specified in subdivision (I) of
this clause with respect to such individual.

"(ii) For purposes of clause (i) (II), the term 'years
of coverage' with respect to any individual means the num-
ber (not exceeding 30) equal to the sum of (I) the number
(not exceeding 14 and disregarding any fraction) deter-
mined by dividing (a) the total of the wages credited to
such individual (including wages deemed to be paid prior
to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231 for years after 1936 and before 1951 by—(b) $900, plus—(II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (c), may be counted for such year, or of not less than 25 percent of the maximum amount which could be so counted for such year (in the case of a year after 1977) if section 230 as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without change.

"(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self employment income
under subsection (b) (3) in the case of an individual who
becomes eligible for an old-age insurance benefit, or (if
earlier) becomes eligible for a disability insurance benefit
or dies, in the following year, and the average of the total
wages (as described in subparagraph (B) (ii) (I)) on
which that formula is based. With the initial publication re-
quired by this subparagraph, the Secretary shall also publish
in the Federal Register the average of the total wages (as
so described) for each calendar year after 1950.

"(2) (A) A year shall not be counted as the year of an
individual's death or eligibility for purposes of this subsection
or subsection (b) or (i) in any case where such individ-
ual was entitled to a disability insurance benefit for any of the
12 months immediately preceding the month of such death
or eligibility (but there shall be counted instead the year of
the individual's eligibility for the disability insurance benefit
or benefits to which he was entitled during such 12 months).

"(B) In the case of an individual who was entitled
to a disability insurance benefit for any of the 12 months
before the month in which he became entitled to an old-age
insurance benefit, became reentitled to a disability insurance
benefit, or died, the primary insurance amount for determin-
ing any benefit attributable to that entitlement, reentitlement,
or death is the greater of—

"(i) the primary insurance amount upon which such
disability insurance benefit was based, increased by the
amount of each general benefit increase (as defined in
subsection (i) (3)), and each increase provided under
subsection (i) (2), that would have applied to such
primary insurance amount had the individual remained
entitled to such disability insurance benefit until the
month in which he became so entitled or reentitled or
died, or

"(ii) the amount computed under paragraph (1)
(C).

"(C) In the case of an individual who was entitled to
a disability insurance benefit for any month, and with respect
to whom a primary insurance amount is required to be com-
puted at any time after the close of the period of the indi-
vidual's disability (whether because of such individual's
subsequent entitlement to old-age insurance benefits or to a
disability insurance benefit based upon a subsequent period
of disability, or because of such individual's death), the
primary insurance amount so computed may in no case be
less than the primary insurance amount with respect to
which such former disability insurance benefit was most re-
cently determined.

"(B) (A) Paragraph (1) applies only to an individual
who was not eligible for an old-age insurance benefit prior
to January 1970 and who in that or any succeeding month—
"(i) becomes eligible for such a benefit,

"(ii) becomes eligible for a disability insurance

benefit, or

"(iii) dies,

and (except for subparagraph (C) (i) (II) thereof) it ap-
plies to every such individual except to the extent otherwise
provided by paragraph (4).

"(B) For purposes of this title, an individual is deemed
to be eligible—

"(i) for old-age insurance benefits, for months
beginning with the month in which he attains age 62, or

"(ii) for disability insurance benefits, for months
beginning with the month in which his period of dis-

ability began as provided under section 216 (i) (2) (C),

except as provided in paragraph (2) (A) in cases where

fewer than 12 months have elapsed since the termination of a

prior period of disability.

"(4) Paragraph (1) (except for subparagraph (C) (i)

(II) thereof) does not apply to the computation or recom-

putation of a primary insurance amount for—

"(A) an individual who was eligible for a disability

insurance benefit for a month prior to January 1979

unless, prior to the month in which occurs the event
described in clause (i), (ii), or (iii) of paragraph (3)

(A), there occurs a period of at least 12 consecutive-
months for which he was not entitled to a disability
insurance benefit, or

"(B) an individual who had wages or self-employ-
ment income credited for one or more years prior to
1979, and who was not eligible for an old-age or disa-
ility insurance benefit, and did not die, prior to January
1979, if in the year for which the computation or re-
computation would be made the individual's primary
insurance amount would be greater if computed or
recomputed—

"(i) under section 215(a) as in effect in
December 1978, for purposes of old-age insurance
benefits in the case of an individual who becomes
eligible for such benefits prior to 1989, or

"(ii) as provided by section 215(d), in the
case of an individual to whom such section applies.

In determining whether an individual's primary insurance
amount would be greater if computed or recomputed as pro-
vided in subparagraph (B), (I) the table of benefits in
effect in December 1978 shall be applied without regard
to any increases in that table which may become effective
(in accordance with subsection (i) (1)) for years after
1978 (subject to subsection (i) (2) (A) (iii)) and (II)
such individual's average monthly wage shall be computed as
provided by subsection (b) (1).
"(5) For purposes of computing the primary insurance amount (after December 1978) of an individual to whom paragraph (1) does not apply (other than an individual described in paragraph (4) (B)), this section as in effect in December 1978 shall remain in effect, except that, effective for January 1979, the dollar amount specified in paragraph (3) of subsection (a) shall be increased to $11.50. The table for determining primary insurance amounts and maximum family benefits contained in this section in December 1978 shall be revised as provided by subsection (i) for each year after 1978."

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

"Average Indexed Monthly Earnings; Average Monthly Wage"

"(b) (1) An individual's average indexed monthly earnings shall be equal to the quotient obtained by dividing—

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

"(B) the number of months in those years.

"(2) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced
by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection with respect to any individual—

"(i) the term 'benefit computation years' means those computation base years, equal in number to the number determined under subparagraph (A), for which the total of such individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

"(ii) the term 'computation base years' means the calendar years after 1950 and before—

"(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement; or

"(II) in the case of an individual who has died (without having become entitled to old-age insurance benefits), the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means (except as otherwise provided by section 101(j)(2) of the Social Security Amendments of 1972) the num-
ber of calendar years after 1950 (or, if later, the year
in which the individual attained age 21) and before the
year in which the individual died, or, if it occurred
earlier but after 1960, the year in which he attained age
62; except that such term excludes any calendar year any
part of which is included in a period of disability.

"(2) (A) Except as provided by subparagraph (B),
the wages paid in and self-employment income credited to
each of an individual's computation base years for purposes
of the selection therefrom of benefit computation years under
paragraph (2) shall be deemed to be equal to the product
of—

"(i) the wages and self-employment income paid
in or credited to such year (as determined without re-
gard to this subparagraph), and

"(ii) the quotient obtained by dividing—

"(I) the average of the total wages (as defined
in regulations of the Secretary and computed with-
out regard to the limitations specified in section 209
(a)) reported to the Secretary of the Treasury or
his delegate for the second calendar year (after
1976) preceding the year of the individual's death
or initial eligibility for an old-age or disability in-
surance benefit, whichever is earliest, by

"(II) the average of the total wages (as so-
defined and computed) reported to the Secretary of the Treasury or his delegate for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year which—

"(i) occurs after the second calendar year specified in subparagraph (A)-(ii)-(I), or

"(ii) is a year treated under subsection (f)(2)(C) as though it were the last year of the period specified in subsection (b)(2)(B)-(ii),

shall be available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) For purposes of determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a)(4)(B), this subsection as in effect in December 1978 shall remain in effect, except that paragraph (2)(C) (as then in effect) shall be deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a)(3)(B) as in effect
in January 1979) for an old-age or disability insurance
benefit, or died. Any calendar year all of which is included
in a period of disability shall not be included as a computa-
tion base year for such purposes.

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

"Application of Prior Provisions in Certain Cases"

"(e) This subsection as in effect in December 1978
shall remain in effect with respect to an individual to whom
subsection (a) (1) does not apply by reason of the indi-
vidual's eligibility for an old-age or disability insurance bene-
fit, or the individual's death, prior to 1979."

(d) (1) The matter in the text of section 215(d) of
such Act which precedes paragraph (1) (C) is amended to
read as follows:

"(d) (1) For purposes of column I of the table appear-
ing in subsection (a), as that subsection was in effect in
December 1977, an individual's primary insurance benefit
shall be computed as follows:

"(A) The individual's average monthly wage shall
be determined as provided in subsection (b), as in effect
in December 1977 (but without regard to paragraph
(4) thereof), except that for purposes of paragraphs
(2) (C) and (3) of that subsection (as so in effect)
1936 shall be used instead of 1950."
“(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2) (as so in effect), the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the ‘divisor’) elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual’s death. The quotient so obtained shall be deemed to be the individual’s wages credited to each of the years included in the divisor, except that

“(i) if the quotient exceeds $3,000, only $3,000 shall be deemed to be the individual’s wages for each of years included in the divisor, and the remainder of the individual’s total wages prior to 1951 (I) if less than $3,000, shall be deemed credited to the year in which the individual attained age 21, or (II) if $3,000 or more, shall be deemed credited, in $3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than $3,000 being credited to the year immediately preceding the earliest year to which a full $3,000 increment was credited; and
“(ii) no more than $12,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.”.

(2) Section 215(d) (1) (D) of such Act is amended to read as follows:

“(D) The individual’s primary insurance benefit shall be 40 percent of the first $50 of his average monthly wage as computed under this subsection, plus 10 percent of the next $200 of his average monthly wage, increased by 1 percent for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual’s total wages prior to 1951 divided by $1,650 (disregarding any fraction).”.

(3) Section 215(d) (3) of such Act is amended (A) by striking out “in the case of an individual” and all that follows and inserting in lieu thereof the following “in the case of an individual who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220.”

(4) Section 215(d) of such Act is further amended by adding at the end thereof the following new paragraph:
"(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age or disability insurance benefits or die prior to 1978."

(e) Section 215(e) of such Act is amended—

(1) by striking out "average monthly wage" each place it appears and inserting in lieu thereof "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b) (3) (A))."

(f) (1) Section 215(f) (2) of this Act is amended to read as follows:

"(2) (A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a) (1) to the average-indexed monthly earn-
ings of an individual to whom that subsection applies and
who receives a recomputation under this paragraph, there
shall be used, in lieu of the amounts established by subsection
(a) (1) (B) for purposes of clauses (i) and (ii) of subsection (a) (1) (A), the amounts so established that were (or,
in the case of an individual described in subsection (a)
(4) (B), would have been) used in the computation of such
individual's primary insurance amount prior to the applica-
tion of this subsection.

"(C) A recomputation of any individual's primary in-
surance amount under this paragraph shall be made as pro-
vided in subsection (a) (1) as though the year with respect
to which it is made is the last year of the period specified in
subsection (b) (2) (B) (ii); and subsection (b) (3) (A)
shall apply with respect to any such recomputation as it
applied in the computation of such individual's primary in-
surance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with re-
spect to any year shall be effective—

"(i) in the case of an individual who did not die
in that year, for monthly benefits beginning with bene-
fits for January of the following year; or

"(ii) in the case of an individual who died in
that year, for monthly benefits beginning with benefits
for the month in which he died."
(2) Section 215(f)(3) of such Act is repealed.

(3) Section 215(f)(4) of such Act is amended to read

as follows:

"(4) A recomputation shall be effective under this sub-
section only if it increases the primary insurance amount
by at least §1."

(4) Section 215(f) of such Act is further amended by
adding at the end thereof the following new paragraphs:

"(7) This subsection as in effect in December 1977
shall continue to apply to the recomputation of a primary
insurance amount computed under subsection (a) or (d)
as in effect (without regard to the table in subsection (a))
in that month, and, where appropriate, under subsection (d)
as in effect in December 1977. For purposes of recomputing
a primary insurance amount determined under subsection
(a) or (d) (as so in effect) in the case of an individual to
whom those subsections apply by reason of subsection
(a)(4)(B) as in effect after December 1978, no remu-
neration shall be taken into account for the year in which the
individual initially became eligible for an old-age or dis-
ability insurance benefit or died, or for any year thereafter.

"(8) The Secretary shall recompute the primary in-
surance amounts applicable to beneficiaries whose benefits
are based on a primary insurance amount which was com-
puted under section 215(a)(3) effective prior to Janu-
ary 1979, or would have been so computed if the dollar
amount specified therein were $11.50. Such recomputation
shall be effective January 1979, and shall include the effect
of the increase in the dollar amount provided by section 215
(a) (1) (C) (i) (II). Such primary insurance amount shall
be deemed to be provided under such section for purposes of
section 215 (i).”.

(g) (1) Section 215 (i) (2) (A) (ii) of such Act is
amended to read as follows:

“(ii) If the Secretary determines that the base quarter
in any year is a cost of living computation quarter, he shall,
effective with the month of June of that year as provided in
subparagraph (B), increase—

“(I) the benefit amount to which individuals are
entitled for that month under section 227 or 228,
“(II) the primary insurance amount of each other
individual on which benefit entitlement is based under
this title (including a primary insurance amount deter-
mined under subsection (a) (1) (C) (i)), and
“(III) the amount of total monthly benefits based
on any primary insurance amount which is permitted
under section 208 (and such total shall be increased,
unless otherwise so increased under another provision of
this title, at the same time as such primary insurance
amount) or, in the case of a primary insurance amount
computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203 (a) (6) and (7) as in effect after December 1978.

The increase shall be derived by multiplying each of the amounts described in subdivisions (I), (II), and (III) (including each of those amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B); and any amount so increased that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10. Any increase under this subsection in a primary insurance amount determined under subparagraph (C) (i) (II) of subsection (a) (1) shall be applied after the initial determination of such primary insurance amount under that subparagraph (with the amount of such increase, in the case of an individual who becomes eligible for old-age or disability insurance benefits or dies in a calendar year after 1979, being determined from the
range of possible primary insurance amounts published by the
Secretary under the last sentence of subparagraph (D))."

(2) Section 215 (i) (2) (A) of such Act is amended by
adding at the end thereof the following new clause:

"(iii) In the case of an individual who becomes eligible
for an old-age or disability insurance benefit, or who dies
prior to becoming so eligible, in a year in which there occurs
an increase provided under clause (ii), the individual's pri-
mary insurance amount (without regard to the time of entitle-
ment to that benefit) shall be increased (unless otherwise so
increased under another provision of this title) by the amount
of that increase, but only with respect to benefits payable for
months after May of that year."

(3) Section 215 (i) (2) (D) of such Act (as amended
by section 103 of this Act) is further amended by strik-
out all that follows the first sentence and inserting in lieu
thereof the following: "He shall also publish in the Federal
Register at that time (i) a revision of the range of the pri-
mary insurance amounts which are possible after the appli-
cation of this subsection based on the dollar amount specified
in subparagraph (C) (i) (II) of subsection (a) (1) (with
such revised primary insurance amounts constituting the
increased amounts determined for purposes of such subpara-
graph (C) (i) (II) under this subsection), or specified in
section 215 (a) (3) as in effect prior to 1979, and (ii) a
revision of the range of maximum family benefits which correspond to such primary insurance amounts (with such maximum benefits being effective notwithstanding section 203(a) except for paragraph (3)(B) thereof (or paragraph (2) thereof as in effect prior to 1970))."

(4) Section 215(i) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) This subsection as in effect in December 1978 shall continue to apply to subsections (a) and (d), as then in effect, for purposes of computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4)(B) of that subsection (but the application of this subsection in such cases shall be modified by the application of clause (I) in the last sentence of paragraph (4) of that subsection)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4)(B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2)(D) of this subsection as then in effect."
MAXIMUM BENEFITS

SEC. 202. Section 203(a) of the Social Security Act is amended to read as follows:

"Maximum Benefits

"(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or section 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2) (A) (ii) (III) of section 215 (i)), be reduced as necessary so as not to exceed—

"(A) 150 percent of such individual's primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),

"(B) 272 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),

"(C) 134 percent of such individual's primary in-
insurance amount to the extent that it exceeds the amount established with respect to subparagraph (B) but does not exceed the amount established with respect to this subparagraph by paragraph (2), and "(D)—175 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (C).

Any such amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(2) (A)—For individuals who initially become eligible for old-age or disability insurance benefits or die in the calendar year 1979, the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) shall be $230, $332, and $433, respectively.

"(B)—For individuals who initially become eligible for old-age or disability insurance benefits or die in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established for the calendar year 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B) (ii) of section 215 (a) (1), with such product being rounded in the manner prescribed by section 215 (a) (1) (B) (iii).

"(C)—In each calendar year after 1978 the Sec-
retary shall publish in the Federal Register, on or before November 1, the formula which (except as provided in section 215 (i) (2) (D)) is to be applicable under this paragraph to individuals who become eligible for old-age or disability insurance benefits, or die, in the following calendar year.

"(D) A year shall not be counted as the year of an individual's death or eligibility for purposes of this paragraph or paragraph (7) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefits to which he was entitled during such 12 months).

"(3) (A) When an individual who is entitled to benefits on the basis of the wages and self-employment income of any insured individual and to whom this subsection applies would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits for a month on the basis of the wages and self-employment income of one or more other insured individuals, the total monthly benefits to which all beneficiaries are entitled on the basis of such wages and self-employment income shall not be reduced under this subsection to less than the smaller of—
“(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or

“(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average-indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230.

“(B) When two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of

“(i) the amount determined under this subsection without regard to this subparagraph,

“(ii) the largest amount which has been determined for any month under this subsection for persons
entitled to monthly benefits on the basis of such insured individual’s wages and self-employment income, or

"(iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i)-(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (e), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of $0.10 being rounded to the next higher multiple of $0.10); but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k) (2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such
month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.

"(C) When any of such individuals is entitled to monthly benefits as a divorced spouse under section 202 (b) or (e) or as a surviving divorced spouse under section 202 (c) or (f) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced spouse or surviving divorced spouse were entitled to benefits for such month.

"(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than
the old-age or disability insurance benefit shall be proportionately decreased.

"(5) Notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title,

then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other pro-
visions of this subsection and section 202(q)—payable on
the basis of such wages and self-employment income for such
particular month.

"(6) In the case of any individual who is entitled for
any month to benefits based upon the primary insurance
amounts of two or more insured individuals, one or more of
which primary insurance amounts were determined under
section 215(a) or 215(d) as in effect (without regard to
the table contained therein) prior to January 1979 and one
or more of which primary insurance amounts were deter-
mined under section 215(a) (1) or (4), or section 215(d),
as in effect after December 1978, the total benefits payable
to that individual and all other individuals entitled to benefits
for that month based upon those primary insurance amounts
shall be reduced to an amount equal to the product of 1.75
and the primary insurance amount that would be computed
under section 215(a) (1) for that month with respect to
average-indexed monthly earnings equal to one-twelfth of
the contribution and benefits base determined under section
230 for the year in which that month occurs.

"(7) Subject to paragraph (6), this subsection as in
effect in December 1978 shall remain in effect with respect
to a primary insurance amount computed under section
215 (a) or (d), as in effect (without regard to the table-
contained therein) in December 1978, except that a primary-
insurance amount so computed with respect to an individual
who first becomes eligible for an old-age or disability insur-
ance benefit, or dies, after December 1978, shall instead be
governed by this section as in effect after December 1978.”.

INCREASE IN OLD AGE BENEFIT AMOUNTS FOR
DELAYED RETIREMENT

SEC. 203. Section 202(w)(1) of the Social Security
Act is amended—

(1) by striking out “If the first month” and all
that follows down through “to such individual” in the
matter preceding subparagraph (A) and inserting in
lieu thereof “The amount of an old-age insurance benefit
(other than a benefit based on a primary insurance
amount determined under section 215(a)(3)) which is
payable without regard to this subsection to an individ-
ual”; and—

(2) by inserting after “such amount,” in subpara-
graph (A) the following: “or, in the case of an individ-
ual who first becomes eligible for an old-age insurance
benefit after December 1978, one-fourth of 1 percent
of such amount,”.

CONFORMING AMENDMENTS

SEC. 204. (a) Section 202(m)(1) of the Social Se-
curity Act is amended to read as follows:

“(1) In any case in which an individual is entitled to
a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of such wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k) (3), shall not be less than that provided by subparagraph (C) (i) (I) of section 215 (a) (1) and increased under section 215 (i) for months after May of the year in which the insured individual died as though such benefit were a primary insurance amount.

(b) Section 202 (w) of such Act (as amended by section 203 of this Act) is further amended—

(1) by inserting after "section 215 (a) (3)" in paragraph (1) (in the matter preceding subparagraph (A)) the following: "as in effect in December 1978 or section 215 (a) (1) (C) (i) (II) as in effect thereafter";

(2) by inserting "as in effect in December 1978, or section 215 (a) (1) (C) (i) (II) as in effect thereafter," after "paragraph (3) of section 215 (a)" in paragraph (5); and

(3) by inserting "(whether before, in, or after
December 1978)" after "determined under section 215 (a)" in paragraph (5).

(e) Section 217 (b) (1) of such Act is amended by inserting "as in effect in December 1978" after "section 215 (e)" each place it appears, and after "section 215 (d)".

(d) Section 224 (a) of such Act is amended by inserting "(determined under section 215 (b) as in effect prior to January 1979)" after "(A) the average monthly wage" in the matter following paragraph (8).

(e) Section 1829 (c) (ii) (B) of such Act is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215 (a) (1), based upon average-indexed monthly earnings of $900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1."
EFFECTIVE DATE

Sec. 205. The amendments made by the provisions of this title other than section 201 (d) shall be effective with respect to monthly benefits and lump-sum death payments under title II of the Social Security Act payable for months after December 1978. The amendments made by section 201 (d) shall be effective with respect to monthly benefits of an individual who becomes eligible for an old-age or disability insurance benefit, or dies, after December 1977.

TITLE III—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL EMPLOYEES

Sec. 301. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly undertake and carry out a detailed study with respect to coverage of Federal employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a review of the methods by which full coverage
of Federal employees within the old-age, survivors, and
disability insurance system could be attained;

(2) an analysis of the adjustments to such system
(as well as to the civil service retirement and disability
system and other Federal employee retirement systems
involved, including the foreign service, judiciary, Central
Intelligence Agency, and District of Columbia retire-
ment systems) which are necessary under each such
method to provide such coverage, particularly—

(A) adjustments in age, service, and other
eligibility requirements; and

(B) adjustments in the nature and level of
disability, death, and survivor benefits (taking into
account any related factors such as the taxability of
such benefits);

(3) a comparison of the financial aspects of each
such method, particularly—

(A) the adjustments required by each such
method in the contributions by Federal employees,
the Government (whether by specific contribution
or by appropriation), and others involved;

(B) the adjustments required by each such
method in the manner in which benefits are financed
under the retirement systems involved; and—
(C) the effects of each such method on the solvency of the retirement systems involved;

(4) the effects of each such method of coverage on

(A) recruitment and retention of Federal employees;

(B) other employee benefits (such as health benefits, coverage provided for civil service annuities); and

(C) Federal, State, and local income tax systems;

(5) a review of the methods by which partial coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained, together with consideration of the factors described in paragraphs (2), (3), and (4) as they would relate to such partial coverage; and

(6) alternatives to providing coverage of Federal employees within the old-age, survivors, and disability insurance system which would improve the solvency of the old-age, survivors, and disability insurance system.

In connection with such study, interested parties, including Federal employee organizations, associations of retired Federal employees, and heads of agencies administering Federal employee retirement systems, shall be allowed to submit views, arguments, and data.
(c) Upon the completion of the study under subsection (a) and in any event no later than 2 years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing statutes shall be accompanied with draft legislation accomplishing such adjustments.

(d) With respect to Federal employees under the Federal employee retirement systems, the study and the report under this section shall include at least one method of coverage of such employees within the old-age, survivors, and disability insurance system which provides—

(1) that the benefits available to such Federal employees would not be less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems; and—

(2) that the contributions required of such Federal employees would not be greater than the contributions which are then currently required of such employees under the Federal employee retirement systems.
For purposes of this section, the term "Federal employee" means—

(1) an employee, as defined in section 2105 of title 5, United States Code;

(2) an officer or employee of the United States Postal Service or of the Postal Rate Commission; and

(3) any other individual in the employ of the United States or any instrumentality of the United States.

STUDY CONCERNING MANDATORY COVERAGE OF STATE AND LOCAL EMPLOYEES

Sec. 302. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly undertake and carry out a detailed study with respect to coverage of all State and local government employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a survey of the several States and their political subdivisions with the objective of determining—

(A) the types and coverage patterns of the
- various State and local retirement and disability-
systems now in existence;

(B) the categories of employees within each
such State and locality not now covered under the-
old-age, survivors, and disability insurance system;

(C) the methods available in each such State-
and locality for financing full participation in the
-old-age, survivors, and disability insurance system;

(D) the financial ability of the various States-
and localities to participate in such system, and the-
ability of the Federal Government to require and-
administer such participation, and

(E) any special conditions or situations existing
in particular States and localities which might cause-
problems in connection with the mandatory coverage-
of all their employees under the old-age, survivors,
-and disability insurance system;

(2) a review of the methods by which full coverage-
of all State and local employees within the old-age, sur-
vivors, and disability insurance system might be attained;

(3) an analysis of the kinds of adjustments to exist-
ing State and local retirement and disability systems-
which would be necessary under each such method to-
make effective provision for such coverage;
(4) a comparison of the financial aspects of each such method, particularly with reference to the ability of the various States and localities to bear the costs of participation in the Federal system on a mandatory full-coverage basis;

(5) the effects of each such method of coverage on existing coverage of State and local employees under their own retirement and disability systems;

(6) a survey of the legal and constitutional barriers to full participation in the Federal system, or to making the necessary adjustments to their own retirement and disability systems, which may exist in the various States and localities; and

(7) an analysis of the identifiable problems which may exist in particular States and localities in connection with the mandatory coverage of their employees under the old-age, survivors, and disability insurance system, with emphasis upon the special problems involved in returning employees to coverage under such system in States and localities whose employees were formerly covered pursuant to State agreement but which have herebefore elected to terminate such coverage.

In connection with such study, interested parties, including State and local employee organizations, associations of retired State and local employees, and heads of agencies ad-
ministering State and local employee retirement systems,
shall be allowed to submit views, arguments, and data.

(e) Upon the completion of the study under subsection
(a) and in any event no later than 2 years after the date
of the enactment of this Act, the Chairman of the Civil Serv-
ice Commission, the Secretaries of the Treasury and Health,
Education, and Welfare, and the Director of the Office of
Management and Budget shall submit to the President and
to the appropriate committees of each House of the Congress
a joint report on the results of such study together with their
recommendations. Any such recommendation which includes
adjustments of existing Federal statutes shall be accompa-
nied with draft legislation accomplishing such adjustments.

EXCLUSION FROM COVERAGE OF CERTAIN LIMITED
PARTNERSHIP INCOME

Sec. 303. (a) Section 211 (a) of the Social Security
Act is amended—

(1) by striking out “and” at the end of paragraph
(9);—

(2) by striking out the period at the end of para-
graph (10) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (10) the following:
new paragraph—

“(11) There shall be excluded the distributive
share of any item of income or loss of a limited partner,
as such, other than guaranteed payments described in section 707(e) of the Internal Revenue Code of 1954 to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.

(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out “and” at the end of paragraph (10);

(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (11) the following new paragraph:

“(12) there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(e) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.

(c) The amendments made by this section shall apply—

with respect to taxable years beginning after December 31, 1977.
TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE INCOME FROM TIPS

SEC. 304. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions under Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(c) Special Rule for Determining Wages Subject to Employer Tax in Case of Certain Employers Whose Employees Receive Income From Tips.—If the wages paid by an employer with respect to the employment during any month of an individual who (for services performed in connection with such employment) receives tips which constitute wages, and to which section 3102 (a) applies, are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 6 (a) (1) of the Fair Labor Standards Act of 1938 (determined without regard to section 3 (m) of such Act), the wages so paid shall be deemed for purposes of section 3111 to be equal to such total amount."

(b) Section 3111 of such Code is amended by inserting "and (a)" after "3121 (a)" in subsections (a) and (b).

(e) The amendments made by this section shall apply with respect to wages paid with respect to employment performed in months after December 1977.
REVOCATION OF EXEMPTION FROM COVERAGE BY

GLERGYMEN

SEC. 305. (a) Notwithstanding section 1402 (c) (3) of the Internal Revenue Code of 1954, any exemption which has been received under section 1402 (c) (1) of such Code by a duly ordained, commissioned, or licensed minister of a church or a Christian Science practitioner, and which is effective for the taxable year in which this Act is enacted, may be revoked by filing an application therefor (in such form and manner, and with such official, as may be prescribed in regulations made under chapter 2 of such Code), if such application is filed—

(1) before the applicant becomes entitled to benefits under section 202 (a) or 223 of the Social Security Act (without regard to section 202 (j) (1) or 223 (b) of such Act), and

(2) no later than the due date of the Federal income tax return (including any extension thereof) for the applicant's first taxable year beginning after the date of the enactment of this Act.

Any such revocation shall be effective (for purposes of chapter 2 of the Internal Revenue Code of 1954 and title II of the Social Security Act), as specified in the application, either with respect to the applicant's first taxable year ending on or after the date of the enactment of this Act or with
respect to the applicant's first taxable year beginning after such date, and for all succeeding taxable years; and the applicant for any such revocation may not thereafter again file application for an exemption under such section 1402(c)(1). If the application is filed on or after the due date of the applicant's first taxable year ending on or after the date of the enactment of this Act and is effective with respect to that taxable year, it shall include or be accompanied by payment in full of an amount equal to the total of the taxes that would have been imposed by section 1401 of the Internal Revenue Code of 1954 with respect to all of the applicant's income derived in that taxable year which would have constituted net earnings from self-employment for purposes of chapter 2 of such Code (notwithstanding section 1402(c)(4) or (c)(5) of such Code) except for the exemption under section 1402(c)(1) of such Code.

(b) Subsection (a) shall apply with respect to service performed (to the extent specified in such subsection) in taxable years ending on or after the date of the enactment of this Act, and with respect to monthly insurance benefits payable under title II of the Social Security Act on the basis of the wages and self-employment income of any individual for months in or after the calendar year in which such individual's application for revocation (as described in such subsection) is filed (and lump-sum death payments payable
under such title on the basis of such wages and self-employment income in the case of deaths occurring in or after such calendar year.

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 306. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS

Purpose of Agreement

"SEC. 333. (a) The President is authorized to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

Definitions

"(b) For the purposes of this section—

(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equiv-
alent thereof, are paid on account of old age, death, or
disability; and

"(2)" the term 'period of coverage' means a period
of payment of contributions or a period of earnings
based on wages for employment or on self-employment
income, or any similar period recognized as equivalent
thereof under this title or under the social security system
of a country which is a party to an agreement entered
into under this section.

"Crediting Periods of Coverage; Conditions of Payment
of Benefits"

"(c)-(1) Any agreement establishing a totalization
arrangement pursuant to this section shall provide—

"(A) that in the case of an individual who has at
least 6 quarters of coverage as defined in section 213 of
this Act and periods of coverage under the social security
system of a foreign country which is a party to such
agreement, periods of coverage of such individual under
such social security system of such foreign country may
be combined with periods of coverage under this title and
otherwise considered for the purposes of establishing
entitlement to and the amount of old-age, survivors, and
disability insurance benefits under this title;

"(B) (i) that employment or self-employment, or
any service which is recognized as equivalent to employ-
ment or self-employment under this title or the social
security system of a foreign country which is a party to
such agreement, shall, on or after the effective date of
such agreement, result in a period of coverage under the
system established under this title or under the system
established under the laws of such foreign country, but
not under both, and (ii) the methods and conditions for
determining under which system employment, self-em-
ployment, or other service shall result in a period of
coverage; and-

"(C) that where an individual’s periods of coverage
are combined, the benefit amount payable under this title
shall be based on the proportion of such individual’s
periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits
under this title shall, notwithstanding the provisions of
section 202 (t), receive such benefits while he resides in
a foreign country which is a party to such agreement;
and-

"(B) the benefit paid by the United States to an
individual who legally resides in the United States shall
be increased to an amount which, when added to the
benefit paid by such foreign country, will be equal to the
benefit amount which would be payable to an entitled
individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(i)(I) in the case of an individual becoming eligible for such benefit on or after that date.

"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

"(4) Any such agreement may contain such other provisions, not inconsistent with this section, as the President deems appropriate.

"Regulations-

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e) (1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress.

"(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the
expiration of 90 days on each of which at least one House of
Congress is in session following the date on which the agree-
ment is transmitted in accordance with paragraph (1).”.

(b) (1) Section 1401 of the Internal Revenue Code of
1954 is amended by adding at the end thereof the following
new subsection:

"(e) Relief From Taxes in Cases Covered by
Certain International Agreements.—During any pe-
riod in which there is in effect an agreement entered into
pursuant to section 233 of the Social Security Act with any
foreign country, the self-employment income of an individ-
ual shall be exempt from the taxes imposed by this section to
the extent that such self-employment income is subject under
such agreement to taxes or contributions for similar purposes
under the social security system of such foreign country.”.

(2) Sections 3101 and 3111 of such Code are each-
amended by adding at the end thereof the following new
subsection:

"(e) Relief From Taxes in Cases Covered by
Certain International Agreements.—During any pe-
riod in which there is in effect an agreement entered into
pursuant to section 233 of the Social Security Act with any
foreign country, wages received by or paid to an individual
shall be exempt from the taxes imposed by this section to the
extent that such wages are subject under such agreement to
taxes or contributions for similar purposes under the social
security system of such foreign country.”.

(3) Section 6051 (a) of such Code is amended by add-
ing at the end thereof the following new sentence: “The
amounts required to be shown by paragraph (5) shall not
include wages which are exempted pursuant to sections 3101
(c) and 3111 (c) from the taxes imposed by sections 3101
and 3111.”.

(4) Notwithstanding any other provision of law, taxes
paid by any individual to any foreign country with respect
to any period of employment or self-employment which is
covered under the social security system of such foreign coun-
try in accordance with the terms of an agreement entered
into pursuant to section 233 of the Social Security Act shall
not, under the income tax laws of the United States, be
deductible by, or creditable against the income tax of, any
such individual.

VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR
CERTAIN ILLINOIS POLICEMEN AND FIREFR MEN

Sec. 307. (a) Notwithstanding the provisions of sub-
section (d) (5) (A) of section 218 of the Social Security
Act and the references thereto in subsections (d) (1) and
(d) (2) of such section 218 (but subject to subsection (b)
of this section), the agreement with the State of Illinois here-
tofore entered into pursuant to such section 218 shall be
deemed to apply to all services which were performed prior
to December 31, 1977, by any individual employed by such
State or any political subdivision thereof in a policeman's or
fireman's position covered by the Illinois Municipal Retirement
Fund, and with respect to which such State has paid to
the Secretary of the Treasury the sums prescribed pursuant
to subsection (a) (1) (A) of such section 218 at the time
or times established pursuant to such subsection (but only
if there has been no refund of the sums so paid or, if a
refund of part or all of such sums has been obtained, the
State of Illinois repays to the Secretary of the Treasury the
amount of such refund within ninety days after the date of
the enactment of this Act).

(b) Subsection (a) shall not apply with respect to
services performed by individuals employed by any political
subdivision which indicates, in such manner and within such
period as the Secretary shall prescribe, that it does not wish
such subsection to apply with respect to those services.

COVERED FOR POLICEMEN AND FIREMEN IN

MISSISSIPPI

SEC. 308. Section 218 (p) (1) of the Social Security
Act is amended by inserting "Mississippi," after "Mary-
land."
SEC. 309. Section 218 (d) (6) (C) of the Social Security Act is amended by inserting "New Jersey," after "Nevada."

SEC. 310. Section 218 (m) (1) of the Social Security Act is amended by inserting after "Wisconsin retirement fund" the following: "or any successor system."

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM

DIVORCED HUSBANDS

SEC. 401. (a) (1) Section 202 (c) (1) of the Social Security Act is amended, in the matter preceding subparagraph (A), by inserting "and every divorced husband (as defined in section 216 (d))" before "of an individual" and inserting "or such divorced husband" after "if such husband."
Section 202(e)(1) of such Act is further amended—

(A) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), and by inserting after subparagraph (B) the following new subparagraph:

"(C) in the case of a divorced husband, is not married;"

(B) by striking out "after August 1950" in the matter following subparagraph (E) (as so redesignated); and

(C) by striking out "the month in which any of the following occurs:" and all that follows and inserting in lieu thereof the following:

"the first month in which any of the following occurs:

"(F) he dies,

"(G) such individual dies,

"(H) in the case of a husband, they are divorced and either (i) he has not attained age 62, or (ii) he has attained age 62 but has not been married to such individual for a period of 20 years immediately before the divorce became effective,

"(I) in the case of a divorced husband, he marries a person other than such individual,

"(J) he becomes entitled to an old-age or dis-

ability insurance benefit based on a primary insurance
amount which is equal to or exceeds one-half of the
primary insurance amount of such individual, or

"(K) such individual is not entitled to disability
insurance benefits and is not entitled to old-age insur-
ance benefits."

(3) Section 202(e)(3) of such Act is amended by
inserting "(or, in the case of a divorced husband, his former
wife)" before "for such month".

(4) Section 202(e) of such Act is amended by adding
after paragraph (3) the following new paragraph:

"(4) In the case of any divorced husband who
marries—

"(A) an individual entitled to benefits under
subsection (b), (e), (g), or (h) of this section, or

"(B) an individual who has attained the age
of 18 and is entitled to benefits under subsection
(d),

such divorced husband's entitlement to benefits under
this subsection shall, notwithstanding the provisions of
paragraph (1) (but subject to subsection (e)), not
be terminated by reason of such marriage."

(5) Section 202(e)(2) of such Act is amended by
striking out "(C)" in the matter immediately preceding
subparagraph (A) and inserting in lieu thereof "(D)"

(6) Section 202(b)(3)(A) of such Act is amended
by striking out "(f)" and inserting in lieu thereof "(c)".

(7) Section 202 (e) (1) (E) of such Act (as redesignated by paragraph (2) of this subsection) is amended by striking out "his wife" and inserting in lieu thereof "such individual".

(b) (1) Section 202 (f) (1) of such Act is amended, in the matter preceding subparagraph (A), by inserting "and every surviving divorced husband (as defined in section 216 (d))" before "of an individual" and inserting "or such surviving divorced husband" after "if such widower".

(2) Section 202 (f) (1) of such Act is further amended by striking out "his deceased wife" in subparagraph (B) and in the matter following subparagraph (C) and inserting in lieu thereof "such deceased individual".

(3) Paragraphs (3), (4), (6), and (7) of section 202 (f) of such Act are each amended by inserting "or surviving divorced husband" after "widower" wherever it appears.

(4) Paragraph (3) of section 202 (f) of such Act is further amended by striking out "his deceased wife" wherever it appears and by inserting in lieu thereof "such deceased individual", and by striking out "wife" wherever it appears and inserting in lieu thereof "individual".

(5) Section 202 (f) (4) of such Act is further amended by striking out "remarries" and inserting in lieu thereof
"marries", and by inserting "or surviving divorced husband's" after "widower's".

(6) Section 202 (e) (3) (A) of such Act is amended by striking out "(f)" and inserting in lieu thereof "(c), (f)".

(7) Section 202 (g) (3) (A) of such Act is amended by inserting "(e)" before "(f)".

(8) Section 202 (h) (4) (A) of such Act is amended by inserting "(c)" before "(c)".

(c) (1) Section 216 (d) of such Act is amended by redesignating paragraph (1) as paragraph (6), and by inserting after paragraph (3) the following new paragraphs:

"(4) The term "divorced husband" means a man divorced from an individual, but only if he has been married to such individual for a period of 20 years immediately before the date the divorce became effective.

"(5) The term "surviving divorced husband" means a man divorced from an individual who has died, but only if he has been married to the individual for a period of 20 years immediately before the divorce became effective."

(2) The heading of section 216 (d) of such Act is amended to read as follows:

"Divorced Spouses; Divorce."

(d) (1) Section 205 (b) of such Act is amended by inserting "divorced husband," after "husband," and "surviving divorced husband," after "widower,".
(2) Section 205 (c) (1) (C) of such Act is amended by inserting "surviving divorced husband," after "wife,"

REMARIAL OF SURVIVING SPOUSE BEFORE AGE 60

Sec. 402. Section 202 (f) (1) (A) of the Social Security Act is amended by striking out "has not remarried" and inserting in lieu thereof "is not married."

ILLEGITIMATE CHILDREN

Sec. 403. (a) Section 216 (h) (3) of the Social Security Act is amended by inserting "mother or" before "father" wherever it appears.

(b) Section 216 (h) (3) (A) (i) of such Act is amended by striking out "daughter," at the end of clause (III) and all that follows and inserting in lieu thereof "daughter; or"

(c) Section 216 (h) (3) (A) (ii) of such Act is amended by striking out everything after "time" and inserting in lieu thereof "such applicant's application for benefits was filed;"

(d) Section 216 (h) (3) (B) (i) of such Act is amended by striking out "daughter," at the end of clause (III) and all that follows and inserting in lieu thereof "daughter; or"

(e) Section 216 (h) (3) (B) (ii) of such Act is amended by striking out "such period of disability began" and inserting in lieu thereof "such applicant's application for benefits was filed."
TRANSCITIONAL INSURED STATUS

SEC. 404. (a) Section 227 (a) of the Social Security Act is amended—

(1) by striking out "wife" wherever it appears and inserting in lieu thereof "spouse";

(2) by striking out "wife's" wherever it appears and inserting in lieu thereof "spouse's";

(3) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(4) by striking out "his" wherever it appears and inserting in lieu thereof "his or her"; and

(5) by inserting "or section 202 (e)" after "section 202 (b)" wherever it appears.

(b) Section 227 (b) and section 227 (e) of such Act are amended—

(1) by striking out "widow" wherever it appears and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears and inserting in lieu thereof "surviving spouse's";

(3) by striking out "her" wherever it appears and inserting in lieu thereof "the"; and

(4) by inserting "or section 202 (f)" after "section 202 (e)" wherever it appears.

(c) Section 216 of such Act (as amended by the pre-
eeding provisions of this Act) is further amended by in-
serting before subsection (b) the following new subsection:

""Spouse; Surviving Spouse"

""(a) (1) The term ‘spouse’ means a wife as defined
in subsection (b) or a husband as defined in subsection (f).

""(2) The term ‘surviving spouse’ means a widow as
defined in subsection (c) or a widower as defined in sub-
section (g)."

EQUALIZATION OF BENEFITS UNDER SECTION 228

Sec. 405. (a) Section 228 (b) (2) of the Social Secu-
ritv Act is amended—

(1) by striking out "the husband’s benefit’’ and
inserting in lieu thereof "each of their benefits’’;

(2) by striking out "$64.40” and inserting in lieu
thereof "$18.20” ; and

(3) by striking out everything after "section
915 (i)’’ the first time it appears and inserting in lieu
thereof a period.

(b) Section 228 (c) (3) of such Act is amended to
read as follows:

""(3) In the case of a husband or wife, both of whom
are entitled to benefits under this section for any month, the
benefit amount of each, after any reduction under paragraph
(1), shall be further reduced (but not below zero) by the
excess (if any) of (A) the total amount of any periodic
benefits under governmental pension systems for which the
other is eligible for such month, over (B) the larger of
$48.30 or the amount most recently established in lieu
thereof under section 215 (i)."

(c) The Secretary shall increase the amounts specified
in section 228 of the Social Security Act, as amended by
this section, to take account of any general benefit increases
(as referred to in section 215 (i) (2) of such Act), and
any increases under section 215 (i) of such Act, which
occur after June 1974.

FATHER'S INSURANCE BENEFITS

Sec. 406. (a) Section 202 (g) of the Social Security
Act is amended—

(1) by striking out "widow" wherever it appears
and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears
and inserting in lieu thereof "surviving spouse's";

(3) by striking out "wife's insurance benefits" in
paragraph (1) (D) and inserting in lieu thereof "a
spouse's insurance benefit";

(4) by striking out "he" in paragraph (1) (D)
and wherever it appears in paragraph (3) and inserting
in lieu thereof "such individual";

(5) by striking out "her" wherever it appears and
inserting in lieu thereof "his or her";
(6) by striking out “she” wherever it appears and inserting in lieu thereof “he or she”;

(7) by striking out “mother” wherever it appears and inserting in lieu thereof “parent”;

(8) by inserting “or father’s” after “mother’s” wherever it appears;

(9) by striking out “after August 1950”; 

(10) by inserting “this subsection or” before “subsection (a)” in paragraph (3) (A); and

(11) by striking out “his” in paragraph (3) and inserting in lieu thereof “his or her”;

(b) The heading of section 202 (g) of such Act is amended by inserting “and Father’s” after “Mother’s”.

(c) Section 216 (d) of such Act (as amended by section 401 (c) (1) of this Act) is further amended by redesignating paragraph (6) as paragraph (8), and by inserting after paragraph (5) the following new paragraphs:

“(6) The term ‘surviving divorced father’ means a man divorced from an individual who has died, but only if (A) he is the father of her son or daughter, (B) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of 18, (C) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the
age of 18, or (D) he was married to her at the time both of
them legally adopted a child under the age of 18.

"(7) The term 'surviving divorced parent' means a sur-
viving divorced mother as defined in paragraph (3) of this
subsection or a surviving divorced father as defined in para-
graph (6)."

(d) Section 202 (e) (1) of such Act (as amended by
section 401 (a) (2) of this Act) is further amended by in-
serting "(subject to subsection (c))" before "be entitled
to" in the matter following subparagraph (E) and pre-
ceeding subparagraph (F).

(e) Section 202 (e) (1) (B) of such Act is amended by
inserting after "62" the following: "or (in the case of a
husband) has in his care (individually or jointly with such
individual) at the time of filing such application a child en-
titled to child's insurance benefits on the basis of the wages
and self-employment income of such individual".

(f) Section 202 (e) (1) of such Act (as amended by
section 401 (a) (2) (C) of this Act) is further amended by
redesignating the new subparagraphs (J) and (K) as sub-
paragraphs (K) and (L), respectively, and by adding after
subparagraph (I) the following new subparagraph:

"(J) in the case of a husband who has not attained
age-62, no child of such individual is entitled to a child's
insurance benefit;".

(g) Section 202 (f) (1) (C) of such Act is amended by
inserting "(i)" after "(C)", by adding "or" after "222,",
and by inserting at the end thereof the following new clause:

"(ii) was entitled, on the basis of such wages and
self-employment income, to father's insurance benefits
for the month preceding the month in which he attained
age-65,;".

(h) Section 202 (f) (6) of such Act is amended by
striking out "or" at the end of subparagraph (A), by add-
ing "or" after the comma at the end of subparagraph (B),
and by adding after and below subparagraph (B) the fol-
lowing new subparagraph:

"(C) the last month for which he was entitled to
father's insurance benefits on the basis of the wages and
self-employment income of such individual;.".

EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY

BENEFICIARY

Sec. 407. (a) Section 202 (d) (5) of the Social Secu-
ritv Act is amended by striking out "a male individual" in
the matter following subparagraph (B) and inserting in
lieu thereof "an individual".

(b) The amendment made by subsection (a) of this
section shall be effective with respect to benefits under title-
of the Social Security Act for months after December 1977, but only in cases where the "last month" referred to in section 202(d)(5) of such Act is a month after December 1977.

EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR DEPENDENT SURVIVORS' BENEFITS

Sec. 408. (a) Section 202(e)(4) of the Social Security Act (as added by section 401(a)(4) of this Act) is further amended by inserting before the period at the end thereof the following: "except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless she ceases to be so entitled by reason of her death."

(b) Section 202(f)(4) of such Act is amended by inserting before the period at the end thereof the following: "except that, in the case of a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless she ceases to be so entitled by reason of her death."
(c) Section 202 (h) (4) of such Act is amended by striking out "a male individual" in the matter following clause (B) and inserting in lieu thereof "an individual".

(d) The amendments made by this section shall be effective with respect to benefits under title II of the Social Security Act for months after December 1977, but only in cases where the "last month" referred to in section 202 (c) (4), 202 (f) (4), 202 (g) (3), or 202 (h) (4) is a month after December 1977.

TREATMENT OF SELF-EMPLOYMENT INCOME IN COMMUNITY PROPERTY STATES

Sec. 400. (a) Section 211 (a) (5) (A) of the Social Security Act and section 1402 (a) (5) (A) of the Internal Revenue Code of 1954 are each amended by striking out "husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife" and inserting in lieu thereof "spouse who exercises the greater management and control over the trade or business, except that such income and deductions shall be divided equally between the two spouses if each spouse exercises the same amount of management and control over the trade or business".

(b) The amendments made by subsection (a) shall be
effective with respect to taxable years beginning after December 1977.

CREDIT FOR CERTAIN MILITARY SERVICE

SEC. 410. Section 217(f) of the Social Security Act is amended by striking out "widow" each place it appears and inserting in lieu thereof "surviving spouse", and by striking out "her" each place it appears in paragraph (2) and inserting in lieu thereof "his".

CONFORMING AMENDMENTS

SEC. 411. (a) Section 202(b)(3)(A) of the Social Security Act (as amended by section 401(a)(6) of this Act) is further amended by inserting "(g)", after "(f)",

(b) Section 202(p)(1) of such Act is amended by striking out "subparagraph (C) of subsection (c)(1)" and inserting in lieu thereof "subparagraph (D) of subsection (c)(1)".

c) Section 202(q)(3) of such Act is amended by inserting "or surviving divorced husband" after "widower" in subparagraphs (E), (F), and (G).

d) Section 202(q)(5) of such Act is amended—

(1) by inserting "husband's or" before "wife's"

each place it appears;

(2) by inserting "he or" before "she" each place it appears;
(3) by inserting “his or” before “her” each place it appears;

(4) by striking out “the woman” in subparagraph (B) (ii) and “a woman” in subparagraph (C) and inserting in lieu thereof “the individual” and “an individual”, respectively; and

(5) in subparagraph (D), by inserting “widower’s or” before “widow’s”; by inserting “wife or” before “husband” each place it appears; by inserting “wife’s or” before “husband’s” each place it appears; and by inserting “father’s or” before “mother’s”.

(c) (1) Section 202 (g) (6) (A) (i) of such Act is amended by striking out “or husband’s insurance” in subdivision (I), and by inserting “or husband’s” after “wife’s” in subdivision (II).

(2) Section 202 (g) (7) of such Act is amended, in subparagraph (B), by inserting “husband’s or” before “wife’s”, by inserting “he or” before “she”, and by inserting “his or” before “her”, and in subparagraph (D) by inserting “or widower’s” after “widow’s”.

(f) (1) Section 202 (s) (1) of such Act is amended by inserting “(e) (1),” after “(b) (1),”.

(2) Section 202 (s) (2) of such Act is amended by inserting “(e) (1),” after “(b) (3),”.

(3) Section 202 (s) (3) of such Act is amended by-
inserting "(c) (1)," after "(b) (3),", and by inserting
"(f) (4)," after "(e) (3),".

(g) Section 203 (a) (3) of such Act (as in effect in
December 1977) is amended by inserting "or as a divorced
husband under section 202 (e) or as a surviving divorced
husband under section 202 (f)," after "section 202 (e),", by
striking out "she" and inserting in lieu thereof "he or she",
and by inserting "or divorced husband or surviving divorced
husband" after "such divorced wife or surviving divorced-
wife".

(h) The third sentence of section 203 (b) of such Act
is amended by inserting "or father's" after "mother's".

(i) The text of section 203 (e) of such Act is amended
to read as follows—

"(c) Deductions, in such amounts and at such time or
times as the Secretary shall determine, shall be made from
any payment or payments under this title to which an indi-
vidual is entitled, until the total of such deductions equals
such individual's benefits or benefit under section 202 for
any month—

"(1) in which such individual is under the age of
seventy-two and on seven or more different calendar
days of which such individual engaged in noneovered-
remunerative activity outside the United States; or

"(2) in which such individual, if a wife or husband-
under age sixty-five entitled to a wife’s or husband’s
insurance benefit, did not have in his or her care (indi-
vidually or jointly with his or her spouse) a child of such
spouse entitled to a child’s insurance benefit and such-
wife’s or husband’s insurance benefit for such month was
not reduced under the provisions of section 202 (q); or
“(3) in which such individual, if a widow or wid-
ower entitled to a mother’s or father’s insurance benefit,
did not have in his or her care a child of his or her de-
ceased spouse entitled to a child’s insurance benefit; or
“(4) in which such an individual, if a surviving
divorced mother or father entitled to a mother’s or fa-
ther’s insurance benefit, did not have in his or her care a
child of his deceased former spouse who (A) is his or
her son, daughter, or legally adopted child and (B) is
entitled to a child’s insurance benefit on the basis of the
wages and self-employment income of such deceased for-
mer spouse.

For purposes of paragraphs (2), (3), and (4) of this sub-
section, a child shall not be considered to be entitled to a
child’s insurance benefit for any month in which paragraph
(1) of section 202 (s) applies or an event specified in sec-
tion 222 (b) occurs with respect to such child. Subject to
paragraph (3) of such section 202 (s), no deductions shall
be made under this subsection from any child’s insurance-
benefit for the month in which the child entitled to such
benefit attained the age of eighteen or any subsequent
month; nor shall any deduction be made under this subsec-
tion from any widow's insurance benefits for any month in-
which the widow or surviving divorced wife is entitled and
has not attained age sixty-five (but only if she became so-
entitled prior to attaining age sixty), or from any widower's
insurance benefit for any month in which the widower or
surviving divorced husband is entitled and has not attained
age sixty-five (but only if he became so entitled prior to
attaining age sixty)."

(j) Section 203 (d) of such Act is amended by inserting
"divorced husband," after "husband," in paragraph (1),
and by inserting "or father's" after "mother's" each place
it appears in paragraph (2).

(k) (1) Section 205 (b) of such Act (as amended by
section 401 (d) (1) of this Act) is further amended by
inserting "surviving divorced father," after "mother,"
(2) Section 205 (c) (1) (C) of such Act (as amended
by section 401 (d) (2) of this Act) is further amended by
inserting "surviving divorced father," after "surviving,
divorced mother,"
(3) Section 216 (f) of such Act is amended by inserting
"(e)," before "(f)" in clause (3) (A).
Section 216 (g) of such Act is amended by inserting "(c)," before "(f)" in clause (6) (A).

Section 222 (b) (1) of such Act is amended by striking out "or surviving divorced wife" and inserting in lieu thereof "surviving divorced wife, or surviving divorced husband".

Section 222 (b) (3) of such Act is amended by inserting "divorced husband," after "husband,"

Section 222 (b) (2) of such Act is amended by inserting "or father's" after "mother's" each place it appears.

Section 222 (d) (1) of such Act is amended by inserting "and surviving divorced husbands" after "for widowers" in the matter following clause (iii).

Section 223 (d) (2) of such Act is amended by striking out "or widower" where that term appears in subparagraphs (A) and (B) and inserting in lieu thereof "widower, or surviving divorced husband,"

Section 225 of such Act is amended by inserting "or surviving divorced husband" after "widower,"

Section 226 (h) (3) of such Act is amended to read as follows:

"(3) For purposes of determining entitlement to hospital insurance benefits under subsection (b), any disabled widow age 50 or older who is entitled to mother's insurance benefits (and who would have been entitled to widow's benefits)"
insurance benefits by reason of disability if she had filed
for such widow's benefits), and any disabled widower who
is entitled to father's insurance benefits (and who would
have been entitled to widower's insurance benefits by reason
of disability if he had filed for such widower's benefits);
shall, upon application for such hospital insurance bene-
fits, be deemed to have filed for such widow's or widower's
benefits."

(2) For purposes of determining entitlement to hospital
insurance benefits under section 226(h)(3) of the Social
Security Act, as amended by paragraph (1) of this subsec-
tion, an individual becoming entitled to such hospital insur-
ance benefits as a result of the amendment made by such
paragraph shall, upon furnishing proof of such disability
within twelve months after the month of enactment of this
Act, under such procedures as the Secretary may prescribe,
be deemed to have been entitled to the widow's or widower's
benefits referred to in such section 226(h)(3), as so
amended, as of the time such individual would have been
entitled to such widow's or widower's benefits if he or she
had filed a timely application therefor.

EFFECTIVE DATE

Sec. 412. Except as otherwise specifically provided in
this part, the amendments made by this part shall apply only.
with respect to monthly benefits payable under title II of the Social Security Act for months after December 1977.

PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND DIVORCE ON BENEFIT ELIGIBILITY

ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR TERMINATING OR REDUCING BENEFITS

SEC. 415. (a) (1) Section 202 (b) (1) of the Social Security Act is amended—

(A) by adding "and" at the end of subparagraph

(B),

(C) by striking out subparagraph (C),

(D) by striking out subparagraph (H), and

(E),

(F), (G), (H), (I), and (J) as subparagraphs (C), (D), (E), (F), and (I), respectively.

(2) Section 202 (b) of such Act is further amended by striking out paragraph (3).

(b) (1) Section 202 (c) (1) of such Act (as amended—by sections 401 (a) (2) and 406 (f) of this Act) is amended—

(A) by striking out subparagraph (C),

(B) by striking out subparagraph (I), and

(C) by redesignating subparagraphs (D), (E),

(F), (G), (H), (J), (K), and (L) as subparagraphs—
(C), (D), (E), (F), (G), (H), (I), and (J), respectively.

(2) Section 202 (c) of such Act is further amended by striking out paragraph (4) (as added by section 401 (a) (4) of this Act and amended by section 408 (a)).

(3) Section 202 (c) (2) of such Act (as amended by section 401 (a) (5) of this Act) is further amended by striking out "(D)" in the matter immediately preceding subparagraph (A) and inserting in lieu thereof "(C)".

(c) (1) Section 202 (d) (1) of such Act is amended—

(A) by striking out "was unmarried and" in subparagraph (B), and

(B) by striking out "or marries," in subparagraph (D).

(2) Section 202 (d) of such Act is further amended by striking out paragraph (5), and by redesignating paragraphs (6) through (9) as paragraphs (5) through (8), respectively.

(d) (1) Section 202 (e) (1) of such Act is amended—

(A) by striking out subparagraph (A),

(B) by striking out "paragraph (5)" in subparagraph (B) and inserting in lieu thereof "paragraph (3)",

(C) by striking out "subparagraph (B)" in sub-
paragraph (E) and inserting in lieu thereof "subparagraph (A)");

(D) by striking out "subparagraph (B)", "paragraph (C)", and "paragraph (5)" in subparagraph
(E) and inserting in lieu thereof "subparagraph (A)", "paragraph (4)", and "paragraph (3)", respectively,
(E) by striking out "remarries, dies," in the matter
following subparagraph (E) and inserting in lieu thereof
"dies, or", and
(E) by redesignating subparagraphs (B) through
(E) as subparagraphs (A) through (E), respectively.
(2) Section 202(e) (2) (A) of such Act is amended by
striking out "paragraph (4) of this subsection,"
(3) Section 202(e) of such Act is further amended by
striking out paragraphs (3) and (4), and by redesignating
paragraphs (5), (6), and (7) as paragraphs (3), (4), and
(5), respectively.
(4) The paragraph of section 202(e) of such Act re-
designated as paragraph (3) by paragraph (3) of this sub-
section is amended by striking out "(1) (B) (ii)" and insert-
ing in lieu thereof "(1) (A) (ii)".
(5) The paragraph of section 202(e) of such Act re-
designated as paragraph (4) by paragraph (3) of this sub-
section is amended—
(A) by striking out "paragraph (1) (F)" and inserting in lieu thereof "paragraph (1) (E)"; and

(B) by striking out "paragraph (5)" and inserting in lieu thereof "paragraph (2)".

(c) (1) Section 202 (f) (1) of such Act (as amended by the preceding provisions of this title) is further amended—

(A) by striking out subparagraph (A),

(B) by striking out "paragraph (6)" in subparagraph (B) and inserting in lieu thereof "paragraph (4)";

(C) by striking out "subparagraph (B)" in subparagraph (F) and inserting in lieu thereof "subparagraph (A)";

(D) by striking out "subparagraph (B)", "paragraph (7)", and "paragraph (6)" in subparagraph (G) and inserting in lieu thereof "subparagraph (A)", "paragraph (5)", and "paragraph (4)", respectively;

(E) by striking out "remarries," in the matter following subparagraph (G), and

(F) by redesignating subparagraphs (B) through (G) as subparagraphs (A) through (F), respectively.

(2) Section 202 (f) (2) of such Act is amended by striking out "subparagraph (D)" and inserting in lieu thereof "subparagraph (C)".
(3) Section 202(f) (3) (A) of such Act is amended by striking out "paragraph (5) of this subsection,"

(4) Section 202(f) of such Act is further amended by striking out paragraphs (4) and (5), and by redesignating paragraphs (6), (7), and (8) as paragraphs (4), (5), and (6), respectively.

(5) The paragraph of section 202(f) of such Act redesignated as paragraph (4) by paragraph (4) of this subsection is amended by striking out "(1) (B) (ii)" and inserting in lieu thereof "(1) (A) (ii)".

(6) The paragraph of section 202(f) of such Act redesignated as paragraph (5) by paragraph (4) of this subsection is amended by striking out "paragraph (1) (G)" and "paragraph (6)" and inserting in lieu thereof "paragraph (1) (F)" and "paragraph (4)", respectively.

(f) (1) Section 202(g) (1) of such Act (as amended by section 106(a) of this Act) is further amended—

(A) by striking out subparagraph (A),

(B) by striking out "subparagraph (E)" in subparagraph (E) (i) and inserting in lieu thereof "subparagraph (D)",

(C) by striking out "he remarries," in the matter following subparagraph (F), and

(D) by redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively.
(2) Section 202 (g) of such Act is further amended by striking out paragraph (2).

(g) (1) Section 202 (h) (1) of such Act is amended—

(A) by striking out subparagraph (C),

(B) by striking out "marries," in the matter following subparagraph (E), and

(C) by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively.

(2) Section 202 (h) of such Act is further amended by striking out paragraph (1).

(h) (1) Section 202 (k) (2) (B) of such Act is amended—

(A) by striking out "(other than an individual to whom subsection (e) (4) or (f) (5) applies)," and

(B) by striking out the second sentence.

(2) Section 202 (k) (3) of such Act is amended—

(A) by striking out ""(A)" immediately before "If an individual is entitled to an old age or disability insurance benefit," and

(B) by striking out subparagraph (B).

(i) Section 202 (p) (1) of such Act (as amended by section 411 (b) of this Act) is further amended by striking out "subparagraph (D) of subsection (e) (1), clause (i) or (ii) of subparagraph (D) of subsection (f) (1)" and inserting in lieu thereof "subparagraph (C) of subsection (e) (1),"
clause (i) or (ii) of subparagraph (C) of subsection (f) (1)."

(j) (1) Section 202 (s) (2) of such Act is repealed.
(2) Section 202 (s) (3) of such Act (as amended by section 411 (f) (3) of this Act) is further amended by striking out "so much of subsections (b) (3), (e) (4), (d) (5), (c) (3), (f) (4), (g) (3), and (h) (4) of this section as follows the semicolon,"

DURATION OF MARRIAGE REQUIREMENT FOR DIVORCED SPOUSES

SEC. 416. (a) Section 216 (d) of the Social Security Act is amended by striking out "20 years" in paragraphs (1) and (2), and in paragraphs (4) and (5) (as added by section 401 (e) (1) of this Act), and inserting in lieu thereof in each instance "5 years".

(b) Section 202 (b) (1) (F) of such Act (as redesignated by section 415 (a) (1) (D) of this Act) is amended by striking out "20 years" and inserting in lieu thereof "5 years".

(c) Section 202 (c) (1) (G) of such Act (as added by section 401 (a) (2) (C) of this Act and redesignated by section 415 (b) (1) (G)) is amended by striking out "20 years" and inserting in lieu thereof "5 years".
SEC. 417. (a) The amendments made by this part shall apply only with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved under such title for December 1978, only on the basis of applications filed on or after January 1, 1979.

(b) An individual whose entitlement to monthly insurance benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 of the Social Security Act terminated on account of such individual's marriage or remarriage, or on account of the termination (except by reason of death) of the benefits to which such individual's spouse was entitled under section 223 (a) or section 202 (d) (1) (B) (ii) of such Act, prior to January 1979, may again become entitled to such benefits (provided no event which would otherwise terminate such entitlement has since occurred) beginning with January 1979 or, if later, with the first month (after January 1979) in which he files application for such reentitlement. The reentitlement of such individual to benefits under such subsection (and the entitlement of other persons to benefits under title II of the Social Security Act to the
extent related to such individual or his entitlement—shall be treated for all the purposes of title II of the Social Security Act as though such reentitlement were the individual’s initial entitlement.

PART C—STUDY

STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX-DISCRIMINATION UNDER THE SOCIAL SECURITY PROGRAM

SEC. 421. (a) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall undertake and carry out, within the Department of Health, Education, and Welfare and the Social Security Administration, a detailed study of proposals to eliminate dependency as a factor in the determination of entitlement to spouse’s benefits under the social security program, and of proposals to bring about equal treatment of men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women’s entitlement to such benefits) of such things as—

(1) changes in the nature and extent of women’s participation in the labor force,

(2) the increasing divorce rate,
(3) the economic value of women’s work in the home.

The study shall include appropriate cost analyses.

(b) The Secretary shall submit to the Congress within six months after the date of the enactment of this Act a full and complete report on the study carried out under subsection (a).

TITLE V—CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

LIBERALIZATION AND EVENTUAL REPEAL OF EARNINGS TEST FOR INDIVIDUALS AGE 65 AND OVER

Sec. 501. (a) Section 203 (f) (8) (A) of the Social Security Act is amended by striking out “a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual’s taxable year which ends after the calendar year” and inserting in lieu thereof “the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C))”
with respect to taxable years ending in—(or with the close of)
the calendar year after the calendar year.”.

(b) (1) Section 203 (f) (8) (B) of such Act is amended
by striking out “The exempt amount for each month of a
particular taxable year shall be” in the matter preceding
clause (i) and inserting in lieu thereof “Except as otherwise
provided in subparagraph (D), the exempt amount which is
applicable to individuals described in such subparagraph and
the exempt amount which is applicable to other individuals,
for each month of a particular taxable year, shall each be”.

(2) Section 203 (f) (8) (B) (i) of such Act is amended
by striking out “the exempt amount” and inserting in lieu
thereof “the corresponding exempt amount”.

(3) The last sentence of section 203 (f) (8) (B) of such
Act is amended by striking out “the exempt amount” and
inserting in lieu thereof “an exempt amount”.

(e) (1) Section 203 (f) (8) of such Act is further
amended by adding at the end thereof the following new
subparagraph:

“(D) Notwithstanding any other provision of this
subsection, the exempt amount which is applicable to an
individual who has attained age 65 before the close of
the taxable year involved—

“(i) shall be $333.33 for each month of any
taxable year ending after 1977 and before 1979,
“(ii) shall be $375 for each month of any taxable year ending after 1978 and before 1980;

“(iii) shall be $416.66 for each month of any taxable year ending after 1979 and before 1981;

and

“(iv) shall be $458.33 for each month of any taxable year ending after 1980 and before 1982.”.

(2) No notification with respect to an increased exempt amount for individuals described in section 203 (f) (8) (D) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203 (f) (8) (B) of such Act in 1977, 1978, 1979, or 1980; and section 203 (f) (8) (C) of such Act shall not prevent the new exempt amount determined and published under section 203 (f) (8) (A) in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203 (f) (8) (D) of such Act (as so added).

(d) Subsections (f) (1), (f) (3), (f) (4) (B), and (f) (1) (A) of section 203 of such Act are each amended by striking out “$200 or the exempt amount” and inserting “the applicable exempt amount”.

(e) Subject to subsection (f), the amendments made by the preceding provisions of this section shall apply with respect to taxable years ending after December 1977.
(f) Effective with respect to taxable years ending after December 31, 1981—

(1) subsections (d) (1), (f) (1) (B), and (j) of section 203 of the Social Security Act, and subsection (e) (1) of such section 203 (as amending by section 411 (i) of this Act), are each amended by striking out "seventy-two" and inserting in lieu thereof "sixty-five";

(2) the last sentence of section 203 (e) of such Act (as so amended) is amended by striking out "nor shall any deduction" and all that follows and inserting in lieu thereof "nor shall any deduction be made under this subsection from any widow's or widower's insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60."

(3) clause (D) of section 203 (f) (1) of such Act is amended to read as follows: "(D) for which such individual is entitled to widow's or widower's insurance benefits if she or he became so entitled prior to attaining age 60, or"

(4) section 203 (f) (3) of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 65";

(5) section 203 (f) (5) (D) of such Act is repealed;
(6) section 203 (h) (1) (A) of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 65";

(7) the heading of section 203 (j) of such Act is amended by striking out "Seventy two" and inserting in lieu thereof "Sixty-five";

(8) subsections (f) (1), (f) (2), (f) (4) (B), and (h) (1) (A) of section 203 of such Act (as amended by section 501 (d) of this Act) are each further amended by striking out "the applicable exempt amount" and inserting in lieu thereof "the exempt amount"; and

(9) the amendments made by subsections (a), (b), and (c) (1) of this section shall cease to be effective; and the provisions of section 203 of such Act (as otherwise amended by the provisions of this Act) shall read as they would if such subsections (a), (b), and (c) (1) had not been enacted.

ELIMINATION OF MONTHLY EARNINGS TEST

Sec. 502. (a) Clause (E) of the last sentence of section 203 (f) (1) of the Social Security Act (as amended by section 501 (d) of this Act) is further amended by inserting before the period at the end thereof the following: "if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual
is entitled to benefits under subsection (a), (b), (c), (d),
(e), (f), (g), or (h) of section 202 (without having been
entitled for the preceding month to a benefit under any
other of such subsections), and (ii) a month in which the
individual did not engage in self-employment and did not
render services for wages (determined as provided in para-
graph (5)) of more than the exempt amount as determined
under paragraph (8)."

(b) The amendment made by subsection (a) shall apply
only with respect to monthly benefits payable for months
after December 1977.

LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS
ON ACCOUNT OF NONCOVERED WORK—OUTSIDE THE
UNITED STATES—

Sec. 503. (a) Effective with respect to months in taxable years ending after 1977 and before 1979, subsections
(e)(1), (d)(1), and (d)(2) of section 203 of the Social
Security Act (as amended by the preceding provisions of
this Act) are each amended by striking out “seven or more”
and inserting in lieu thereof “nine or more”.

(b) Effective with respect to months in taxable years
ending after 1978, subsections (e)(1), (d)(1), and (d)(2)
of such section 203 (as amended by subsection (a) of
this section) are each further amended by striking out “nine
or more” and inserting in lieu thereof “twelve or more”.
TITLE VI—COMBINED SOCIAL SECURITY AND
INCOME TAX ANNUAL REPORTING

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

ANNUAL CREDITING OF QUARTERS OF COVERAGE

Sec. 601. (a) (1) Sections 209 (g) (3); 209 (j); 210
(a) (17) (A), and 210 (f) (4) (B) of the Social Security
Act are each amended by striking out "quarter" wherever
it appears and inserting in lieu thereof "year".

(2) Sections 209 (g) (3) and 200 (j) of such Act are
each further amended by striking out "$50" and inserting
in lieu thereof "$100".

(3) (A) Section 200 of such Act is amended by strik-
ing out "or" at the end of subsection (n), by striking out
the period at the end of subsection (o) and inserting in-
lieu thereof ", or", and by inserting after subsection (o) the
following new subsection:

"(p) Remuneration paid by an organization exempt
from income tax under section 501 of the Internal Revenue-
Code of 1954 in any calendar year to an employee for
service rendered in the employ of such organization, if the
remuneration paid in such year by the organization to the-
employee for such service is less than $100."

(B) Section 210 (a) (10) of such Act is amended by
striking out "(10 (A))" and all that follows down through
1. "(B) Service" and inserting in lieu thereof "(10) Service",
2. and by redesignating clauses (i) and (ii) as subparagraphs
3. (A) and (B), respectively.
4. (b) Section 212 of such Act is amended to read as
5. follows:
6. "CREDITING OF SELF-EMPLOYMENT INCOME TO
7. CALENDAR YEARS--
8. "Sec. 212. (a) For the purposes of determining average
9. monthly wage and quarters of coverage the amount of
10. self-employment income derived during any taxable year
11. which begins before 1978 shall--
12. "(1) in the case of a taxable year which is a calendar
13. year, be credited equally to each quarter of such
14. calendar year; and
15. "(2) in the case of any other taxable year, be
16. credited equally to the calendar quarter in which such
17. taxable year ends and to each of the next three or fewer
18. preceding quarters any part of which is in such taxable
19. year.
20. "(b) For the purposes of determining average indexed
21. monthly earnings, average monthly wage, and quarters of
22. coverage the amount of self-employment income derived dur-
23. ing any taxable year which begins after 1977 shall--
24. "(1) in the case of a taxable year which is a
25. calendar year or which begins with or during a calendar
year and ends with or during such year, be credited to such calendar year; and—

"(2) in the case of any other taxable year, be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the number of months in each such calendar year which are included completely within the taxable year.

For purposes of clause (2), the calendar month in which a taxable year ends shall be treated as included completely within that taxable year."

(c) Section 213(a)(2) of such Act is amended to read as follows:

"(2) (A) The term 'quarter of coverage' means—

"(i) for calendar years before 1978, and subject to the provisions of subparagraph (B), a quarter in which an individual has been paid $50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with $100 or more of self-employment income; and—

"(ii) for calendar years after 1977, and subject to the provisions of subparagraph (B), each portion of the total of the wages paid and the self-employment income credited (pursuant to section 212) to an indi—
individual in a calendar year which equals $250, with such quarter of coverage being assigned to a specific calendar quarter in such calendar year only if necessary in the case of any individual who has attained age 62 or died or is under a disability and the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) would not otherwise be met.

"(B) Notwithstanding the provisions of subparagraph (A)"

"(i) no quarter after the quarter in which an individual dies shall be a quarter of coverage, and no quarter any part of which is included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

"(ii) if the wages paid to an individual in any calendar year equal to $3,000 in the case of a calendar year before 1951, or $3,600 in the case of a calendar year after 1950 and before 1955, or $4,200 in the case of a calendar year after 1954 and before 1959, or $4,800 in the case of a calendar year after 1958 and before 1966, or $6,600 in the case of a calendar year after 1965 and before 1968, or $7,800 in the case of a calendar year..."
year after 1967 and before 1972, or $9,000 in the case of the
calendar year 1972, or $10,800 in the case of the
calendar year 1973, or $13,200 in the case of the calendar
year 1974, or an amount equal to the contribution
and benefit base (as determined under section 230) in
the case of any calendar year after 1974 with respect
to which such contribution and benefit base is effective,
each quarter of such year shall (subject to clauses (i)
and (v)) be a quarter of coverage:

"(iii) if an individual has self-employment income
for a taxable year, and if the sum of such income and
the wages paid to him during such year equals $3,600
in the case of a taxable year beginning after 1950 and
ending before 1955, or $4,200 in the case of a taxable
year ending after 1954 and before 1959, or $4,800 in
the case of a taxable year ending after 1958 and before
1963, or $6,600 in the case of a taxable year ending
after 1962 and before 1968, or $7,800 in the case of a
year ending after 1967 and before 1972, or
$9,000 in the case of a taxable year beginning after
1971 and before 1973, or $10,800 in the case of a taxable
year beginning after 1972 and before 1974, or
$13,200 in the case of a taxable year beginning after
1973 and before 1975, or an amount equal to the con-
tribution and benefit base (as determined under section-
which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974, each quarter any part of which falls in such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

"(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954 and before 1978, then, subject to clauses (i) and (v), (I) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed $100 but are less than $200; (II) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $200 but are less than $300; (III) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $300 but are less than $400; and (IV) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are $400 or more;

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

"(vi) no quarter shall be counted as a quarter of coverage if such wages are $400 or more;
"(vii) no more than four quarters of coverage may be credited to any calendar year after 1977.

If in the case of an individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954 and before 1978, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214 (a) (3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid.
(any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned."

(d) The amendments made by subsection (a) shall apply with respect to remuneration paid and services rendered after December 31, 1977. The amendments made by subsections (b) and (c) shall be effective January 1, 1978.

ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF COVERAGE

SEC. 602. (a) Section 213 (a) (2) (A) (ii) of the Social Security Act, as amended by section 601 (c) of this Act, is amended by striking out "$250" and inserting in lieu thereof "the amount required for a quarter of coverage in that calendar year (as determined under subsection (d))."

(b) Section 213 of such Act is further amended by adding at the end thereof the following new subsection:

""Amount Required for a Quarter of Coverage"

""(d) (1) The amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in any year under subsection
(a) (2) (A) (ii) shall be $250 in the calendar year 1978
and the amount determined under paragraph (2) of this
subsection for years after 1978.

"(2) The Secretary shall, on or before November 1 of
1978 and of every year thereafter, determine and publish
in the Federal Register the amount of wages and self-
employment income which an individual must have in order
to be credited with a quarter of coverage in the succeeding
calendar year. The amount required for a quarter of cov-

ered shall be the larger of—

"(A) the amount in effect in the calendar year in
which the determination under this subsection is made, or

"(B) the product of the amount prescribed in para-

graph (1) which is required for a quarter of coverage
in 1978 and the ratio of the average of the total wages
(as defined in regulations of the Secretary and computed
without regard to the limitations specified in section 209
(a)) reported to the Secretary of the Treasury or his
delegate for the calendar year before the year in which
the determination under this paragraph is made to the
average of the total wages (as so defined and computed)
reported to the Secretary of the Treasury or his delegate
for 1976 (as published in the Federal Register in
accordance with section 215(a) (1) (D)),

with such product, if not a multiple of $10, being rounded—
to the next higher multiple of $10 where such amount is a
multiple of $5 but not of $10 and to the nearest multiple of
$10 in any other case.”

(c) The amendments made by this section shall be
effective January 1, 1978.

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 603. (a) (1) Section 203(f) (8) (B) (i) of the
Social Security Act is amended by striking out “was” where-
ever it appears and inserting in lieu thereof “is”.

(2) Section 203(f) (8) (B) (ii) of such Act is amended
to read as follows:

“(ii) the product of the exempt amount de-
scribed in clause (i) and the ratio of (I) the aver-
age of the total wages (as defined in regulations of
the Secretary and computed without regard to the
limitations specified in section 209(a)) reported to
the Secretary of the Treasury or his delegate for the
calendar year before the calendar year in which the
determination under subparagraph (A) is made to
(II) the average of the total wages (as so defined
and computed) reported to the Secretary of the
Treasury or his delegate for the calendar year
before the most recent calendar year in which
an increase in the exempt amount was en-
acted or a determination resulting in such an in-
...crease was made under subparagraph (A), with
such product, if not a multiple of $10, being-
rounded to the next higher multiple of $10-
where such product is a multiple of $5 but not
of $10 and to the nearest multiple of $10 in any-
other case.”.

(b) (1) The first sentence of section 218(e) (8) of
such Act is amended by striking out "quarter" wherever it
appears and inserting in lieu thereof "year", and by striking
out "$50" and inserting in lieu thereof "$100".

(2) Section 218(e) (4) (B) of such Act is amended
by striking out "any calendar quarters" and inserting in lieu-
thereof "a calendar year", and by striking out "such calendar
quarters" and inserting in lieu thereof "such calendar year".

(3) Section 218(e) (6) (B) of such Act is amended
by striking out "calendar quarters designated by the State in
such wage reports as the" and inserting in lieu thereof
"period or periods designated by the State in such wage-
reports as the period or".

(4) Section 218(r) (1) of such Act is amended—

(A) by striking out "quarter" in the matter before
clause (A) and inserting in lieu thereof "year",

(B) by striking out "in which occurred the calen-
dar quarter" in clause (A), and—
(C) by striking out "quarter" in clause (B) and
inserting in lieu thereof "year".—

(e) (1) Effective with respect to estimates for calendar years beginning after December 31, 1977, section 224 (a) of such Act is amended by striking out the last sentence.

(2) Section 224 (f) (2) of such Act is amended to read as follows:

"(2) In making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of

"(A) his average current earnings as initially determined under subsection (a);

"(B) the ratio of (i) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209 (a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which such redetermination is made to (ii) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for calendar year 1977 or, if later, the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability); and
"(C) in any case in which the reduction was first computed before 1978, the ratio of (i) the average of the taxable wages reported to the Secretary for the first calendar quarter of 1977 to (ii) the average of the taxable wages reported to the Secretary for the first calendar quarter of the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).

Any amount determined under this paragraph which is not a multiple of $1 shall be reduced to the next lower multiple of $1."

(d) Section 220 (a) of such Act is amended—

(1) by striking out "shall be deemed to have been paid, in each calendar quarter occurring after 1956 in which he" and inserting in lieu thereof "if he", and

(2) by striking out "wages (in addition to the wages actually paid to him for such service) of $300." at the end thereof and inserting in lieu thereof the following: "shall be deemed to have been paid—

"(1) in each calendar quarter occurring after 1956 and before 1978 in which he was paid such wages, additional wages of $300, and—

"(2) in each calendar year occurring after 1977 in which he was paid such wages, additional wages of—
$100 for each $200 of such wages, up to a maximum of $1,200 of additional wages for any calendar year.”.

(c) (1) Section 230(b) of such Act is amended by striking out the last sentence.

(2) Section 230(b) (1) of such Act is amended to read as follows:

"(1) the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) is made, and”.

(3) Section 230(b) (2) of such Act is amended to read as follows:

"(2) the ratio of (A) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),”.

(f) (1) Effective with respect to convictions after December 31, 1977, section 202 (u) (1) (C) of such Act is amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year".

(2) (A) Section 205 (c) (1) of such Act is amended by striking out "(as defined in section 211 (e))".

(B) Section 205 (c) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) The term 'period' when used with respect to self-employment income means a taxable year and when used with respect to wages means—

"(i) a quarter if wages were reported or should have been reported on a quarterly basis on tax returns filed with the Secretary of the Treasury or his delegate under section 6011 of the Internal Revenue Code of 1954 or regulations thereunder (or on reports filed by a State under section 218 (c) or regulations thereunder),

"(ii) a year if wages were reported or should have been reported on a yearly basis on such tax returns or reports, or

"(iii) the half year beginning January 1 or July 1 in the case of wages which were reported or should have been reported for calendar year 1937.".
(C) Section 205(e) of such Act is amended by inserting "before 1978" after "calendar year".

(g) The amendments made by subsection (b) of this section shall apply with respect to remuneration paid after December 31, 1977. The amendments made by subsections (d) and (f) (2) shall be effective January 1, 1978. Except as otherwise specifically provided, the remaining amendments made by this section shall be effective January 1, 1979.

PART B—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

—DEDUCTION OF TAX FROM WAGES—

SEC. 611. (a) Section 3102(a) of the Internal Revenue Code of 1954 is amended by striking out "or (C) or (10)", and by inserting after "is less than $50;" the following: "and an employer who in any calendar year pays to an employee each remuneration to which paragraph (7) (C) or (10) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar is less than $100;".

(b) (1) Paragraphs (1) and (2) of section 3102(e) of such Code are each amended by striking out "quarter" wherever it appears and by inserting in lieu thereof "year".
Paragraph (3) of section 3102 (e) of such Code is amended—

(A) by striking out "quarter of the" in subparagraph (A); and

(B) by striking out "quarter" wherever it appears in subparagraphs (B) and (C) and inserting in lieu thereof "year".

(c) The amendments made by this section shall apply with respect to remuneration paid and to tips received after December 31, 1977.

TECHNICAL AND CONFORMING AMENDMENTS

Sec. 612. (a) Sections 3121 (a) (7) (C) and 3121 (a) (10) of the Internal Revenue Code of 1954 are each amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year", and by striking out "$50" and inserting in lieu thereof "$100".

(b) Section 3121 (a) of such Code is amended by striking out "or" at the end of paragraph (11), by striking out the period at the end of paragraph (15) and inserting in lieu thereof "; or", and by adding after paragraph (15) the following new paragraph:

"(16) remuneration paid by an organization-exempt from income tax under section 501 (a) (other than an organization described in section 401 (a)) or under section 521 in any calendar year to an employee"
for service rendered in the employ of such organization,
if the remuneration paid in such year by the organiza-
tion to the employee for such service is less than $100.".

(c) Section 3121 (b) (10) of such Code is amended by
striking out "(10) (A)" and all that follows down through
"(B) service" and inserting in lieu thereof "(10) service",
and redesignating clauses (i) and (ii) as subparagraphs
(A) and (B), respectively.

(d) Sections 3121 (b) (17) (A) and 3121 (g) (4) (B)
of such Code are each amended by striking out "quarter"
and inserting in lieu thereof "year".

(e) The amendments made by this section shall apply
with respect to remuneration paid and services rendered
after December 31, 1977.

PART C CONFORMING AMENDMENT TO THE RAILROAD
RETIREMENT ACT OF 1974

COMPUTATION OF EMPLOYEE ANNUITIES

Sec. 621. (a) The last sentence of section 3 (f) (1) of
the Railroad Retirement Act of 1974 is amended—

(1) by inserting "paid before 1978" after "in the
case of wages", and

(2) by inserting "and in the case of wages paid
after 1977" before the period at the end thereof.

(b) The amendments made by this section shall be
effective January 1, 1978.
TITLE VII—MISCELLANEOUS PROVISIONS

1 ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE
2 APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT
3
4 SEC. 701. (a) Effective with respect to monthly benefits
5 payable for months after December 1977, section 202(q)
6 (4) of the Social Security Act is amended by striking out all
7 that follows subparagraph (B) and inserting in lieu thereof
8 the following:
9 "then the amount of the reduction of such benefit (after the
10 application of any adjustment under paragraph (7)) for
11 each month beginning with the month of such increase in the
12 primary insurance amount shall be computed under para-
13 graph (1) or (3), whichever applies, as though the in-
14 creased primary insurance amount had been in effect for and
15 after the month for which the individual first became entitled
16 to such monthly benefit reduced under such paragraph (1)
17 or (3)."
18
19 (b) For purposes of applying section 202(q)(1) of
20 the Social Security Act, as amended by subsection (a) of
21 this section, to monthly benefits payable for any month after
22 December 1977 in the case of an individual who was
23 entitled to a monthly benefit as reduced under section 202
24 (q)(1) or (3) of such Act prior to January 1978, the
25 amount of reduction in such benefit for the first month for
26 which such benefit is increased by reason of an increase in
the primary insurance amount of the individual on whose
wages and self-employment income such benefit is based and
for all subsequent months (and similarly for all subsequent
increases) shall be increased by a percentage equal to the
percentage of the increase in such primary insurance amount
(such increase being made in accordance with the provi-
sions of section 202(q)(8) of such Act). Where such indi-
vidual's benefit, reduced under section 202(q) of such Act,
is increased as a result of the use of an adjusted reduction
period or an additional adjusted reduction period (in ac-
cordance with paragraphs (1) and (3) of such section 202
(q)), then for the first month for which such increase is
effective and for all subsequent months, the amount of such
reduction (after the application of the previous sentence,
if an increase in the primary insurance amount is appli-
cable) shall be determined—

(1) in the case of old-age and spouse's insurance
benefits, by multiplying such amount by the ratio of (A)
the number of months in the adjusted reduction period
to (B) the number of months in the reduction period,

(2) in the case of widow's and widower's insurance
benefits for the month in which such individual attains
age 62, by multiplying such amount by the ratio of
(A) the number of months in the reduction period
beginning with age 62 multiplied by 1% of 1 per-
1. centum, plus the number of months in the adjusted reduc-
  tion period prior to age 62 multiplied by \( \frac{1}{7} \) of 1 per
2. centum, plus the number of months in the adjusted
3. additional reduction period multiplied by \( \frac{4}{7} \) of 4 per
4. centum to (B) the number of months in the reduction
5. period multiplied by \( \frac{4}{7} \) of 1 per centum, plus the
6. number of months in the additional reduction period
7. multiplied by \( \frac{4}{7} \) of 4 per centum, and
8. 
9. (3) in the case of widow's and widower's insurance
10. benefits for the month in which such individual attains
11. age 65, by multiplying such amount by the ratio of (A)
12. the number of months in the adjusted reduction period
13. multiplied by \( \frac{4}{7} \) of 1 per centum, plus the number of
14. months in the adjusted additional reduction period mul-
15. tiplied by \( \frac{4}{7} \) of 1 per centum to (B) the number of
16. months in the reduction period beginning with age 62
17. multiplied by \( \frac{4}{7} \) of 1 per centum, plus the number of
18. months in the adjusted reduction period prior to age 62
19. multiplied by \( \frac{4}{7} \) of 1 per centum, plus the number
20. of months in the adjusted additional reduction period
21. multiplied by \( \frac{4}{7} \) of 1 per centum,
22. with each such decrease being made in accordance with the
23. provisions of section 202 (a) (3) of such Act.
24. (c) When an individual is entitled to more than one
25. monthly benefit under title II of the Social Security Act for
any month and one or more of such benefits are reduced under
section 202 (q) of the Social Security Act, as amended by
this Act, subsection (b) of this section shall apply separately
to each such benefit before the application of section 202 (k)
of such Act (pertaining to the method by which monthly-
benefits are offset when an individual is entitled to more than
one kind of benefit), and the application of this subsection
shall operate in conjunction with section 202 (q) (3) of the
Social Security Act.

(d) (1) Section 202 (q) (7) (C) of the Social Security
Act is amended by striking out "because" and all that follows
and inserting in lieu thereof "because of the occurrence
of an event that terminated her or his entitlement to such
benefits."

(2) Section 202 (q) (3) (H) of such Act is amended
by inserting "for that month or" after "first entitled".

ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCES-
SURES UNDER THE OLD-AGE, SURVIVORS, AND DISA-
BILITY INSURANCE PROGRAM

Sec. 702. (a) (1) The first sentence of section 202 (j)
(1) of the Social Security Act is amended by striking out
"An individual" and inserting "Subject to the limitations
contained in paragraph (4), an individual" in lieu thereof.
(2) Section 202 (j) of such Act is further amended by
inserting at the end thereof the following new paragraph:
"(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsection (a), (b), (e), (e), or (f) for any month prior to the month in which he or she files an application for such benefits if the effect of such payment would be to reduce, pursuant to subsection (q), the monthly benefits to which such individual would otherwise be entitled.

"(B) (i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (e), or (d) not subject to reduction under subsection (q), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(ii) If the individual applying for retroactive benefits is a surviving spouse, or surviving divorced spouse who is under a disability (as defined in section 223 (d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviving spouse, or surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.
“(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203 (f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.”

(2) Section 226 (b) of such Act is amended by adding at the end thereof the following new paragraph:

““(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (2) (A), the entitlement of such individual to widow’s or widower’s insurance benefits under section 202 (e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202 (j) (4).”

(b) The amendments made by this section shall be effective with respect to applications for benefits under title II of the Social Security Act filed on or after January 1, 1978.”
EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY
SCHEDULED DELIVERY DAY FALLS ON SATURDAY,
SUNDAY, OR LEGAL HOLIDAY

Sec. 703. (a) Title VII of the Social Security Act is
amended by adding at the end thereof the following new
section:

"Time for Delivery of Benefit Checks When Regularly
Scheduled Delivery Day Falls on a Saturday, Sunday, or
Legal Holiday"

"Sec. 708. (a) If the day regularly designated for the
delivery of benefit checks under title II or title XVI falls on a
Saturday, Sunday, or legal public holiday (as defined in
section 6103 of title 5, United States Code) in any month,
the benefit checks which would otherwise be delivered on
such day shall be mailed in time for delivery, and delivered,
on the first day preceding such day which is not a Saturday,
Sunday, or legal public holiday (as so defined), without
regard to whether the delivery of such checks would as a
result have to be made before the end of the month for which
such checks are issued.

(b) If more than the correct amount of payment under-
title II or XVI is made to any individual as a result of the
receipt of a benefit check pursuant to subsection (a) before
the end of the month for which such check is issued, no action-
shall be taken (under section 204 or 1631 (b) or otherwise)
to recover such payment or the incorrect portion thereof.”.

(b) The amendment made by subsection (a) of this
section shall apply with respect to benefit checks the-
regularly designated day for delivery of which occurs on or
after the thirtieth day after the date of the enactment of this
Act.

DEFINITION

SEC. 704. As used in this Act and the amendments to
the Social Security Act made by this Act, the term “Sec-
retary” means, unless the context otherwise requires, the
Secretary of Health, Education, and Welfare.

-TITLE VIII—NATIONAL COMMISSION ON
SOCIAL SECURITY

-ESTABLISH A NATIONAL COMMISSION ON SOCIAL
SECURITY-

SEC. 801. (a) (1) There is hereby established a com-
mission to be known as the National Commission on Social-
Security—(hereinafter referred to as the “Commission”).

(2) (A) The Commission shall consist of—

(i) five members to be appointed by the President,

by and with the advice and consent of the Senate, one of-
whom shall, at the time of appointment, be designated as
Chairman of the Commission;
(ii) two members to be appointed by the Speaker of the House of Representatives; and

(iii) two members to be appointed by the President pro tempore of the Senate.

(B) At no time shall more than three of the members appointed by the President, one of the members appointed by the Speaker of the House of Representatives, or one of the members appointed by the President pro tempore of the Senate be members of the same political party.

(C) The membership of the Commission shall consist of individuals who are of recognized standing and distinction and who possess the demonstrated capacity to discharge the duties imposed on the Commission, and shall include representatives of the private insurance industry and of recipients and potential recipients of benefits under the programs involved as well as individuals whose capacity is based on a special knowledge or expertise in those programs. No individual who is otherwise an officer or full-time employee of the United States shall serve as a member of the Commission.

(D) The Chairman of the Commission shall designate a member of the Commission to act as Vice Chairman of the Commission.

(E) A majority of the members of the Commission shall
constitute a quorum, but a lesser number may conduct hearings.

(F) Members of the Commission shall be appointed for a term of two years.

(G) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as that herein provided for the appointment of the member first appointed to the vacant position.

(H) Members of the Commission shall receive $138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(I) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission; but meetings of the Commission shall be held not less frequently than once in each calendar month which begins after a majority of the authorized membership of the Commission has first been appointed.

(J) (1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and
(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds to meet the immediate and long-range financing needs of such programs;

(B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;

(C) the impact of such programs on, and their relation to, public assistance programs, nongovernmental retirement and annuity programs, medical service delivery systems, and national employment practices;

(D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured or other-
wise-eligible for benefits under such programs, including
inequities and inequities arising out of marital status,
sex, or similar classifications or categories;

(E) possible alternatives to the current Federal
programs or particular aspects thereof, including but not
limited to (i) a phasing out of the payroll tax with the
financing of such programs being accomplished in some
other manner (including general revenue funding and
the retirement bond), (ii) the establishment of a system
providing for mandatory participation in any or all of
the Federal programs, (iii) the integration of such
current Federal programs with private retirement pro-
gress, and (iv) the establishment of a system permit-
ting covered individuals a choice of public or private
programs or both; and

(F) methods for effectively implementing the rec-
ommendations of the Commission.

(3) In order to provide an effective opportunity for
the general public to participate fully in the study, investi-
gation, and review under this section, the Commission, in
conducting such study, investigation, and review, shall hold
public hearings in as many different geographical areas of
the country as possible. The residents of each area where
such a hearing is to be held shall be given reasonable advance
notice of the hearing and an adequate opportunity to appear
and express their views on the matters under consideration.

(e)(1) No later than four months after the date on
which a majority of the authorized membership of the Com-
mission is initially appointed, the Commission shall submit
to the President and the Congress a special report describ-
ing the Commission's plans for conducting the study, investi-
gation, and review under subsection (b), with particular
reference to the scope of such study, investigation, and
review and the methods proposed to be used in conducting it.

(2) At or before the close of each of the first two
years after the date on which a majority of the authorized
membership of the Commission is initially appointed, the
Commission shall submit to the President and the Congress
an annual report on the study, investigation, and review
under subsection (b), together with its recommendations
with respect to the programs involved. The second such re-
port shall constitute the final report of the Commission on
such study, investigation, and review, and shall include its
final recommendations; and upon the submission of such final
report the Commission shall cease to exist.

(d)(1) The Commission shall appoint an Executive
Director of the Commission who shall be compensated at a rate fixed by the Commission, but which shall not exceed the rate established for level V of the Executive Schedule by title 5, United States Code.

(2) In addition to the Executive Director, the Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(e) In carrying out its duties under this section, the Commission, or any duly authorized committee thereof, is authorized to hold such hearings, sit and act at such times and places, and take such testimony, with respect to matters with respect to which it has a responsibility under this section, as the Commission or such committee may deem advisable. The Chairman of the Commission or any member authorized by him may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.
(f) The Commission may secure directly from any department or agency of the United States such data and information as may be necessary to enable it to carry out its duties under this section. Upon request of the Chairman of the Commission, any such department or agency shall furnish any such data or information to the Commission.

(g) The General Services Administration shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

(h) There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.

(i) It shall be the duty of the Health Insurance Benefits Advisory Council (established by section 1867 of the Social Security Act) to provide timely notice to the Commission of any meeting thereof, and the Chairman of the Commission (or his delegate) shall be entitled to attend any such meeting.

SHORT TITLE; REFERENCE TO ACT

Section 1. (a) This Act (together with the following table of contents) may be cited as the "Social Security Amendments of 1977".
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(b) Whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision without specification of Act, the reference is to a section or other provision of the Social Security Act.

11 TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

14 PART A—PROVISIONS RELATING TO FINANCING

15 APPLICATION OF EMPLOYER EXCISE TAX TO WAGES IN EXCESS OF CONTRIBUTION AND BENEFIT BASE

Sec. 101. (a) Section 230(c) is amended by adding at the end the following sentence: "For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3221(b) of such Code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be $50,000 with respect
1 to remuneration paid during calendar years 1979 through
2 1984, and with respect to calendar years after 1984 $75,000
3 or (if higher) the contribution and benefit base as determined
4 under this section without regard to the provisions of this
5 sentence.”.
6 (b) Section 230(b) is amended by striking out “shall
7 be” in the matter preceding paragraph (1) and inserting in
8 lieu thereof “shall (subject to subsections (c) and (d)) be”.
9 INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR
10 EMPLOYEES
11 Sec. 102. Section 230 is amended by adding at the end
12 the following new subsection:
13 “(d) Except as otherwise provided by the last sentence
14 of subsection (c) and except for purposes of determining
15 employer tax liability under section 3221(a) of the Internal
16 Revenue Code of 1954, for calendar years 1979, 1981,
17 1983, and 1985 the contribution and benefit base shall be
18 equal to the amount determined under subsection (b) but as
19 augmented for each such year (and carried forward there-
20 after) by $600; and the amount of such base for any such
21 year as so increased shall be deemed to be the amount of such
22 base for such year for purposes of determining any increase,
23 under the preceding provisions of this section, in such base
24 for any succeeding year.”.
EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS.

Sec. 103. (a) Tax on Employees.—

(1) Old-age, survivors, and disability insurance.—Paragraphs (1) and (2) of section 3101 (a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.40 percent except for calendar year 1981 it shall remain at 5.35 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.70 percent;

"(6) with respect to wages received during the cal-
endar years 1990 through 1994, the rate shall be 6.15 percent;

"(7) with respect to wages received during the cal-
endar years 1995 through 2000, the rate shall be 6.70 percent;

"(8) with respect to wages received during the cal-
endar years 2001 through 2010, the rate shall be 7.30 percent; and

"(9) with respect to wages received after December 31, 2010, the rate shall be 7.80 percent."

(2) Hospital Insurance.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

"(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages received after December 31, 1985, the rate shall be 1.40 percent.".
(b) Tax on Employers.—

(1) Old-age, Survivors, and Disability Insurance.—Paragraphs (1) and (2) of section 3111 (a) of the Code are amended to read as follows:

“(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

“(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

“(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

“(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.40 percent except for calendar year 1981 it shall remain at 5.35 percent;

“(5) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.70 percent;

“(6) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.15 percent;

“(7) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

“(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.30 percent;

and

“(9) with respect to wages paid after December 31, 2010, the rate shall be 7.80 percent.”.
(2) Hospital insurance.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

"(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages paid after December 31, 1985, the rate shall be 1.40 percent."

(c) Tax on self-employment income.—

(1) Old-age, survivors, and disability insurance.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) Old-age, survivors, and disability insurance.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the
tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

“(2) in the case of any taxable year beginning after December 31, 1977 and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

“(3) in the case of any taxable year beginning after December 31, 1978 and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;

“(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 8.00 percent of the amount of the self-employment income for such taxable year;

“(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.55 except for 1981 it shall remain at 8.50 percent of the amount of the self-employment income for such taxable year;

“(6) in the case of any taxable year beginning after December 31, 1989, and before January 1, 1995, the tax shall be equal to 9.25 percent of the amount of the self-employment income for such taxable year;

“(7) in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax
shall be equal to 10.05 percent of the amount of the self-employment income for such taxable year;

“(8) in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 10.95 percent of the amount of the self-employment income for such taxable year; and

“(9) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.70 percent of the amount of the self-employment income for such taxable year.”.

(2) Hospital Insurance.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the Code are amended to read as follows:

“(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;

“(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;

“(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;
"(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year.".

(d) ALLOCATION TO DISABILITY INSURANCE TRUST FUND.—

(1) ALLOCATION OF WAGES.—Section 201(b)(1) of the Social Security Act is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.550 percentum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500 percentum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 percentum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.900 percentum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 percentum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400
per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and".

(2) Allocation of self-employment income.—Section 201(b)(2) is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.435 per centum of the amount
of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1990, and before January 1, 1995, (L) 1.800 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (M) 2.025 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2011, and (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.”.

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 104. (a) Section 215(a) is amended to read as follows:

“(a) (1) (A) The primary insurance amount of an indi-
vidual (except as otherwise provided in this section) is equal to the sum of—

"(i) 92 per centum of the individual’s average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of this clause by subparagraph (B),

“(ii) 33 per centum of the portion of the individual’s average indexed monthly earnings which exceeds the amount established for purposes of clause (i) but does not exceed the amount established for purposes of this clause by subparagraph (B), and

“(iii) 16 per centum of the individual’s average indexed monthly earnings to the extent that they exceed the amount established for purposes of clause (ii), rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

“(B)(i) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in the calendar year 1979, the amounts established with respect to subparagraphs (A)(i) and (A)(ii) are $180 and $1,075, respectively.

“(ii) In the case of an individual who becomes eligible for old-age or disability insurance benefits, or who dies before becoming so eligible, in a calendar year after 1979, each of the amounts established with respect to subparagraphs
(A) (i) and (A) (ii) shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph, and the quotient obtained by dividing—

"(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year preceding the calendar year for which the determination is made, by

"(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the calendar year 1977.

"(iii) The amounts established under clause (ii) shall be rounded to the nearest $1.00, except that an amount that is a multiple of $0.50 but not a multiple of $1.00 shall be rounded to the next higher $1.00.

"(C) (i) No primary insurance amount computed under subparagraph (A) may be less than—

"(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in this subsection as in effect in December 1978, rounded (if not a multiple of $1) to the higher multiple of $1, or

"(II) an amount equal to $9 multiplied by the individual's years of coverage in excess of 10,

whichever is greater. No increase under subsection (i) shall
apply to the dollar amount specified in subdivision (I) of this clause.

“(ii) For purposes of the preceding clause, the term 'years of coverage' means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) $900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2)(B)(ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, and compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

“(D) In each calendar year after 1978 the Secretary
shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this para-
graph and for adjusting wages and self-employment income under subsection (b)(3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average wages (as described by subclause (I) of subparagraph (B)(ii)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average wages (as so described) for each year after calendar year 1950.

“(2) (A) A year shall not be counted as a year of an individual’s death or eligibility for purposes of this subsection or subsection (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual’s eligibility for the disability insurance benefit to which he was entitled in such 12-month period).

“(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for deter-
mining any benefit attributable to that entitlement, reentitle-
ment, or death is the greater of—

"(i) the primary insurance amount upon which
that disability insurance benefit was based, increased in
the case of the individual who so became entitled, became
reentitled, or died, by each general benefit increase (as
defined in subsection (i)(3)) and each increase pro-
vided under subsection (i)(2) that would have applied
to that primary insurance amount had the individual
remained entitled to that disability insurance benefit
until the month in which he became entitled, reentitled,
or died, or

"(ii) the amount computed under paragraph (1)
(C).

"(C) In the case of an individual who was entitled to a
disability insurance benefit for any month, and with respect
to whom a primary insurance amount is required to be com-
puted at any time after the close of the period of the individ-
ual's disability (whether because of that individual's subse-
quently entitlement to old-age insurance benefits, or to a dis-
ability insurance benefit based upon a subsequent period of
disability, or death), the primary insurance amount so com-
puted may in no case be less than the primary insurance
amount on the basis of which he most recently received a dis-
ability insurance benefit.
"(3)(A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

"(i) an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

"(I) becomes eligible for that benefit,

"(II) becomes eligible for a disability insurance benefit, or

"(III) dies, and

"(ii) an individual described in clause (i) who was eligible for a disability insurance benefit for a month prior to January 1979, (except to the extent that paragraph (4)(A) otherwise provides).

"(B) For the purposes of this title, an individual is deemed to be eligible for an old-age insurance benefit beginning in the month in which he attains age 62, or for a disability insurance benefit for months beginning in the month in which a period of disability began as described in section 216(i)(2)(C), unless less than 12 months have elapsed since the termination of a prior period of disability in which case the month of eligibility with respect to the prior period of disability shall be considered the month of eligibility.

"(4) Paragraph (1) does not apply to the computation or recomputation of a primary insurance amount for—

"(A) an individual who was eligible for a dis-
ability insurance benefit for a month prior to January 1979 unless, prior to the month in which there occurs the event described in clause (i)(I), (i)(II), or (i)(III) of paragraph (3)(A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

"(B) (i) an individual who had wages or self-employment income credited for a year before 1979 and who was not eligible for an old-age or disability insurance benefit, or did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual's primary insurance amount would be greater if computed or recomputed—

"(I) under section 215(a), as in effect in December 1978, in the case of an individual who becomes eligible for an old-age insurance benefit prior to 1984, or

"(II) as provided by section 215(d), in the case of an individual to whom such section applies.

"(ii) For purposes of determining under clause (i) which amount is the greater—

"(I) the table of benefits in effect in December 1978 shall apply without regard to any increase in that table which becomes effective (in accordance with
subsection (i)(4)) for years after 1978 except as provided in subsection (i)(2)(A)(iii), and

"(II) the individual's average monthly wage shall be computed as provided by subsection (b)(4).

"(5) With respect to computing the primary insurance amount, after December 1978, of an individual to whom paragraph (1) does not apply (except in the case of an individual described in paragraph (4)(B)), this section as in effect in December 1978 remains in effect.”.

(b) Section 215(b) (except the caption thereof) is amended to read as follows:

"(b)(1) The amount of an individual's average indexed monthly earnings is equal to the quotient obtained by dividing—

"(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

"(B) the number of months in those years.

"(2)(A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection—
"(i) the term 'benefit computation years' means, in the case of any individual, those computation base years, equal in number to the number determined under subparagraph (A) of this paragraph, for which the total of the individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

"(ii) the term 'computation base years' means, in the case of any individual, the calendar years after 1950 and prior to the earlier of—

"(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement;

"(II) in the case of an individual who has died, the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92–603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 62; except that such term excludes
any calendar year any part of which is included in a period of disability.

"(3)(A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) is deemed equal to the product of—

"(i) the wages and self-employment income credited to such year, and

"(ii) the quotient obtained by dividing—

"(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such death or eligibility but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period), by
"(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year—

"(i) which occurs after the second calendar year specified in subparagraph (A)(ii)(I), where applicable, or

"(ii) in a year which under subsection (f)(2)(C) is considered to be the last year of the period specified in subsection (b)(2)(B)(ii), are available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) In determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a)(4)(B), this subsection as in effect in December 1978 remains in effect, except that paragraph (2)(C) (as then in effect) is deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the indi-
individual was eligible (as defined in subsection (a)(3)(B) of this section as in effect in January 1979) for an old-age or disability insurance benefit, or died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year.”.

(c) Section 215(c) (except the caption thereto) is amended to read as follows:

“(c) This subsection, as in effect in December 1978, shall remain in effect with respect to an individual to whom subsection (a)(1) does not apply by reason of the individual’s eligibility for an old-age insurance or disability insurance benefit, or the individual’s death, prior to 1979.”.

(d)(1) The matter in section 215(d) which precedes subparagraph (C) of paragraph (1) is amended to read as follows:

“(d)(1) For the purpose of column I of the table appearing in subsection (a) of this section, as that subsection was in effect in December 1977, an individual’s primary insurance benefit shall be computed as follows:

“(A) The individual’s average monthly wage shall be determined as provided in subsection (b) of this section, as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect), 1936 shall be used instead of 1950.
“(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2) (as so in effect), the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the ‘divisor’) elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual’s death. The quotient so obtained is deemed to be the individual’s wages credited for each of the years included in the divisor except—

“(i) if the quotient exceeds $3,000, only $3,000 is deemed to be the individual’s wages for each of the years included in the divisor, and the remainder of the individual’s total wages prior to 1951 (I) if less than $3,000, is deemed credited to the year immediately preceding the earliest year used in the divisor, or (II) if $3,000 or more, is deemed credited, in $3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than $3,000 credited to the year prior to the earliest year to which a full $3,000 increment was credited; and
“(ii) no more than $42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.”.

(2) Section 215(d)(1)(D) is amended to read as follows:

“(D) The individual’s primary insurance benefits shall be 40 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 10 per centum of the next $200 of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual’s total wages prior to 1951 divided by $1,650 (disregarding any fraction).”.

(3) Section 215(d)(3) is amended (A) by striking subparagraphs (A) and (B), and (B) by striking the dash after “individual” and inserting instead the text of the stricken subparagraph (B).

(4) Section 215(d) is amended by adding at the end the following new paragraph:

“(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age insurance or disability insurance benefits or die prior to 1978.”.

(e) Section 215(e) is amended—
(1) by striking out "average monthly wage" each time it appears and inserting instead "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b)(3)(A))".

(f)(1) Section 215(f)(2) is amended to read as follows:

"(2)(A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a)(1) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts of those earnings established by clauses (i) and (ii) of subparagraph (B) of that subsection, the amounts that were (or, in the case of an individual de-
scribed in subsection (a)(4)(B), would have been) used in
the computation of the individual's primary insurance
amount prior to the application of this subsection.

"(C) A recomputation under this paragraph shall be
made as provided in subsection (a)(1) as though the year
with respect to which it is made is the last year of the period
specified in subsection (b)(2)(B)(ii), and subsection (b)
(3)(A) shall apply with respect to any such recomputation
as it applied in the computation of such individual's primary
insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with re-
spect to any year shall be effective—

"(i) in the case of an individual who did not die in
that year, for monthly benefits beginning with benefits
for January of the following year; or

"(ii) in the case of an individual who died in that
year, for monthly benefits beginning with benefits for
the month in which he died.

(2) Section 215(f)(3) is repealed.

(3) Section 215(f)(4) is amended to read as follows:

"(4) A recomputation is effective under this subsection
only if it results in a primary insurance amount that is at
least $1.00 higher than the previous primary insurance
amount.".
(4) There is added at the end of section 215(f) the following new paragraph:

"(7) This subsection, as in effect in December 1978, shall continue to apply to the recomputation of a primary insurance amount computed under subsection (a) or (d) as in effect (without regard to the table contained in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing the primary insurance amount under subsection (a) or (d) (as thus in effect) with respect to an individual to whom those subsections apply by reason of paragraph (B) of subsection (a)(4) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age insurance or disability insurance benefit or died, or for any year thereafter."

(g)(1) Section 215(i)(2)(A)(ii) is amended to read as follows:

"(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

"(I) the benefit amount of each individual who for that month is entitled to benefits under section 227 or 228,"
"(II) the primary insurance amount of each other
individual on which benefit entitlement is based under
this title, and

"(III) the total monthly benefits based on each
primary insurance amount and permitted under sec-
tion 203 (which shall be increased, unless otherwise
so increased under another provision of this title, at
the same time as the primary insurance amount on
which they are based) or, in the case of a primary insur-
ance amount computed under subsection (a) as in effect
(without regard to the table contained therein) prior
to January 1979, the amount to which the beneficiaries
may be entitled under section 203 as in effect in Decem-
ber 1978, except as provided by section 203(a) (6)
and (7) as in effect after December 1978,
but shall not increase a primary insurance amount that is
computed under subparagraph (C)(i)(III) of subsection
(a)(1) or a primary insurance amount that was computed
prior to January 1979 under subsection (a)(3) as then in
effect. The increase shall be derived by multiplying each of
the amounts described in clauses (I), (II), and (III)
(including each of those primary insurance amounts or ben-
efit amounts as previously increased under this subpara-
graph) by the same percentage (rounded to the nearest one-
tenth of 1 percent) as the percentage by which the Consumer
Price Index for that cost-of-living computation quarter exceeds that Index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any amount so increased that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.”.

(2) Section 215(i)(2)(A) is amended by adding at the end the following new clause:

“(iii) In the case of an individual who becomes eligible for an old-age insurance or disability insurance benefit, or dies prior to becoming so eligible, in a year in which there occurs an increase provided in clause (ii), the individual’s primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title) by the amount of that increase and subsequent applicable increases, but only with respect to benefits payable for months after May of that year.”.

(3) Section 215(i)(2)(D) is amended by striking out all that follows the first sentence.

(4) There is added at the end of section 215(i) the following new paragraph:

“(4) This subsection, as in effect in December 1978, shall continue to apply to subsections (a) and (d), as then
in effect, with respect to computing the primary insurance
amount of an individual to whom subsection (a), as in
effect after December 1978, does not apply (including an
individual to whom subsection (a) does not apply in any
year by reason of paragraph (4)(B) of that subsection,
but the application of this subsection in such cases shall be
modified by the application of subclause (I) of clause (ii) of
such paragraph (4)(B)). For purposes of computing pri-
mary insurance amounts and maximum family benefits (other
than primary insurance amounts and maximum family bene-
fits for individuals to whom such paragraph (4)(B) ap-
plies), the Secretary shall publish in the Federal Register
revisions of the table of benefits contained in subsection (a),
as in effect in December 1978, as required by paragraph (2)
(D) of this subsection, as then in effect.”.
(h)(1) Section 230 of the Social Security Act is
amended by adding after subsection (d) (as added by sec-
section 102 of this Act) the following new subsection:
“(e) For purposes of subsection (b), the term ‘wages’
for years after 1976 shall have the meaning assigned to such
term by section 3401(a) of the Internal Revenue Code of
1954 and section 3121(a) of such Code (but without regard
to the operation of section 230 of the Social Security Act as
specified therein) to the extent that they are excluded from
such section 3401(a). For years before 1977, the term
'wages' shall be determined under regulations to be promulgated by the Secretary.'

(2) The amendment made by paragraph (1) shall be applicable to determinations of the Secretary of Health, Education, and Welfare, under section 230 of the Social Security Act effective in the case of calendar years after 1978.

MAXIMUM BENEFITS

SEC. 105. (a) The matter in section 203(a) preceding paragraph (2) thereof is amended to read as follows:

"(a)(1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of that insured individual shall, except as provided by paragraph (3), (but prior to any increases resulting from the application of paragraph (2)(A)(ii)(III) of section 215(i)) be reduced so as not to exceed—

"(A) 150 percent of the individual's primary insurance amount up to the amount that is established with respect to this subparagraph by paragraph (2),

"(B) 272 percent of the individual's primary insurance amount that exceeds the amount to which subparagraph (A) applies but does not exceed an amount
established with respect to this subparagraph by paragraph (2),

"(C) 134 percent of the individual's primary insurance amount that exceeds the amount to which subparagraph (B) applies but does not exceed an amount established with respect to this subparagraph by paragraph (2), and

"(D) 175 percent of the individual's primary insurance amount that exceeds the amount established by paragraph (2) with respect to subparagraph (C).

Any such amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(2)(A) For individuals who become eligible for old-age or disability insurance benefits or who die in the calendar year 1979 the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) are $236, $342, and $449, respectively (not counting as the year of death or eligibility for purposes of this paragraph the year of the individual's death or eligibility if the individual was entitled to a disability insurance benefit for any of the twelve months immediately preceding the month of such death or eligibility, but counting instead, the year of eligibility for such disability insurance benefit).

"(B) For individuals who become eligible for such benefits or who die in a calendar year after 1979 the amount
established with respect to each of those subparagraphs shall
equal the product of the corresponding amount established for
1979 by subparagraph (A) of this paragraph and the quo-
tient obtained under subparagraph (B)(ii) of section 215(a)
(1). Such product shall be rounded in like manner as is

"(C) In each calendar year after 1978 the Secretary
shall publish in the Federal Register, on or before Novem-
ber 1, the formula applicable under this subsection to individ-
uals who become eligible for old-age insurance benefits, become
disabled, or die in the following calendar year.

"(3)(A) When an individual to whom this subsection
applies would (but for the provisions of section 202(k)(2)
(A)) be entitled to child's insurance benefits for a month on
the basis of the wages and self-employment income of one
or more other individuals, the total of benefits shall not be
reduced under this subsection to less than the smaller of—

"(i) the sum of the maximum amounts of benefits
payable on the basis of the wages and self-employment
income of all of those individuals, or

"(ii) an amount equal to the product of 1.75 and
the primary insurance amount that would be computed
under section 215(a)(1) for that month with respect
to average indexed monthly earnings equal to one-
twelfth of the contribution and benefit base applicable
to employees and the self-employed determined for that year under section 230.”.

(b) Paragraph (2) of section 203(a) (prior to the amendment made by subsection (a) of this section) is redesignated as subparagraph (B) (of paragraph (3)), its three lettered subparagraphs are respectively redesignated as clauses (i), (ii), and (iii), the word “paragraph” in the redesignated clause (i) is stricken and the word “subparagraph” is inserted in lieu thereof, its initial word is stricken and “When” inserted instead, and “, or” as it appears at the end thereof is stricken and a period inserted instead.

(c) The matter following clause (iii) of the redesignated subparagraph (B) is amended to read as follows: “but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k)(2)(A) was applicable in the case of any such benefit for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.”.

(d) Paragraph (3) of section 203(a) (prior to the
amendments made by the preceding provisions of this section) is redesignated as subparagraph (C) (of paragraph (3)), and its initial word is stricken and "When" inserted instead.

(e) The matter in section 203(a) that follows paragraph (3) (prior to the amendments made by the preceding provisions of this section) and precedes paragraph (4) (prior to the amendments made by the preceding provisions of this section) is stricken and there is inserted instead the following:

"(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased."

(e) Paragraph (4) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is redesignated as paragraph (5), its initial word is stricken and "Notwithstanding" inserted instead, and "; or" at the end thereof is stricken and a period inserted instead.
Subparagraph (A) of such paragraph (4) is amended by striking out "and section 202(q)" therein. The matter following subparagraph (B) of such paragraph and preceding the next numbered paragraph is a portion of the redesignated paragraph (5), and shall be indented accordingly.

(f) Paragraph (5) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is repealed, except with respect to an individual who became eligible for a monthly benefit (as defined in section 215(a)(2)(A)) or died prior to 1979.

(g) Following paragraph (5) of section 203(a) (as amended by this section) there are added the following new paragraphs:

"(6) In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were determined under section 215(a) (1) or (4), or 215(d), as in effect after December 1978, the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75
and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined under section 230 for the year in which that month occurs.

“(7) Subject to the preceding paragraph, this subsection, as in effect in December 1978, shall remain in effect with respect to a primary insurance amount computed under section 215 (a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an individual who first becomes eligible for an old-age or disability insurance benefit (as defined in section 215(a) (2)(A)) or dies, after December 1978, shall, instead, be governed by this section, as in effect after December 1978.”.

REDUCTION IN TAX FOR CERTAIN PUBLIC AND NONPROFIT EMPLOYEES

Sec. 106. (a) Section 218(c) of the Social Security Act is amended—

(1) by inserting “, subject to the provisions of paragraphs (3), (4), and (5),” after “will pay” in paragraph (1)(A) thereof; and

(2) by adding at the end thereof the following new paragraphs:
"(3) For purposes of paragraph (1)(A) in determining the amount of taxes which would be imposed—

"(A) for calendar year 1979, the rates of tax under such section 3111 and the contribution and benefit base (as determined under section 230) which would have applied for calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 shall be applied; and

"(B) for calendar years 1980 and thereafter, the amount determined under paragraph (1)(A) as the taxes which would be imposed by such section 3111 (without regard to the provisions of this paragraph) with respect to such employees shall (except as otherwise provided in paragraph (5)) be reduced by 10 percent.

"(4) Each agreement under this section shall provide that any State whose payments under the agreement are reduced by reason of paragraph (3) or paragraph (5) shall agree to pay (and any such reduction shall be made on the condition that such State pay) to any political subdivision thereof a percentage of the aggregate amount of such reduction which percentage shall be equal to the percentage of the amount paid by such State under paragraph (1)(A) for which such State was reimbursed by such political subdivision.

"(5) The amount of the taxes which would be imposed by such section 3111 for a calendar year (taking into ac-
(b) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employers) is amended by adding at the end thereof the following new subsections:

"(c) CERTAIN NONPROFIT EMPLOYERS.—Notwithstanding any other provision of this section, in the case of an organization described in section 501(c)(3) which is exempt from tax under section 501(a) and with respect to which the taxes imposed by this section are paid, the amount of the taxes imposed by this section with respect to employees (other than employees who are primarily employed in connection with one or more unrelated trades or businesses (within the meaning of section 513) of such organization) shall—

"(1) during calendar year 1979, be equal to the amount which would be determined if the rates of tax
under section 3111 and the contribution and benefit base
(as determined under section 230 of the Social Security
Act) which would have applied during calendar year
1979 under the law in effect immediately before the
enactment of the Social Security Amendments of 1977;
and
“(2) for the calendar years 1980 and thereafter, be
equal to 90 percent of the amount determined under this
section (without regard to the provisions of this
subsection).”.
(c) Notwithstanding anything herein to the contrary
where the amount of taxes imposed under subsection (c)(2)
above is less than the amount of taxes paid under subsection
(c)(1) above, an organization described in section 501(c)
(3) which is exempt from tax under section 501(a) shall
pay the lesser of (i) the amount of taxes which would be im-
posed under this section (without regard to the provisions
of subsection (d)(2)).
(d) There are authorized to be appropriated to the Fed-
eral Old-Age and Survivors Trust Fund and the Federal
Hospital Insurance Trust Fund for each fiscal year amounts
equivalent to the amounts which would have been deposited in
such trust funds during that fiscal year but for the amend-
ments made by this section.
CONFORMING CHANGES

Sec. 107. (a) Section 202(m)(1) is amended to read as follows:

"(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215(a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j)(1)) entitled to a monthly benefit under this section for that month on the basis of those wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k)(3), shall not be less than that provided by subparagraph (C) (I) or (C)(II) (whichever is greater) of section 215(a) (1). In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 as in effect (without regard to the table contained therein) prior to January 1979, that monthly benefit shall be determined under this section as in effect as prescribed by section 215 (a)(5) and increased under subsection (i)(4).".

(b) Section 217(b)(1) is amended by inserting "as in effect in December 1978" after "section 215(c)" each time it appears, and after "section 215(d)".
(c) Section 224(a) is amended in the matter following paragraph (8) by inserting "(determined under section 215(b) as in effect prior to January 1979)" after "(A) the average monthly wage".

(d) Section 1839(c)(3)(B) is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of $900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1."

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

(1) by inserting after "section 215(a)(3)" in paragraph (1) (in the matter preceding subparagraph (A)) the following: "as in effect in December 1978 or section 215(a)(1)(C)(III) as in effect thereafter";
by inserting “as in effect in December 1978, or section 215(a)(1)(C)(III) as in effect thereafter,” after “paragraph (3) of section 215(a)” in paragraph (5); and

(3) by inserting “(whether before, in, or after, December 1978)” after “determined under section 215(a)” in paragraph (5).

(f) Section 104(j)(2) of the Social Security Amendments of 1972 is amended by striking out “215(b)(3)” and inserting in lieu thereof “215(b)(2)(B)(iii)”.

EFFECTIVE DATE PROVISIONS

Sec. 108. The amendments made by the preceding provisions of this Act (other than section 104(d) and 106) shall be effective with respect to monthly benefits and lump-sum death payments under title II of the Social Security Act payable for months after December 1978. The amendments made by section 104(d) shall be effective with respect to monthly insurance benefits of an individual who becomes eligible for an old-age or disability insurance benefit or who dies after December 31, 1977.

PART B—GENERAL PROVISIONS

LIBERALIZATION OF EARNINGS TEST

Sec. 121. (a) Section 203(f)(8)(B) of the Social Security Act is amended by striking out “The exempt amount” in the matter preceding clause (i) and inserting
in lieu thereof "Except as provided in subparagraph (D), the exempt amount".

(b) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding any other provision of this subsection, the exempt amount—

"(i) shall be $375 for each month of any taxable year ending after 1977 and before 1979, and

"(ii) shall be $500 for each month of any taxable year ending after 1978 and before 1980."

(c) No determination or publication of a new exempt amount shall be required to be made under section 203(f)(8)(A) of the Social Security Act, and no notification with respect to an increased exempt amount shall be required to be given under the last sentence of section 203(f)(8)(B) of such Act, in the calendar year 1978 but such a determination, publication, and notification shall be required in calendar years after 1978 and shall be made or given as though the dollar amounts specified in clauses (i) and (ii) of section 203(f)(8)(D) of such Act (as added by subsection (b) of this section) had been determined (for the taxable years involved) under such section 203(f)(8)(B).

(d) Subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act are amended by striking out "$200 or".
REPEAL OF EARNINGS LIMITATION FOR INDIVIDUALS AGE 70 AND OVER

Sec. 122. (a) Subsections (c)(1), (d)(1), (f)(1), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (f)(3) of section 203 of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 70".

(c) Subsection (h)(1)(A) of section 203 of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(d) The heading of subsection (j) of section 203 of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(e) The amendments made by this section shall apply only with respect to taxable years ending after December 31, 1981.

(f) (1) The amendments made by this section shall be effective (subject to the provisions of paragraph (2)) with respect to taxable years ending after December 31, 1977.

(2) Prior to October 1, 1978, title II of the Social Security Act shall be administered as if the amendments made by this section had not been enacted.

(g) Clause (E) of the last sentence of section 203(f)
1 (1) of the Social Security Act (as amended by section 121(d) of this Act) is further amended by inserting before the period at the end thereof the following: "if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled for the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the exempt amount as determined under paragraph (8)".

(h) The amendment made by subsection (g) shall apply only with respect to monthly benefits payable for months after December 1977.

WIDOW'S AND WIDOWER'S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

Sec. 123. (a) Section 202(e)(2)(A) of the Social Security Act is amended (1) by inserting "(as determined after application of the following sentence)" after "primary insurance amount", and (2) by adding at the end thereof the following new sentence: "If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to
being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which he was receiving (or would upon application have received) for the month prior to the month in which he died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w)."

(b) Section 202(e)(2)(B)(i) of such Act is amended by inserting "and section 215(f)(6) were applied, where applicable," immediately after "living".

(c) Section 202(f)(3)(A) of such Act is amended (1) by inserting "(as determined after application of the following sentence)" after "primary insurance amount", and (2) by adding at the end thereof the following new sentence: "If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of sub-
section (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received) for the month prior to the month in which she died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(d) Section 202(f)(3)(B)(i) of such Act is amended by inserting “and section 215(f)(6) were applied, where appropriate,” after “living,”.

(e) Section 203(a) (as amended by section 105(g)) is further amended by adding at the end thereof the following new paragraph:

“(8) when—

“(A) one or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December 1977 on the basis of the wages and self-employment income of an individual,
“(B) the benefit of at least one such person for January 1978 is increased by reason of the amendments made by section 109 of the Social Security Amendments of 1977; and

“(C) the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203(a)(4)),

then the amount of the benefit to which each such person is entitled for months after December 1977 shall be increased (after such reductions are made under this subsection) to the amount such benefit would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased.”.

(f) The amendments made by this section shall be effective with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1977.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

Sec. 124. (a)(1) Section 202(b)(2) of the Social Security Act is amended by inserting after “subsection (g)” the following: “and paragraph (4) of this subsection”.
(2) Section 202(b) of such Act is amended by adding at the end thereof the following new paragraph:

"(4)(A) The amount of a wife's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such wife (or divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(b)(1) Section 202(c)(1) is amended—

(A) by striking out subparagraph (C);
(B) by inserting "and" at the end of subparagraph (B); and

(C) by redesignating subparagraph (D) as subparagraph (C).

(2) Section 202(c)(2) is amended to read as follows:

"(2) (A) The amount of a husband's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such husband for such month which is based upon his earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.".
Section 202(c)(3) is amended by inserting after "subsection (q)" the following: "and paragraph (2) of this subsection".

(c)(1) Section 202(e)(2)(A) of such Act is amended by striking out "paragraph (4)" and inserting in lieu thereof "paragraphs (4) and (8)".

(2) Section 202(e) of such Act is amended by adding at the end thereof the following new paragraph:

"(A) The amount of a widow's insurance benefit for each month as determined (after application of the provisions of subsection (q), paragraph (2)(B), and paragraph (4)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widow (or surviving divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of sub-
paragraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.”.

(d) (1) Section 202(f)(1) is amended—

(A) by striking out subparagraph (D); and

(B) by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(2) Section 202(f)(2) is amended to read as follows:

“(2) (A) The amount of a widower's insurance benefit for each month (as determined after application of the provisions of subsection (q), paragraph (3)(B) and paragraph (5) shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such widower for such month which is based upon his earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute ‘employment’ as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit
(as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.”.

(3) Section 202(f)(3)(A) is amended by striking out “paragraph (5)” and inserting in lieu thereof “paragraphs (2) and (5)”.

(4) (A) Section 202(f)(7) is amended by striking out “paragraph (1)(G)” and inserting in lieu thereof “paragraph (1)(F)”.

(B) Section 226(h)(1)(B) is amended by striking out “subparagraph (G) of section 202(f)(1)” and inserting in lieu thereof “subparagraph (F) of section 202(f)(1)”.

(5) Section 202(p)(1) is amended by striking out “subparagraph (C) of subsection (c)(1), clause (i) or (ii) of subparagraph (D) of subsection (f)(1), or”.

(e) (1) Section 202(g)(2) of such Act is amended by striking out “Such” and inserting in lieu thereof “Except as provided in paragraph (4) of this subsection, such”.

(2) Section 202(g) of such Act is amended by adding at the end thereof the following new paragraph:

“(4)(A) The amount of a mother’s insurance benefit for each month to which any individual is entitled under this
subsection shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such individual for such month which is based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day such individual was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid other than on a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(f) The amendments made by this section shall apply with respect to monthly insurance benefits payable under title II of the Social Security Act for months beginning with the month in which this Act is enacted, on the basis of applications filed in or after the month in which this Act is enacted.
EMPLOYEES OF MEMBERS OF RELATED GROUPS OF
CORPORATIONS

Employer Social Security Tax Liability

SEC. 125. (a) Section 3121 of the Internal Revenue
Code of 1954 (relating to definitions for purposes of the
Federal Insurance Contributions Act) is amended by add-
ing at the end thereof the following new subsection:

"(s) CONCURRENT EMPLOYMENT BY TWO OR MORE
EMPLOYERS.—For purposes of sections 3102, 3111, and
3121(a)(1), if two or more corporations concurrently em-
ploy the same individual and compensate such individual
through a common paymaster, each such corporation shall be
considered to have paid as remuneration to such individual
only the amounts actually disbursed by it to such individual
and shall not be considered to have paid as remuneration to
such individual amounts actually disbursed to such individual
by another of such corporations."

(b) Section 3306 of the Internal Revenue Code of 1954
(relating to definitions in respect of unemployment tax) is
amended by adding at the end thereof the following subsection:

"(p) CONCURRENT EMPLOYMENT BY TWO OR MORE
EMPLOYERS.—For purposes of sections 3301, 3302, and
3306(b)(1), if two or more corporations concurrently em-
ploy the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

Effective Date

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1978.

LIMITATION ON RETROACTIVE BENEFITS

SEC. 126. (a)(1) The first sentence of section 202(j) (1) of the Social Security Act is amended by striking out “An individual” and inserting “Subject to the limitations contained in paragraph (4), an individual” in lieu thereof.

(2) Section 202(j) of such Act is further amended by inserting at the end thereof the following new paragraph:

“(4)(A) Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsection (a), (b), (c), (e), or (f) for any month prior to the month in which he or she files an application for such benefits if the effect of entitlement to such monthly benefit would be to reduce, pursuant to subsection (q), the amount of the monthly benefit to which such individual would otherwise be entitled for the month in which such application is filed.
"(B)(i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (q), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(ii) If the individual applying for retroactive benefits is a surviving spouse or surviving divorced spouse, and is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviving spouse or disabled surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as
are required to charge such excess earnings to the maximum extent possible.

"(iv) As used in this subparagraph, the term "retroactive benefits" means a benefit to which an individual becomes entitled for a month prior to the month in which application for such benefit is filed."

(3) Section 226(h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (2)(A), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j)(4)."

(b) The amendments made by subsection (a) shall be effective only with respect to monthly insurance benefits under title II of the Social Security Act to which an individual becomes entitled on the basis of an application filed after the date of enactment of this Act.

**DELIVERY OF BENEFIT CHECKS**

Sec. 127. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:
"DELIVERY OF BENEFIT CHECKS

"SEC. 708. Notwithstanding any other provision of this Act, when the normal day for delivery of benefit checks under title II or XVI of this Act would, but for the provisions of this section, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such normal delivery day which is not a Saturday, Sunday, or legal public holiday, without regard to whether the delivery of such checks is made in the same calendar month in which such normal day for delivery would occur."

(b) The amendment made by subsection (a) of this section shall be effective on the date of enactment of this Act.

ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

SEC. 128. (a) Section 202(q)(4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following: "then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and from
the month for which the individual first became entitled to
such monthly benefit reduced under such paragraph (1) or
(3).”.

(b) Section 202(q) of such Act is amended by adding
at the end thereof the following new paragraphs:

“(10) For purposes of applying paragraph (4), to
monthly benefits payable for any month after December
1977, to an individual who was entitled to a monthly benefit
as reduced under paragraph (1) or (3) prior to January
1978, the amount of reduction of such benefit for the first
month for which such benefit is increased by reason of an
increase in the primary insurance amount of the individual
on whose wages and self-employment income such benefit is
based and for all subsequent months (and similarly for all
subsequent increases) shall be increased by the percentage
increase in such primary insurance amount (such increase
being made in accordance with the provisions of paragraph
(8)). In the case of an individual whose reduced benefit
under this section is increased as a result of the use of an
adjusted reduction period or an additional adjusted reduc-
tion period (in accordance with paragraphs (1) and (3)
of this section), then for the first month for which such in-
crease is effective and for all subsequent months, the amount of
such reduction (after the application of the previous sentence,
if applicable) shall be reduced—
"(A) in the case of old-age, wife's, and husband's insurance benefits, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period to (ii) the number of months in the reduction period,

"(B) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months in the reduction period beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number of months in the reduction period multiplied by 19/40 of 1 percent, plus the number of months in the additional reduction period multiplied by 43/240 of 1 percent, and

"(C) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent to (ii) the number
of months in the reduction period beginning with age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 19/40 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 43/240 of 1 percent, such decrease being made in accordance with the provisions of paragraph (8).

“(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, the preceding paragraph of this subsection shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3).”.

(c)(1) Section 202(q)(7)(C) of the Social Security Act is amended by striking out “because” and all that follows and inserting in lieu thereof “because of the occurrence of an event that terminated her or his entitlement to such benefits;”.

(2) Section 202(q)(3)(H) of such Act is amended by inserting “for that month or” after “first entitled”.

(d) The amendments made by this section shall be effec-
tive with respect to monthly benefits payable for months after December 1977.

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 129. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS"

"Purpose of Agreement"

"SEC. 233. (a) The President is authorized (subject to the succeeding provisions of this section) to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

"Definitions"

"(b) For the purposes of this section—

"(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equiv-
alent thereof, are paid on account of old age, death, or
disability; and

"(2) the term 'period of coverage' means a period
of payment of contributions or a period of earnings
based on wages for employment or on self-employment
income, or any similar period recognized as equivalent
thereof under this title or under the social security system
of a country which is a party to an agreement entered
into under this section.

"Crediting Periods of Coverage; Conditions of Payment
of Benefits

"(c)(1) Any agreement establishing a totalization
arrangement pursuant to this section shall provide—

"(A) that in the case of an individual who has at
least 6 quarters of coverage as defined in section 213 of
this Act and periods of coverage under the social security
system of a foreign country which is a party to such
agreement, periods of coverage of such individual under
such social security system of such foreign country may
be combined with periods of coverage under this title and
otherwise considered for the purposes of establishing
entitlement to and the amount of old-age, survivors, and
disability insurance benefits under this title;

"(B) (i) that employment or self-employment, or any
service which is recognized as equivalent to employment
or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

"(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement; and

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the
case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C) (i) (I) or (II) in the case of an individual becoming eligible for such benefit on or after that date.

"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

"(4) Any such agreement may contain other provisions, which are not inconsistent with the other provisions of this title and which the President deems appropriate to carry out the purposes of this section.

"Regulations

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e)(1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated
income and expenditures of the programs established by this Act.

"(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of the period, following the date on which the agreement is transmitted in accordance with paragraph (1), during which each House of the Congress has been in session on each of 90 days; except that such agreement shall not become effective if, during such period, either House of the Congress adopts a resolution of disapproval of the agreement."

(b)(1) Section 1401 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(2) Sections 3101 and 3111 of such Code are each
amended by adding at the end thereof the following new sub-
section:

"(c) RELIEF FROM TAXES IN CASES COVERED BY
CERTAIN INTERNATIONAL AGREEMENTS.—During any
period in which there is in effect an agreement entered into
pursuant to section 233 of the Social Security Act with any
foreign country, wages received by or paid to an individual
shall be exempt from the taxes imposed by this section to the
extent that such wages are subject under such agreement to
taxes or contributions for similar purposes under the social
security system of such foreign country."

(3) Section 6051(a) of such Code is amended by add-
ing at the end thereof the following new sentence: "The
amounts required to be shown by paragraph (5) shall not
include wages which are exempted pursuant to sections 3101
(c) and 3111(c) from the taxes imposed by sections 3101
and 3111."

(4) Notwithstanding any other provision of law, taxes
paid by any individual to any foreign country with respect
to any period of employment or self-employment which is
covered under the social security system of such foreign coun-
try in accordance with the terms of an agreement entered
into pursuant to section 233 of the Social Security Act shall
not, under the income tax laws of the United States, be
deductible by, or creditable against the income tax of, any such individual.

COVERED ORGANIZATIONS WHICH FAILED TO FILE WAIVER CERTIFICATES

SEC. 130. (a)(1) Section 3121(k)(5) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where refund or credit has been made and new certificate is not filed) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph,” in subparagraph B and inserting in lieu thereof “prior to January 1, 1978;”; and

(B) by striking out “the 181st day after the date of the enactment of this paragraph,” and “such 181st day” in the matter following subparagraph (B) and inserting in lieu thereof in each instance “January 1, 1978,“.

(2) Section 3121(k)(7) of such Code (relating to payment of both employee and employer taxes for retroactive period by organization in cases of constructive filing) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph”
and inserting in lieu thereof "prior to January 1, 1978;"

(B) by striking out "the 181st day after such date," and inserting in lieu thereof "January 1, 1978;"

and

(C) by striking out "prior to the first day of the calendar quarter in which such 181st day occurs" and inserting in lieu thereof "prior to that date".

(3) Section 3121(k)(8) of such Code (relating to extended period for payment of taxes for retroactive coverage) is amended—

(A) by striking out "by the end of the 180-day period following the date of the enactment of this paragraph" and inserting in lieu thereof "prior to January 1, 1978;"

(B) by striking out "within that period" and inserting in lieu thereof "prior to January 1, 1978"; and

(C) by striking out "on the 181st day following that date" and inserting in lieu thereof "on that date".

(b)(1) Section 3121(k)(4) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by adding at the end thereof the following new subparagraph:

"(C) In the case of any organization which is
deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

“(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A)(ii)) terminated prior to October 1, 1976, or

“(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began,

“(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

“(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals
who became its employees after the close of the
calendar quarter in which the period referred
to in clause (i) began,

which remain unpaid on the date of the enactment
of this subparagraph, or which were paid after
October 19, 1976, but prior to the date of the enact-
ment of this subparagraph, shall not be due or pay-
able (or, if paid, shall be refunded); and the certifi-
cate which such organization is deemed under this
paragraph to have filed shall not apply to any serv-
ice with respect to the remuneration for which the
taxes imposed by sections 3101 and 3111 (which
remain unpaid on the date of the enactment of this
paragraph, or were paid after October 19, 1976,
but prior to the date of the enactment of this sub-
paragraph) are not due and payable (or are re-
funded) by reason of the preceding provisions of this
subparagraph. In applying this subparagraph for
purposes of title II of the Social Security Act, the
period during which reports of wages subject to the
taxes imposed by section 3101 and 3111 were made
by any organization may be conclusively treated as
the period (described in subparagraph (a)(ii))
during which the taxes imposed by such sections were
paid by such organization.".
(2) Section 3121(k)(4)(A) of such Code is amended by inserting "(subject to subparagraph (C))" after "effective" in the matter following clause (ii).

(3) Section 3121(k)(6) of such Code (relating to application of certain provisions to cases of constructive filing) is amended by inserting "(except as provided in paragraph (4)(C))" after "services involved" in the matter preceding subparagraph (A).

(4) Section 3121(k)(4) is amended by striking out the word "date" in subparagraph (B)(ii) and inserting in lieu thereof the words "first day of the calendar quarter".

(c) In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121 (k)(4) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k)(1) of such Code, on or after the first day of the applicable period described in subparagraph (A)(ii) of such section 3121(k)(4) and before July 1, 1977; and

(2) the service so performed does not constitute employment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the waiver certificate which the organization is deemed to have filed is made inapplicable to such service by section 3121(k)(4)(C) of such Code, but would constitute
employment (as so defined) in the absence of such section 3121(k)(4)(C),
the remuneration paid for such service shall, upon the request of such individual (filed on or before April 15, 1980, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full payment of all of the taxes which would have been paid under section 3101 of such Code with respect to such remuneration but for such section 3121(k)(4)(C) (or by satisfactory evidence that appropriate arrangements have been made for the payment of such taxes in installments as provided in section 3121(k)(8) of such Code), be deemed to constitute remuneration for employment as so defined. In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for payment of the taxes which it would have been required to pay under section 3111 of such Code with respect to such remuneration in the absence of such section 3121(k)(4)(C).

(d) Section 3121(k)(8) of the Internal Revenue Code of 1954 (relating to extended period for payment of taxes for retroactive coverage), as amended by subsection (a)(3) of this Act, is amended to read as follows:
"(8) EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.—Notwithstanding any other provision of this title, in any case where—

"(A) an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4)(A)(ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remains payable notwithstanding paragraph (4)(C), or

"(B) an organization described in paragraph (5)(A) files a valid waiver certificate under paragraph (1) by December 31, 1977, as described in paragraph (5)(B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on January 1, 1978, or

"(C) an individual files a request under section 3 of Public Law 94-563, or under section 3 of the Act which added paragraph (4)(C) of this subsection, to have service treated as constituting remuneration for employment (as defined in section
3121(b) and in section 210(a) of the Social Security Act, the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.”.

(e) The first sentence of section 3 of Public Law 94-563 (in the matter following paragraph (3)) is amended—

(1) by inserting “on or before April 15, 1980,” after “filed”; and

(2) by inserting “or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code” after “so refunded or credited”.

(f) Section 3121(k)(4)(A)(i) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by striking out “or any subsequent date” and inserting in lieu
thereof "(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph.)".

(g) The amendments made by subsections (a), (b), (d), (e), and (f) shall be effective as though they had been included as a part of the amendments made to section 3121 (k) of the Internal Revenue Code of 1954 by the first section of Public Law 94—563 (or, in the case of the amendments made by subsection (e), as a part of section 3 of such Public Law).

(h) Section 3121(k)(4)(B) of the Internal Revenue Code of 1954 (relating to the period of not less than three calendar quarters during which taxes imposed by sections 3101 and 3111 were paid) is amended by deleting the period at the end thereof and inserting in lieu thereof: "(iii) the organization prior to the end of the period referred to in clause (ii) of such subparagraph, had applied for a ruling or determination letter acknowledging it to be exempt from income tax under section 501(c)(3), and it subsequently received such ruling or determination letter and did not pay any taxes under sections 3101 and 3111 with respect to any employee with respect to any quarter ending after the twelfth month following the date of mailing of such ruling or determination letter and did
not pay any such taxes with respect to any quarter beginning after the later of (I) December 31, 1975, or (II) the date on which such ruling or determination letter was issued.”.

DISABILITY BENEFITS FOR BLIND PERSONS

Sec. 131. (a) Section 214(a) of the Social Security Act is amended by adding “or” after the semicolon at the end of paragraph (3), and by inserting after paragraph (3) the following new paragraph:

“(4) in the case of an individual who has died and who was entitled to a benefit under section 223 for the month before the month in which he died, 6 quarters of coverage.”.

(b)(1) Section 215(b)(1) of such Act is amended by striking out “shall be the quotient” and inserting in lieu thereof “shall (except as provided in paragraph (5)) be the quotient”.

(2) Section 215(b) of such Act is further amended by adding at the end thereof the following new paragraph:

“(5) In the case of an individual who is blind (within the meaning of ‘blindness’ as defined in section 216(i)(1)), such individual’s average monthly wage shall be the quotient obtained by dividing (A) the total of his wages paid in, and self-employment income credited to, all of the calendar quarters which are quarters
of coverage (as defined in section 213) and which fall within the period after 1950 and prior to the year specified in clause (i) or clause (ii) of paragraph (2) (C), by (B) the number of months in such quarters; except that any such individual who is fully insured (without regard to section 214(a)(4)) shall have his average monthly wage computed under this subsection without regard to this paragraph if such computation results in a larger primary insurance amount.”

(3) The amendments made by this subsection shall apply with respect to monthly benefits and lump-sum death benefits payable under title II of the Social Security Act for months after September 1977.

(c)(1) Section 215(b)(1) of such Act (as amended by section 104(b) of this Act) is further amended by striking out “is equal to the quotient” and inserting in lieu thereof “is equal to (except as provided in paragraph (5)) the quotient”.

(2) Section 215(b) of such Act (as amended by section 104(b) of this Act) is further amended by adding at the end thereof the following new paragraph:

“(5) In the case of an individual who is blind (within the meaning of ‘blindness’ as defined in section 216(i)(1)), such individual’s average indexed monthly earnings is equal to the quotient obtained by dividing
(A) the total (after adjustment under paragraph (3)) of his wages paid in, and self-employment income credited to, all of the calendar quarters which are quarters of coverage (as defined in section 213) and which fall within the period after 1950 and prior to the year specified in subclause (I) or subclause (II) of paragraph (2)(B)(ii), by (B) the number of months in such quarters; except that any such individual who is fully insured (without regard to section 214(a)(4)) shall have his average indexed monthly earnings computed under this subsection without regard to this paragraph if such computation results in a larger primary insurance amount."

(3) The amendments made by this subsection shall apply with respect to monthly benefits and lump-sum death benefits under title II of the Social Security Act payable for months after December 1978.

(d) Section 216(i)(3) of such Act is amended to read as follows:

"(3) The requirements referred to in clauses (i) and (ii) of paragraph (2)(C) are satisfied by an individual with respect to any quarter only if—

"(A) he would have been a fully insured individual (as defined in section 214) had he attained age 62 and filed application for benefits under
section 202(a) on the first day of such quarter, and
(i) he had not less than 20 quarters of coverage
during the 40-quarter period which ends with such
quarter, or (ii) if such quarter ends before he
attains (or would attain) age 31, not less than
one-half (and not less than 6) of the quarters
during the period ending with such quarter and
beginning after he attained the age of 21 were
quarters of coverage, or (if the number of quarters
in such period is less than 12) not less than 6 of
the quarters in the 12-quarter period ending with
such quarter were quarters of coverage; or

“(B) he is blind (within the meaning of ‘blind-
ness’ as defined in paragraph (1) of this subsec-
tion) and has not less than 6 quarters of coverage
in the period which ends with such quarter.

For purposes of clauses (i) and (ii) of subparagraph
(A) of this paragraph, when the number of quarters in
any period is an odd number, such number shall be
reduced by one, and a quarter shall not be counted as
part of any period if any part of such quarter was
included in a prior period of disability unless such
quarter was a quarter of coverage.”

(e) The first sentence of section 222(b)(1) of such
Act is amended by inserting “(other than such an individual
whose disability is blindness as defined in section 216(i)
(1))" after "an individual entitled to disability insurance
benefits".

(f) Section 223(a)(1) of such Act is amended—

(1) by striking out the comma at the end of sub-
paragraph (B) and inserting in lieu thereof "or is blind
(within the meaning of 'blindness' as defined in section
216(i)(1));"

(2) by striking out "the month in which he attains
age 65" and inserting in lieu thereof "in the case of
any individual other than an individual whose disability
is blindness (as defined in section 216(i)(1)), the
month in which he attains age 65"; and

(3) by striking out the second sentence.

(g) Section 223(c)(1) of such Act is amended to read
as follows:

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

"(A) he would have been a fully insured in-
dividual (as defined in section 214) had he attained
age 62 and filed application for benefits under sec-
tion 202(a) on the first day of such month, and

(i) he had not less than 20 quarters of coverage
during the 40-quarter period which ends with the
quarter in which such month occurred, or (ii) if
such month ends before the quarter in which he attains (or would attain) age 31, not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurred and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage, or

"(B) he is blind (within the meaning of ‘blindness’ as defined in section 216(i)(1)) and has not less than 6 quarters of coverage in the period which ends with the quarter in which such month occurs.

For purposes of clauses (i) and (ii) of subparagraph (A) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage.”

(h) Section 223(d)(1)(B) of such Act is amended to read as follows:

“(B) blindness (as defined in section 216(i)(1)).”

(i) The second sentence of section 223(d)(4) of such Act is amended by inserting “(other than an individual whose
disability is blindness, as defined in section 216(i)(1))" im-
mediately after "individual".

(j) In the case of an insured individual who is under
a disability as defined in section 223(d)(1)(B) of the Social
Security Act, who is entitled to monthly insurance benefits
under section 202(a) or 223 of such Act for a month after
September 1977, and who applies for a recomputation of his
disability insurance benefit or for a disability insurance bene-
fit (if he is entitled under such section 202(a)) after Sep-
tember 1977, the Secretary shall, notwithstanding the provi-
sions of section 215(f)(1) of such Act, make a recomputa-
tion of such benefit if such recomputation results in a higher
primary insurance amount.

(k) Except as otherwise provided in this section, the
amendments made by this section shall apply with respect
to monthly benefits and lump-sum death benefits payable
under title II of the Social Security Act for months after
September 1977.

MONTHLY BENEFITS PAYABLE UNDER TITLE II

Sec. 132. (a) Section 224 of the Social Security Act
is repealed.

(b) The amendment made by this section shall be effec-
tive with respect to monthly benefits payable under title
II of the Social Security Act for months beginning after the
date of enactment of this Act.
COVERAGE FOR POLICEMEN AND FIREMEN IN MISSISSIPPI

Sec. 133. Section 218(p)(1) of the Social Security Act is amended by inserting "Mississippi," after "Maryland."

COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR PUBLIC EMPLOYEES IN NEW JERSEY

Sec. 134. Section 218(d)(6)(C) of the Social Security Act is amended by inserting "New Jersey," after "Nevada."

COST-OF-LIVING INCREASES

Sec. 135. (a) Effective with respect to monthly benefits and lump-sum death payments payable for months after November 1977, section 215(i) of the Social Security Act is amended by—

(1) striking out paragraph (1) and inserting in lieu thereof the following:

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

"(A) the term ‘base period’ means (i) the three-month period ending on March 31, 1977, (ii) the month of August in 1977 or in any succeeding year, (iii) the month of February in 1978 or in any succeeding year, or (iv) any other month which is the effective month of a general benefit increase under this title;

"(B) the term ‘cost-of-living computation period’ means (i) a base period, as defined in subparagraph (A) (other than clauses (i) and (iv) thereof) which
occurs after July 1977 in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 4 per centum, such index in the later of (I) the last prior cost-of-living computation period which was established under this subparagraph (whether under the law in effect in November 1977, or after November 1977) or (II) the most recent month which was the effective month of a general benefit increase under this title, or (ii) a base period, as so defined, which occurs after July 1977, in which such Consumer Price Index exceeds, by not less than 3 per centum, such index in the later of (I) or (II), and in which more than 5 months have elapsed since such later period or month and up to but not including the base period being considered; except that there shall be no cost-of-living computation period in any calendar year if in the year prior to such year a law has been enacted providing a general benefit increase under this title or if in such prior year such a general benefit increase becomes effective; and

“(C) the Consumer Price Index for a base period of 3 months or a cost-of-living computation period of 3 months shall be the arithmetical mean of such index for the 3 months in such period.”;

(2) striking out so much of paragraph (2) as precedes the word “increase” and inserting in lieu thereof:
"(2)(A)(i) The Secretary shall determine each year beginning with 1977 (subject to the limitation in paragraph (1)(B)) whether a base period (as defined in paragraph (1)(A) (ii) or (iii)) in such year is a cost-of-living computation period.

"(ii) If the Secretary determines that a base period in any year is a cost-of-living computation period, he shall, effective with the month of June of such year, where such period is the month of February of such year, and effective with the month of December of such year, where such period is the month of August of such year, as provided in subparagraph (B),";

(3) striking out "quarter" each place it appears after the word "increase" in the penultimate sentence of subparagraph (2)(A)(ii) and inserting in lieu thereof, "period";

(4) striking out "calendar period" in such penultimate sentence (as previously amended) and inserting in lieu thereof "month";

(5) striking out "(1)(A)(ii)" in such penultimate sentence and inserting in lieu thereof "(1)(A)(iv)";

(6) striking out "months after May" and all that follows in subparagraph (2)(B) and inserting in lieu thereof: "months (1) after May of the calendar year in
which occurred such cost-of-living computation period in
the case of an increase based on a cost-of-living computa-
tion period of the month of February of such year, or
(II) after November of that year in the case of an in-
crease based on a cost-of-living computation period of the
month of August of such year, and in the case of lump-
sum death payments with respect to deaths occurring
after such May or November;¨

(7) striking out "quarter" each place it appears in
subparagraph (B), (C), and (D) of subsection (2)
and inserting in lieu thereof "period"; and

(8) striking out "(i)(A)(ii)" in subparagraph (2)
(C) and inserting in lieu thereof "(i)(A)(iv)".

(b) Effective with determinations after 1977, section
230 of the Social Security Act is amended by striking out
subsection (a) and inserting in lieu thereof:

"(a) If the Secretary institutes pursuant to section 215
(i) one or more benefit increases which become effective in
any calendar year, he shall after October 1 and not later
than November 1 of such year determine and publish in the
Federal Register the contribution and benefit base determined
under subsection (b) which shall be effective with respect to
remuneration paid after such year and taxable years begin-
ning after such year.".
(c) Effective with determinations after 1977, section 203

(f)(8)(A) of such Act is amended to read as follows:

"(A) If the Secretary institutes pursuant to section 215(i) one or more benefit increases which become effective in any calendar year, he shall after October 1 and not later than November 1 of such year determine and publish in the Federal Register a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after such calendar year."

(d) Section 1618(b) of such Act is amended to read as follows:

"(b) The Secretary shall not find that a State has failed to meet the requirements imposed by paragraph (4) of subsection (a) with respect to the levels of its supplementary payments for a particular month or months if the State's expenditures for such payments in the twelve-month period (within which such month or months fall)—

"(1) beginning on the effective date of any increase in the level of supplemental security income benefits pursuant to section 1617 and ending before July 1, 1978,
are not less than its expenditures for such payments in the preceding twelve-month period, or

"(2) beginning on July 1, 1978, and July 1 of each year thereafter are not less than its expenditures for such payments in the twelve-month period beginning July 1, 1977, and ending June 30, 1978, or, if the first such payments are made by a State after July 1977, not less than its expenditures for such payments in the first full twelve-month period beginning July 1 in which such payments are made."

(e) Effective with respect to monthly benefits and lump-sum death payments payable for months after December 1978, section 215(i) of the Social Security Act, as amended by subsections (a) through (d) of this section and by section 104 of this Act, is further amended by—

"(1) striking out so much of paragraph (2) as precedes "subparagraph (A)(i)(I)" thereof and inserting in lieu thereof:

"(2)(A)(i) The Secretary shall determine each year beginning with 1978 (subject to the limitation in paragraph (1)(B)) whether a base period (as defined in paragraph (1)(A)(ii) or (iii)) in such year is a cost-of-living computation period.

"(ii) If the Secretary determines that a base
period in any year is a cost-of-living computation period, he shall, effective with the month of June of such year, where such period is the month of February of such year, and effective with the month of December of such year, where such period is the month of August of such year, as provided in subparagraph (B), increase—"

(2) striking out "quarter" each place it appears in the penultimate sentence of subparagraph (2)(A)(ii) and inserting in lieu thereof, "period";

(3) striking out "(1)(A)(ii)" in such penultimate sentence and inserting in lieu thereof "(1)(A)(iv)";

(4) striking out "months after May" and all that follows in subparagraph (2)(A)(iii) and inserting in lieu thereof: "months (I) after May of that year in the case of an increase based on a cost-of-living computation period of the month of February of such year, or (II) after November of that year in the case of an increase based on a cost-of-living computation period of the month of August of such year, and in the case of lump-sum death payments with respect to deaths occurring after such May or November.".
TITLE II—MISCELLANEOUS

STUDIES AND REPORTS

Sec. 201. (a) The Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, shall immediately study the need to develop a special Consumer Price Index for the elderly. Not later than 6 months after the date of enactment of this Act, the Secretary of Labor and the Secretary of Health, Education, and Welfare shall each submit to the Congress a report of his findings and recommendations with respect to the need for such an index, together with an estimate of the financial impact that such an index would have on the costs of the programs established under the Social Security Act.

(b)(1) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall make a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the program established under title II of the Social Security Act, and of proposals to bring about equal treatment for men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of factors such as—
(A) changes in the nature and extent of women's participation in the labor force,

(B) the increasing divorce rate, and

(C) the economic value of women's work in the home.

The study shall include appropriate cost analyses.

(2) The Secretary shall submit to the Congress within six months after the date of enactment of this Act, a full report on the study carried out under paragraph (1).

APPOINTMENT OF HEARING EXAMINERS

Sec. 202. The persons who were appointed to serve as hearing examiners under section 1631(d)(2) of the Social Security Act (as in effect prior to January 2, 1976), and who by section 3 of Public Law 94–202 were deemed to be appointed under section 3105 of title 5, United States Code (with such appointments terminating no later than at the close of the period ending December 31, 1978), shall be deemed appointed to career-absolute positions as hearing examiners under and in accordance with section 3105 of title 5, United States Code, with the same authority and tenure (without regard to the expiration of such period) as hearing examiners appointed directly under such section 3105, and shall receive compensation at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105.
All of the provisions of title 5, United States Code, and the regulations promulgated pursuant thereto, which are applicable to hearing examiners appointed under such section 3105, shall apply to the persons described in the preceding sentence.

Sec. 203. Notwithstanding the provisions of section 706(d) of the Social Security Act, the report of the Advisory Council on Social Security which is due not later than January 1, 1979, may be filed at any date prior to October 1, 1979.

VETERANS' PENSION AND COMPENSATION

Sec. 204. (a) Subsection (g) of section 415 of title 38, United States Code, is amended by adding at the end thereof the following new paragraph:

"(4) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying paragraph (1)(G) of this subsection, shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(i) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for dependency and indemnity compensation under this section."
(b) Section 503 of title 38, United States Code, is amended by adding at the end thereof the following new subsection:

"(d) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying subsection (a)(6) of this section, shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(i) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for pension under this chapter."

(c) In determining the annual income of any person for purposes of determining the continued eligibility of that person for, and the amount of, pension payable under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, the Administrator of Veterans' Affairs shall disregard, if that person is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(i) of the Social Security Act which occurs after September 1, 1978.

(d) The amendments made by this section shall apply
with respect to annual income determinations made pursuant to sections 415(g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9(b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS THEREOF WITH RESPECT TO COSTS OF WELFARE PROGRAMS

Sec. 301. Section 403 of the Social Security Act is amended—

(1) in subsection (a), by adding at the end thereof the following new paragraph:

"In the case of calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount to be paid to each State (as determined under the preceding provisions of this subsection or section 1118, as the case may be) shall be increased in accordance with the provisions of subsection (i) of this section."

(2) by adding at the end thereof, the following new subsection:

"(i)(1) In the case of any calendar quarter which
begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State, which has a State plan approved under this part, shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

"(A) an amount which bears the same ratio to $93,500,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

"(B) (i) in the case of Puerto Rico, Guam, and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

"(ii) in the case of any other State, an amount which bears the same ratio to $93,500,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State, under section 106 of the State and Local Fiscal Assistance Act of 1972 for the most recent entitlement period for which allocations have been made under such section prior to the date of enactment of this subsection, bears to the total of the
amounts allocated to all States under such section 106 for such period.

"(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan, approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 90 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

"(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this subsection for calendar quarters prior to April 1, 1978, shall be made in a single installment, which shall be payable as shortly after October 1, 1977, as is administratively feasible."

INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAMS

Sec. 302. (a) Section 403 of the Social Security Act is amended by adding after subsection (i) (as added by section 301 of this Act) the following new subsection:
"Incentive Adjustments in Federal Financial Participation

(j) If the dollar error rate of excess payments of aid furnished by a State under its State plan, approved under this part, with respect to any six-month period, as based on samples and evaluations thereof, is—

"(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

"(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

"(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

"(C) 30 per centum of the Federal share of
such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,

"(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

"(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum."

(b) Payments may be made under the amendments made by subsection (a) only in the case of periods commencing on or after January 1, 1978.

ACCESS TO WAGE INFORMATION

SEC. 303. (a) Part A of title IV of the Social Security Act is amended by inserting after section 410 the following new section:

"ACCESS TO WAGE INFORMATION

"SEC. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children,
approved under this part, and which is specifically requested
by such State or political subdivision for such purposes.

"(b) The Secretary shall establish such safeguards as
are necessary (as determined by the Secretary under regula-
tions) to insure that information made available under the
provisions of this section is used only for the purposes au-
thorized by this section."

(b) Section 3304(a) of the Federal Unemployment Tax
Act is amended by redesignating paragraph (16) as para-
graph (17) and by inserting after paragraph (15) the fol-
lowing new paragraph:

"(16)(A) wage information contained in the rec-
ords of the agency administering the State law which is
necessary (as determined by the Secretary of Health,
Education, and Welfare in regulations) for purposes of
determining an individual's eligibility for aid or services,
or the amount of such aid or services, under a State plan
for aid and services to needy families with children ap-
proved under part A of title IV of the Social Security
Act, shall be made available to a State or political sub-
division thereof, when such information is specifically re-
quested by such State or political subdivision for such
purpose, and

"(B) such safeguards are established as are nec-
essary (as determined by the Secretary of Health,
Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);”.

(c) Section 402(a) of the Social Security Act is amended—

(1) by striking out the word “and” at the end of paragraph (27);

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word “and”; and

(3) by adding at the end thereof the following new paragraph:

“(29) Effective October 1, 1979, provide that wage information available from the Social Security Administration under the provisions of section 411 of this Act, and available (under the provisions of section 3304 (a)(16) of the Federal Unemployment Tax Act) from agencies administering State unemployment compensation laws, shall be requested and utilized to the extent permitted under the provisions of such sections; except that the State shall not be required to request such information from the Social Security Administration where such information is available from the agency administering the State unemployment compensation laws.”.
(d) The amendments made by this section shall be effective on the date of the enactment of this Act.

STATE DEMONSTRATION PROJECTS

SEC. 304. Section 1115 of the Social Security Act is amended—

(1) by inserting "(a)" after "SEC. 1115.";

(2) by redesignating subsections (a) and (b) as paragraphs (1) and (2), respectively; and

(3) by adding at the end thereof the following new subsection:

"(b)(1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

(A) provide that not more than one such project be conducted on a statewide basis;

(B) provide that in making arrangements for public service employment—

(i) appropriate standards for the health,
safety, and other conditions applicable to the perform- 
ance of work and training on such project are 
established and will be maintained,

"(ii) such project will not result in the displace-
ment of employed workers,

"(iii) with respect to such project the condi-
tions of work, training, education, and employment 
are reasonable in the light of such factors as the type 
of work, geographical region, and proficiency of the 
participant, and

"(iv) appropriate workmen's compensation pro-
tection is provided to all participants;

"(C) provide that participation in any such project 
by any individual receiving aid to families with de-
pendent children be voluntary.

"(2) Any State which establishes and conducts demon-
stration projects under this subsection, may, subject to para-
graph (3), with respect to any such project—

"(A) waive, subject to paragraph (3), any or all 
of the requirements of sections 402(a)(1) (relating 
to statewide operation), 402(a)(3) (relating to admin-
istration by a single State agency), 402(a)(8) (relating 
to disregard of earned income), except that no such 
waiver of 402(a)(8) shall operate to waive any amount 
in excess of one-half of the earned income of any indi-
vidual, and 402(a)(19) (relating to the work incentive program);

"(B) subject to paragraph (4) use to cover the costs of such projects such funds as are appropriated for payment to any such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such demonstration projects are conducted; and

"(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which such demonstration projects are conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

"(3)(A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Such State shall be authorized to proceed with such project (i) when such application has been approved by the Secretary, or (ii) forty-five days after the date on which
such application is submitted unless the Secretary, during such forty-five-day period, disapproves such application.

"(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The demonstration project under which any such disapproved waiver was made by such State shall be terminated not later than the last day of the month following the month in which such waiver was disapproved.

"(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

"(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.

"(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be
conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.”.

EARNED INCOME DISREGARD

SEC. 305. (a) Section 402(a)(7) of the Social Security Act is amended by striking out “any expenses” and inserting in lieu thereof “any child care expenses”.

(b) Section 402(a)(8)(A)(ii) of the Social Security Act is amended to read as follows:

“(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, (I) the first $60 of earned income for individuals who are employed at least forty hours per week, or at least thirty-five hours per week and are earning at least $92 per week, and (II) the first $30 of earned income for individuals not meeting the criteria of subclause (I), plus (III) in each case, one-third of up to $300 of additional earnings, and one-fifth of such additional earnings in excess of $300, except that in each case an
amount equal to the reasonable child care expenses incurred (subject to such limitations as the Secretary may prescribe in regulations) shall first be deducted before computing such individual's earned income (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3)); and".

(c)(1) The amendments made by this section shall become effective on January 1, 1978.

(2) A State plan for aid and services to needy families with children shall not be regarded as failing to comply with the requirements imposed with respect to approved State plans under part A of title IV of the Social Security Act, and the amount payable to any State under such part shall not be decreased, solely because such State plan fails to comply with the requirements of paragraph (7) or (8) of section 402(a) of the Social Security Act as in effect after the date of enactment of this Act and prior to January 1, 1978, if such State plan complies with the requirements of such paragraphs or amended by this section.
COVERAGE UNDER MEDICARE OF CERTAIN DEVICES SERVING THE SAME OR SIMILAR PURPOSE AS THAT PERFORMED BY A WHEELCHAIR

Sec. 306. (a) Section 1861(s)(6) of the Social Security Act is amended by inserting after the word "wheelchairs" the following: "(and devices designed to serve the same or similar purpose as that performed by a wheelchair)."

(b) The amendment made by this section shall be effective in the case of services furnished after the date of enactment of this Act.

FEDERAL ELECTION CAMPAIGN ACT AMENDMENTS

Sec. 307. (a) Section 328 of the Federal Election Campaign Act of 1971 (2 U.S.C. 441i) is amended—

(1) by inserting "(a)" immediately after "Sec.

328.", and

(2) by adding at the end thereof the following new subsections:

"(b) If an honorarium payable to a person is paid instead at his request to a charitable organization selected by payor from a list of 5 or more charitable organizations provided by that person, that person shall not be treated, for purposes of subsection (a), as accepting that honorarium."
For purposes of this subsection, the term 'charitable organization' means an organization described in section 170 (c) of the Internal Revenue Code of 1954.

"(c) For purposes of determining the aggregate amount of honoraria received by a person during any calendar year, amounts returned to the person paying an honorarium before the close of the calendar year in which it was received shall be disregarded.

"(d) For purposes of paragraph (2) of subsection (a), an honorarium shall be treated as accepted only in the year in which that honorarium is received."

(b) The amendments made by subsection (a) shall apply with respect to honoraria received after December 31, 1976.

TITLE IV—COLLEGE TUITION TAX RELIEF

EXPENSES OF HIGHER EDUCATION

Sec. 401. In General.—(a) Subpart A of part IV of subchapter A of chapter 1, of the Internal Revenue Code (relating to credits allowable) is amended by inserting before section 45 the following new section:

"Sec. 44D. EXPENSES OF HIGHER EDUCATION.

"(a) General Rule.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount, determined under subsection (b), of the educational expenses paid by him during the tax-
able year to one or more eligible educational institutions for himself, his spouse, or any of his dependents (as defined in section 152).

"(b) LIMITATIONS.—

"(1) AMOUNT PER INDIVIDUAL.—The credit under subsection (a) for educational expenses of any individual shall be an amount equal to so much of such expenses paid in taxable years beginning after December 31, 1977, as does not exceed $250.

"(2) PRORATION OF CREDIT WHERE MORE THAN ONE TAXPAYER PAYS EXPENSES.—If educational expenses of an individual are paid by more than one taxpayer during the taxable year, the credit allowable to each such taxpayer under subsection (a) shall be the same portion of the credit determined under paragraph (1) which the amount of educational expenses of such individual paid by the taxpayer during the taxable year is of the total amount of educational expenses of such individual paid by all taxpayers during the taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) EDUCATIONAL EXPENSES.—The term 'educational expenses' means—

"(A) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution, and.
“(B) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

Such term does not include any amount paid, directly or indirectly, for meals, lodging, or similar personal, living, or family expenses. In the event an amount paid for tuition or fees includes an amount for meals, lodging, or similar expenses which is not separately stated, the portion of such amount which is attributable to meals, lodging, or similar expenses shall be determined under regulations prescribed by the Secretary.

“(2) ELIGIBLE EDUCATIONAL INSTITUTION.—The term ‘eligible educational institution’ means—

“(A) an institution of higher education; or

“(B) a vocational school.

“(3) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ means the institutions described in section 1202(a) or 491(b) of the Higher Education Act of 1965.

“(4) VOCATIONAL SCHOOL.—The term ‘vocational school’ means an area vocational education school as defined in section 108(2) of the Vocational Education Act of 1963.

“(d) SPECIAL RULES.—

“(1) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS
AND VETERANS BENEFITS.—The amounts otherwise taken into account under subsection (a) as educational expenses of any individual during any period shall be reduced (before the application of subsection (b)) by any amounts received by such individual during such period as—

“(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which under section 117 is not includible in gross income, and,

“(B) an educational assistance allowance under chapter 35 of title 38 of the United States Code or education and training allowance under chapter 33 of title 38 of the United States Code.

“(2) GRADUATE, NONCREDIT, AND RECREATIONAL, ETC., COURSES.—Amounts paid for educational expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school and are not attributable to any graduate program of such individual.

“(3) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxable
year by this chapter, reduced by the sum of the credits allowable under this subpart (other than under this section, section 31, and section 39).

"(4) FULL-TIME STUDENT.—No credit shall be allowed under subsection (a) for amounts paid during the taxable year for educational expenses with respect to any individual unless that individual, during any four calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student above the secondary level at an eligible educational institution.

"(5) Spouse.—No credit shall be allowed under subsection (a) for amounts paid during the taxable year for educational expenses for the spouse of the taxpayer unless—

"(A) the taxpayer is entitled to an exemption for his spouse under section 151(b) for the taxable year, or

"(B) the taxpayer files a joint return with his spouse under section 6013 for the taxable year.

"(e) DISALLOWANCE OF EXPENSES AS DEDUCTION.— No deduction shall be allowed under section 162 (relating to trade or business expenses) for any educational expense which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed
under subsection (a). The preceding sentence shall not apply to the educational expenses of any taxpayer who, under regulations prescribed by the Secretary, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section."

(b) CONFORMING AMENDMENT.—

(1) The table of sections for such subpart A is amended by inserting immediately before the item relating to section 45 the following:

"Sec. 44D. Expenses of higher education."

(2) Section 55(c)(2)(B) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (ix), by striking out the period at the end of clause (x) and inserting in lieu thereof a comma and the word "and", and by adding at the end thereof the following new clause:

"(xi) section 44D (relating to credit for expenses for higher education)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to educational expenses paid after December 31, 1977, in taxable years beginning after December 31, 1977.
(d) **CREDIT TO BE REFUNDABLE.—**

(1) Section 6401(b) is amended—

(A) by striking out "oil) and 43" and inserting in lieu thereof "oil), 43",

(B) by inserting "and 44D" after "credit)",

and

(C) by striking out "and 43," and inserting in lieu thereof "43, and 44D,")

(2) Section 6201(a)(4) is amended—

(A) by striking out "OR 43" in the caption and inserting in lieu thereof "43, OR 44D",

(B) by striking out "oil) or section 43" and inserting in lieu thereof "oil), section 43", and

(C) by inserting "or section 44D," after "income,"

(3) This subsection (d) shall be effective only during fiscal year 1978.

**TITLE V—ERRONEOUS SUPPLEMENTAL PAYMENTS**

**AUTHORIZATION OF APPROPRIATIONS**

**Sec. 501.** (a) That, notwithstanding any other provision of law, the Secretary of Health, Education, and Welfare is authorized and directed to pay to each State an amount equal to the amount expended by such State for erroneous supplemental payments to aged, blind, or disabled individuals whenever, and to the extent to which, the Secretary through
an audit by the Department of Health, Education, and Welfare determines that—

(1) such amount was paid by such State as a supplemental payment during the calendar year 1974 pursuant to an agreement between the State and the Secretary required by section 212 of the Act entitled "An Act to extend the Renegotiation Act of 1951 for one year, and for other purposes", approved July 9, 1973, or such amount was paid by such State as an optional State supplementation, as defined in Section 1616 of the Social Security Act, during the calendar year 1974,

(2) the erroneous payments were the result of good faith reliance by such State upon erroneous or incomplete information supplied by the Department of Health, Education, and Welfare, through the State data exchange, or good faith reliance upon incorrect payments made by such department, and
(3) recovery of the erroneous payments by such State would be impossible or unreasonable.

(b) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this title.

Passed the House of Representatives October 27, 1977.

Attest: EDMUND L. HENSHAW, JR., Clerk.

Passed the Senate with an amendment November 4 (legislative day, November 1), 1977.

Attest: J. S. KIMMITT, Secretary.
AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

November 4 (legislative day, November 1), 1977
Ordered to be printed with the amendment of the Senate
SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

H.R. 9346

Comparison of House and Senate Bills With Existing Law

Prepared by the staffs of the Subcommittee on Social Security of the Committee on Ways and Means and the Committee on Finance for the use of the Conferees
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I. CAPSULE COMPARISON OF HOUSE AND SENATE BILLS

I. FINANCING

Tax base.—Both bills increase the amount of earnings subject to social security taxes. However, the amount of the increase differs and the Senate bill, unlike the House bill, proposes a different ceiling on the amount of earnings subject to the employer tax from the ceiling on the amount of earnings subject to the employee tax:

Amount of annual earnings subject to social security taxes

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Present law</th>
<th>House bill: employees, self-employed</th>
<th>Senate bill: employees, self-employed</th>
<th>Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$19,900</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>19,900</td>
<td>22,900</td>
<td>19,500</td>
<td>50,000</td>
</tr>
<tr>
<td>1980</td>
<td>20,400</td>
<td>25,900</td>
<td>21,000</td>
<td>50,000</td>
</tr>
<tr>
<td>1981</td>
<td>21,900</td>
<td>29,700</td>
<td>23,100</td>
<td>50,000</td>
</tr>
<tr>
<td>1982</td>
<td>25,400</td>
<td>31,800</td>
<td>24,600</td>
<td>50,000</td>
</tr>
<tr>
<td>1983</td>
<td>24,900</td>
<td>33,900</td>
<td>26,700</td>
<td>50,000</td>
</tr>
<tr>
<td>1984</td>
<td>26,400</td>
<td>36,000</td>
<td>28,200</td>
<td>50,000</td>
</tr>
<tr>
<td>1985</td>
<td>27,900</td>
<td>38,100</td>
<td>30,300</td>
<td>75,000</td>
</tr>
</tbody>
</table>

Under the Senate bill it is estimated that the employee wage base will reach the employer level of $75,000 in the year 2002.

Tax rate—OASDI.—The Senate bill has a small tax increase in 1979 but from 1981 (the first year of the House tax rate increase) through 1994, the rates under both bills are quite similar. In 1990 the House tax rate reaches its ultimate rate at 7.65 percent (for employees and employers, each) while the Senate bill stands at 7.55 percent (each). Subsequently, the Senate rate increases to 8.10 percent (each) in 1995, 8.70 percent (each) in 2001, and 9.20 percent (each) in 2011 and thereafter. The self-employment tax under both bills is returned to its original ratio of 1½ times the employee-employer rate. The Senate bill (Danforth floor amendment) also would generally limit State and local governmental and non-profit employers' tax liability to 90 percent of the liability under the law as amended by the bill but not less than 1979 liability under present law, effective beginning in calendar year 1979. The Danforth amendment further authorizes funds to be paid from general revenues to reimburse the trust funds for the amount by which the employer liability of States and non-profit organizations is reduced.

Allocation to disability insurance.—In the 1980's slightly more in revenues is allocated to DI under the Senate bill than under the House bill. (This is more than offset by increased disability expenditures because of two Senate
floor amendments.) In 1990 the ultimate allocation is reached under the House
bill (1.10 percent each of payroll) which is just about equal to the Senate
allocation in 1990–1994 (1.05 percent each). After 1994 the allocation under
the Senate bill increases three more times reaching its ultimate allocation of
1.50 percent (each) in 2011 and thereafter.

Trust fund guarantee.—The House bill provides standby authority for
automatic loans to the OASDI trust funds appropriating funds from Federal
general revenues whenever the assets of a trust fund at the end of a calendar
year amount to less than 25 percent of the outgo from the fund in the calendar
year. A repayment of the loan is required and an additional tax is imposed under
specific conditions. No comparable provision is in the Senate bill.

II. STABILIZATION OF BENEFITS

Decoupling.—Both the Senate and House bills modify the existing law
provisions for increasing benefit amounts as the Consumer Price Index rises
so that, in the future, those increases will apply only to persons already on the
benefit rolls and not to the formula for computing initial benefits.

New benefit formula for computing initial benefits.—Both the Senate and
House bills adopt new formulas for computing initial benefits based on the
concept generally referred to as "wage indexing." The Senate and House bills
are basically the same, with the following exceptions: (1) The House bill is
designed to provide replacement rates 5 percent below those estimated for exist-
ing law in 1979 while the Senate bill would provide them 2 1/2 percent below
this level. (2) The House bill provides a 10-year transition guarantee for the
aged while the Senate bill's guarantee would be for 5 years. (Both the Senate
and House bills freeze the regular minimum benefit at its December 1978 level—
estimated at $121 per month.) (3) The House bill increases the special mini-
mum which applies to low-income workers who have over 20 years of coverage.
The Senate bill would continue present law for the special minimum.

III. COVERAGE

Universal coverage.—The House bill (Fisher floor amendment) provides
for an extensive study by the Chairman of the Civil Service Commission, the
Secretaries of Treasury and Health, Education, and Welfare, and the Direc-
tor of the Office of Management and Budget of the coverage of Federal em-
ployees and State and local employees under social security and a report
back to the President and Congress no later than 2 years after enactment with
appropriate recommendations. No provision is made for a study of nonprofit
organization coverage.

International social security agreements—totalization.—Both the House
and Senate bills authorize the President to enter into agreements with
other countries to coordinate the social security protection provided for people
who work under the social security programs of both the U.S. and the other
country. The Senate bill differs from the House bill in that it would allow
either House of Congress to disapprove the agreement by simple resolution.
Such action would have to be taken within 30 days after the agreement is sub-
mitted to the Congress.
Other coverage provisions.—The House bill provides for employer tax liability for tips deemed wages under the minimum wage, the exclusion of income from limited partnerships, the revocation of coverage exemptions by clergymen, and two State and local provisions affecting employees in Illinois and Wisconsin.

IV. TREATMENT OF MEN AND WOMEN

Gender-based distinctions.—The House bill includes a series of provisions to make changes in the social security law to eliminate differences in treatment between men and women. Some of these would write into the Act provisions which carry out Supreme Court decisions already being implemented by regulations. The Senate bill includes no such provisions.

Study.—Both bills also would direct the Secretary of Health, Education, and Welfare to conduct a study of changes in the social security program needed to guarantee that men and women are treated equitably. The study is to be completed within 6 months of enactment of legislation. Included in this study would be various alternatives to mitigate the cost impact of the recent Goldfarb and companion decisions on the system. These decisions eliminated the requirement in the Act that men must prove dependency on their wives in order to receive husbands' or widowers' benefits on their wives' earnings records. (The House bill does not make this change in its gender-based distinction changes although the Social Security Administration is carrying out the decision.)

Public pension offset.—The Senate bill eliminates from the statute the dependency requirements for men and provides for the reduction of benefits payable under social security to dependent spouses (including surviving spouses) by the amount of any civil service (Federal, State or local) retirement benefit payable to the spouse. The provisions would apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a pension based on his or her own earnings in public employment which was not covered under the social security system.

Divorced spouse—marriage requirements.—The House bill includes two provisions to liberalize benefits for spouses. One would shorten the duration of marriage requirement for aged divorced spouse's benefits from 20 years to 5 years. The other would provide that remarriage would not cause any reduction in the benefits paid to aged widows or widowers and that marriage would not bar or terminate benefits for all other auxiliary beneficiaries.

V. RETIREMENT TEST

Exempt amount.—The House bill (Ketchum floor amendment) raises the retirement test exempt amount for beneficiaries age 65-72 to $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, and $5,500 in 1981. Beginning in 1982 the retirement test would be eliminated for such beneficiaries.

The Senate bill raises the retirement test exempt amount for all beneficiaries under age 72 to $4,500 in 1978 and to $6,000 in 1979. After 1979, the $6,000 level would be increased automatically as wage levels rise. The bill
(Church floor amendment) also repeals the earnings limit for workers age 70 and over, effective in 1982.

Foreign work test.—The House bill liberalizes the foreign work test.

VI. ANNUAL REPORTING

The House bill modifies the annual reporting legislation passed in 1975 so that employers need not report, for coverage purposes, quarterly wage data. The bill also changes the quarter-of-coverage measure and certain automatic provisions of the law so that annual rather than quarterly data would be used. The most important change would change the quarter-of-coverage measure from $50 a quarter to one quarter of coverage (up to a total of four) for each $250 of annual earnings. The $250 measure would be increased automatically every year to reflect increases in wages.

VII. MISCELLANEOUS PROVISIONS

The House bill (Jenkins floor amendment) provides for the establishment of a National Commission on Social Security. The Senate bill extends the filing date for the report of the advisory council to be appointed this year.

The Senate bill converts temporary Administrative Law Judges to permanent status in the same manner as H.R. 5723 which was approved by Ways and Means.

The Senate bill requires the Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, to study the need to develop a special consumer price index for the elderly, and to report to Congress within 6 months of enactment.

The Senate bill would have the present law delayed retirement increment earned by a worker reflected in the benefit of the widow or widower, while the House bill would increase the delayed retirement increment from 1 to 3 percent a year for workers who do not receive benefits between age 65 and 72.

The Senate bill would provide that a group of corporations concurrently employing an individual would be considered as a single employer if the group uses a common paymaster for purposes of determining the maximum amount of earnings subject to social security and unemployment taxes.

The Senate bill provides relief to certain nonprofit organizations that had not properly waived their exempt status. Similar legislation (H.R. 8490) was reported out of Committee in the House.

The Senate bill (Wallop floor amendment) eliminates the reduction of disability benefits on account of workmen's compensation benefits, effective upon enactment.

The Senate bill (Bayh floor amendment) permits blind persons to receive disability benefits without regard to their earnings capacity (and without regard to their actual earnings). The Senate amendment would also lower
to 6 the number of quarters of coverage required for the blind to qualify for disability benefits.

The Senate (Church floor amendment) bill puts cost-of-living increases for monthly benefits on a semi-annual basis. A CPI increase of 4 percent in a 6-month period will trigger a semi-annual adjustment. The earliest possible effective date is January 1979. SSI and Railroad Retirement benefits are also affected.

VIII. PROVISIONS IN BOTH BILLS

Both Senate and House bills contain similar provisions with respect to several issues. Where differences in these provisions exist (e.g., different effective dates), the provisions are described fully in the comparative text. The following provisions, however, are identical in the two bills:

(1) Elimination of the monthly exception to the retirement test which permits benefits to be paid for months of low earnings regardless of annual earnings;

(2) Modification of cost-of-living increase provisions for persons who originally received actuarially reduced benefits. Percentage increases would be based in the future on the actual (reduced) benefit amount rather than on the unreduced benefit rate;

(3) Provisions permitting social security coverage for certain policemen and firemen in Mississippi and public employees in New Jersey.

IX. NON-OASDI PROVISIONS

The Senate amendment also includes a number of provisions not directly related to the social security program. These provisions:

(1) Make available a one-time fiscal relief payment to State and local governments (related to their welfare costs) of $374 million;

(2) Provide certain fiscal incentives for reducing welfare error rates;

(3) Provide State welfare agencies access to wage information maintained for purposes of the social security and unemployment compensation programs;

(4) Allow States to undertake certain demonstration projects involving the employment of welfare recipients;

(5) Modify the provisions under which certain earned income is disregarded in determining the amount of welfare grants under the AFDC program;

(6) Permit reimbursement under medicare for certain wheelchairs;

(7) Provide that veterans pension payments will not be reduced as a result of future social security benefit increases;

(8) Require Federal reimbursement for certain erroneous State payments in 1974 supplementing the SSI program;

(9) Make available a tax credit for a portion of the expenses incurred by a taxpayer for higher education; and

II. PROVISIONS TO IMPROVE THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAMS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PRESENT LAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Adjustments in tax rates.</td>
<td>In 1977, the Federal OASDHI contribution rate is equal to 5.85% of taxable earnings for the employer and the employee, each (11.7% combined). The OASDI tax is 4.95%, each. The law provides a schedule of OASDHI contribution rates which reach an ultimate rate of 7.45%, each (5.95% each for OASDI) in 2011.</td>
</tr>
</tbody>
</table>

In 1977 the OASDHI contribution rate for the self-employed is 7.9% of net earnings; OASDI tax is 7.0% for self-employed.

In 1977 the hospital insurance (HI) contribution rate is equal to 0.9% of taxable earnings, each for the employer and the employee, plus 0.9% for the self-employed.

The following table shows OASDHI contribution rates under present law:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees and employers, each</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
<td>5.85</td>
</tr>
<tr>
<td>1978-80</td>
<td>4.95</td>
<td>1.10</td>
<td>6.05</td>
</tr>
<tr>
<td>1981-84</td>
<td>4.95</td>
<td>1.35</td>
<td>6.30</td>
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<tr>
<td>1985</td>
<td>4.95</td>
<td>1.35</td>
<td>6.30</td>
</tr>
<tr>
<td>1986-89</td>
<td>4.95</td>
<td>1.50</td>
<td>6.45</td>
</tr>
<tr>
<td>1990-2010</td>
<td>4.95</td>
<td>1.50</td>
<td>6.45</td>
</tr>
<tr>
<td>2011 and later</td>
<td>5.95</td>
<td>1.50</td>
<td>7.45</td>
</tr>
</tbody>
</table>
The House bill provides for increases in the OASDHI contribution rate for employers and employees, each over present law beginning in 1981, and a schedule of contribution rates for OASDHI which reaches an ultimate rate of 7.65% each (6.20% each for OASDI) in 1990.

The self-employment OASDI rate would be increased to the original ratio of 1 1/2 times the employee rate beginning in 1981. The HI tax for the self-employed would continue to be equal to the employee HI rate.

The House bill provides that a portion of the HI tax increases already scheduled in the law would be shifted to the OASDI program. Of the 0.20% HI tax increase scheduled for employers and employees each in 1978, 0.10% would go to OASDI for the years 1978–80 and 0.05% would be shifted in 1981 and thereafter.

The following table shows OASDHI contribution rates under the House bill:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
<td>5.85</td>
</tr>
<tr>
<td>1978–80</td>
<td>5.05</td>
<td>1.00</td>
<td>6.05</td>
</tr>
<tr>
<td>1981</td>
<td>5.25</td>
<td>1.30</td>
<td>6.55</td>
</tr>
<tr>
<td>1982–84</td>
<td>5.35</td>
<td>1.30</td>
<td>6.65</td>
</tr>
<tr>
<td>1985</td>
<td>5.65</td>
<td>1.30</td>
<td>6.95</td>
</tr>
<tr>
<td>1986–89</td>
<td>5.65</td>
<td>1.45</td>
<td>7.10</td>
</tr>
<tr>
<td>1990 and after</td>
<td>6.20</td>
<td>1.45</td>
<td>7.65</td>
</tr>
</tbody>
</table>

The Senate bill would increase the OASDHI contribution rates for employers and employees, each over present law beginning in 1979. The schedule of OASDHI contribution rates reaches an ultimate rate of 9.2%, each (7.8% each, for OASDI) in 2011.

Similar provision.

Reduces HI tax rate by 0.10% for 1978, by 0.05% for 1979–80 and by 0.10% for 1981–84. There would be no change in the rate for 1985 and for years after 1985 the rate would be reduced by 0.10%.

The following table shows the OASDHI contribution rates under the Senate bill:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
<td>5.85</td>
</tr>
<tr>
<td>1978</td>
<td>5.05</td>
<td>1.00</td>
<td>6.05</td>
</tr>
<tr>
<td>1979–80</td>
<td>5.085</td>
<td>1.05</td>
<td>6.135</td>
</tr>
<tr>
<td>1981</td>
<td>5.35</td>
<td>1.25</td>
<td>6.60</td>
</tr>
<tr>
<td>1982–84</td>
<td>5.40</td>
<td>1.25</td>
<td>6.65</td>
</tr>
<tr>
<td>1985</td>
<td>5.70</td>
<td>1.35</td>
<td>7.05</td>
</tr>
<tr>
<td>1986–89</td>
<td>5.70</td>
<td>1.40</td>
<td>7.10</td>
</tr>
<tr>
<td>1990–94</td>
<td>6.15</td>
<td>1.40</td>
<td>7.55</td>
</tr>
<tr>
<td>1995–2000</td>
<td>6.70</td>
<td>1.40</td>
<td>8.10</td>
</tr>
<tr>
<td>2001–10</td>
<td>7.30</td>
<td>1.40</td>
<td>8.70</td>
</tr>
<tr>
<td>2011 and after</td>
<td>7.80</td>
<td>1.40</td>
<td>9.20</td>
</tr>
</tbody>
</table>
B. Allocation to DI trust fund.

House bill
Sec. 102
p. 9

In 1977 the disability insurance trust fund (DI) receives an amount equal to 0.575 percent each from the employer and employee (1.15% combined), plus 0.815 percent of self-employment income from which benefits and administrative expenses are paid for the disability insurance program. A schedule of allocations of portions of OASDI income to the DI trust fund is provided in the law. All other income from OASDI taxes goes to the OASI fund.

Allocation between the OASI and the DI trust funds is shown in the following table:

<table>
<thead>
<tr>
<th>Calendar years</th>
<th>Employee and employer, rates, each</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASI</td>
</tr>
<tr>
<td>1977</td>
<td>4.375</td>
</tr>
<tr>
<td>1978–80</td>
<td>4.350</td>
</tr>
<tr>
<td>1981–85</td>
<td>4.300</td>
</tr>
<tr>
<td>1986–2010</td>
<td>4.250</td>
</tr>
<tr>
<td>2011 and later</td>
<td>5.100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Self-employed rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
</tr>
<tr>
<td>1978–80</td>
</tr>
<tr>
<td>1981–85</td>
</tr>
<tr>
<td>1986–2010</td>
</tr>
<tr>
<td>2011 and later</td>
</tr>
</tbody>
</table>
### HOUSE BILL

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed persons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978-80</td>
<td>7.10</td>
<td>1.00</td>
<td>8.10</td>
</tr>
<tr>
<td>1981</td>
<td>7.00</td>
<td>1.30</td>
<td>8.30</td>
</tr>
<tr>
<td>1982-84</td>
<td>8.05</td>
<td>1.30</td>
<td>9.35</td>
</tr>
<tr>
<td>1985</td>
<td>8.45</td>
<td>1.30</td>
<td>9.75</td>
</tr>
<tr>
<td>1986-89</td>
<td>8.45</td>
<td>1.45</td>
<td>9.90</td>
</tr>
<tr>
<td>1990 and after</td>
<td>9.30</td>
<td>1.45</td>
<td>10.75</td>
</tr>
</tbody>
</table>

The House bill increases allocation to the disability insurance trust fund, beginning in 1978.

### SENATE BILL

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed persons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978-80</td>
<td>7.10</td>
<td>1.00</td>
<td>8.10</td>
</tr>
<tr>
<td>1979-80</td>
<td>7.05</td>
<td>1.05</td>
<td>8.10</td>
</tr>
<tr>
<td>1980</td>
<td>8.00</td>
<td>1.25</td>
<td>9.25</td>
</tr>
<tr>
<td>1982-84</td>
<td>8.10</td>
<td>1.25</td>
<td>9.35</td>
</tr>
<tr>
<td>1985</td>
<td>8.55</td>
<td>1.35</td>
<td>9.90</td>
</tr>
<tr>
<td>1986-89</td>
<td>8.55</td>
<td>1.40</td>
<td>9.95</td>
</tr>
<tr>
<td>1990-94</td>
<td>9.25</td>
<td>1.40</td>
<td>10.65</td>
</tr>
<tr>
<td>1995-2000</td>
<td>10.05</td>
<td>1.40</td>
<td>11.45</td>
</tr>
<tr>
<td>2001-10</td>
<td>10.95</td>
<td>1.40</td>
<td>12.35</td>
</tr>
<tr>
<td>2011 and after</td>
<td>11.70</td>
<td>1.40</td>
<td>13.10</td>
</tr>
</tbody>
</table>

The Senate amendment provides a tax rate of 8.00% for 1982-1984. The Senate floor debate indicates that a rate of 8.10 was intended.

Similar provision with different allocation.

### Allocation between the OASI and the DI trust funds is shown in the following table:

<table>
<thead>
<tr>
<th>Calendar years</th>
<th>OASI</th>
<th>DI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4.375</td>
<td>0.575</td>
</tr>
<tr>
<td>1978</td>
<td>4.275</td>
<td>0.775</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.300</td>
<td>0.800</td>
</tr>
<tr>
<td>1981</td>
<td>4.550</td>
<td>0.800</td>
</tr>
<tr>
<td>1982-84</td>
<td>4.750</td>
<td>0.900</td>
</tr>
<tr>
<td>1985-89</td>
<td>5.100</td>
<td>1.100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Self-employed rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
</tr>
<tr>
<td>1978</td>
</tr>
<tr>
<td>1979-80</td>
</tr>
<tr>
<td>1981</td>
</tr>
<tr>
<td>1982-84</td>
</tr>
<tr>
<td>1985-89</td>
</tr>
<tr>
<td>1990 and later</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calendar years</th>
<th>OASI</th>
<th>DI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4.375</td>
<td>0.575</td>
</tr>
<tr>
<td>1978</td>
<td>4.275</td>
<td>0.775</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.335</td>
<td>0.750</td>
</tr>
<tr>
<td>1981</td>
<td>4.525</td>
<td>0.825</td>
</tr>
<tr>
<td>1982-84</td>
<td>4.750</td>
<td>0.825</td>
</tr>
<tr>
<td>1985-89</td>
<td>5.100</td>
<td>0.900</td>
</tr>
<tr>
<td>1990-94</td>
<td>5.500</td>
<td>1.000</td>
</tr>
<tr>
<td>1995-2000</td>
<td>6.300</td>
<td>1.050</td>
</tr>
<tr>
<td>2001-10</td>
<td>7.025</td>
<td>1.100</td>
</tr>
<tr>
<td>2001-10</td>
<td>8.925</td>
<td>2.025</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Self-employed rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
</tr>
<tr>
<td>1978</td>
</tr>
<tr>
<td>1979-80</td>
</tr>
<tr>
<td>1981</td>
</tr>
<tr>
<td>1982-84</td>
</tr>
<tr>
<td>1985-89</td>
</tr>
<tr>
<td>1990-94</td>
</tr>
<tr>
<td>1995-2008</td>
</tr>
<tr>
<td>2001-10</td>
</tr>
<tr>
<td>2011 and after</td>
</tr>
</tbody>
</table>
C. Increases in earnings base.

House bill
sec. 103
p. 10

Senate bill
sec. 101-102
pp. 139-140

The maximum amount of annual earnings subject to the employer and employee social security tax is $16,500 in 1977, covering approximately 85% of total payroll. In the year after an automatic benefit increase becomes effective, the taxable wage base will automatically increase in proportion to the increase in average wages in covered employment.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution and benefit base</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>$18,900</td>
</tr>
<tr>
<td>1980</td>
<td>$20,400</td>
</tr>
<tr>
<td>1981</td>
<td>$21,900</td>
</tr>
<tr>
<td>1982</td>
<td>$23,400</td>
</tr>
<tr>
<td>1983</td>
<td>$24,900</td>
</tr>
<tr>
<td>1984</td>
<td>$26,400</td>
</tr>
<tr>
<td>1985</td>
<td>$27,900</td>
</tr>
<tr>
<td>1986</td>
<td>$29,400</td>
</tr>
<tr>
<td>1987</td>
<td>$31,200</td>
</tr>
</tbody>
</table>

1 Estimated amount under automatic provision in law.

Tier-II of the Railroad Retirement program is an industry annuity program which is financed from a 9.5% tax on wages paid by employers without any contribution from employees. Both the amount of earnings taxed and the benefits paid are limited by the amount of earnings taxed under the social security program and rise as the social security tax base rises.

The Pension Benefit Guaranty Corporation (PBGC) under the Employee Retirement Income Security Act of 1974 provides for the insurance of pensions up to a certain maximum monthly amount. Initially, the amount was $750, and the amount increases automatically each year to reflect increases in the general level of wages. The mechanism to increase the amount is the taxable wage base under social security.
The House bill provides for 4 ad hoc increases in the contribution and benefit base in 1978, 1979, 1980 and 1981 so that in 1981 and thereafter about 91% of all payroll in covered employment would be taxable for social security purposes (and about 94% of all workers would have their full earnings credited for benefit purposes). After 1981 the base would be automatically adjusted to keep up with average wage levels in the same way the present-law base is adjusted.

The following table shows the base under present law and under the House bill.

<table>
<thead>
<tr>
<th>Year</th>
<th>Present Law</th>
<th>House Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$16,500</td>
<td>$16,500</td>
</tr>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$19,000</td>
</tr>
<tr>
<td>1979</td>
<td>$18,900</td>
<td>$22,900</td>
</tr>
<tr>
<td>1980</td>
<td>$20,400</td>
<td>$25,900</td>
</tr>
<tr>
<td>1981</td>
<td>$21,900</td>
<td>$29,700</td>
</tr>
<tr>
<td>1982</td>
<td>$23,400</td>
<td>$31,800</td>
</tr>
<tr>
<td>1983</td>
<td>$24,900</td>
<td>$33,900</td>
</tr>
<tr>
<td>1984</td>
<td>$26,400</td>
<td>$36,000</td>
</tr>
<tr>
<td>1985</td>
<td>$27,900</td>
<td>$38,100</td>
</tr>
<tr>
<td>1986</td>
<td>$29,400</td>
<td>$40,200</td>
</tr>
<tr>
<td>1987</td>
<td>$31,200</td>
<td>$42,600</td>
</tr>
</tbody>
</table>

1 Ad hoc increases.
2 Estimated amount under automatic provision in law.

The tax base for tier-II of the Railroad Retirement Act would not be affected in any way by the House bill. The tier-II base for both benefits and tax purposes would be the same as under the automatic-increase provision of the present law.

The Senate bill calls for four $600 increases above the level that would prevail under present law for employees and the self-employed in 1979, 1981, 1983, and 1985. The base for employers would be increased to $50,000 in 1979 and to $75,000 in 1985. It would remain at $75,000 until the employee base reaches that level. Once the two bases are equal, both will increase at the same rate as under the present automatic-increase provisions.

The following table shows the tax base estimated for employees and the self-employed under present law and under the Senate bill:

<table>
<thead>
<tr>
<th>Year</th>
<th>Present Law</th>
<th>Senate Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>$18,900</td>
<td>$19,500</td>
</tr>
<tr>
<td>1980</td>
<td>$20,400</td>
<td>$21,000</td>
</tr>
<tr>
<td>1981</td>
<td>$21,900</td>
<td>$23,100</td>
</tr>
<tr>
<td>1982</td>
<td>$23,400</td>
<td>$24,600</td>
</tr>
<tr>
<td>1983</td>
<td>$24,900</td>
<td>$26,700</td>
</tr>
<tr>
<td>1984</td>
<td>$26,400</td>
<td>$28,200</td>
</tr>
<tr>
<td>1985</td>
<td>$27,900</td>
<td>$30,300</td>
</tr>
<tr>
<td>1986</td>
<td>$29,400</td>
<td>$32,100</td>
</tr>
<tr>
<td>1987</td>
<td>$31,200</td>
<td>$33,900</td>
</tr>
</tbody>
</table>

1 Estimated amount under automatic provision in law.

The Senate bill contains a similar provision except that the amount of earnings used for computing the tier-II benefit would be the base used for social security benefits under the amended law. (As under the House bill, the tier-II tax would apply to the present-law base.)

The Pension Benefit Guaranty Corporation (PBGC) would not be affected by the ad hoc increases of the wage base under social security. The insured pension amount would increase as it would under automatic increase provisions of present law.

No similar provision. (However the PBGC would be affected only by the changes made in the employee tax base, and not by the changes in the employer base.)
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PRESENT LAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Reduction in taxes of certain employers.</td>
<td>No provision.</td>
</tr>
</tbody>
</table>
  
  Senate bill  
  sec. 106  
  p. 176  
| E. Standby guarantee of trust fund levels. | No provision. |
  
  House bill  
  sec. 104  
  p. 13  

No provision.

The Senate amendment would limit State and local governmental and 501(c)(3) nonprofit employers' social security liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer's liability (in dollars) would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. In no case would the provision require an increase in liability as compared with the regular provisions applicable to other employers. (Danforth floor amendment adopted by a vote of 57 to 28.)

An authorization for appropriations from general revenues is provided to make up the loss of social security revenue to the trust funds that would result from enactment of the provision. (Danforth floor amendment adopted by a vote of 44 to 26.)

No provision.

The House bill provides standby authority for automatic loans to the OASDI trust funds from Federal general revenues whenever the assets of a cash benefits trust fund at the end of a calendar year amount to less than 25% of the outgo from the fund in the calendar year. The amount of the loan would be equal to the difference between the year-end balance in the fund and 271/2% of the year's outgo.

Such loans would automatically be repaid with accrued interest when assets at the end of a year exceeded 30% of the year's outgo from the fund. To provide for automatic repayment, there would be temporary social security tax-rate increases of 0.1% for employees and employers, each, and 0.15% for the self-employed, if at the end of any year after the year the loan was made the reserve level is less than 35% and the loan debt exceeds $3 billion. This temporary tax rate increase would go into effect one year later.

The standby loan authority would not be applicable for the HI trust fund.
III. STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM (DECOUPLING)

A. Computation of primary insurance amount (PIA).

Average monthly wage.—A worker's benefit amount is determined from the benefit table (in or deemed to be) in the law which relates average monthly wage amounts to primary benefits (PIA's).

Benefit formula.—The law provides a benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls.

Though not stated in the law, the formula that underlies the amounts in the table, effective June, 1977 is:

145.90 percent of first $110 of AME, plus
58.07 percent of next $290 of AME, plus
49.59 percent of next $150 of AME, plus
58.29 percent of next $100 of AME, plus
32.42 percent of next $100 of AME, plus
27.02 percent of next $250 of AME, plus
24.34 percent of next $175 of AME, plus
22.54 percent of next $100 of AME, plus
21.18 percent of next $100 of AME.
**Average indexed monthly wage** (p. 25).—Applies a benefit formula in the law to an individual's average indexed monthly earnings, which are indexed by wages. Apart from the indexing procedures, the computation of the average wages for benefit purposes generally follows existing law.

**Benefit formula** (p. 17).—Provides a new benefit formula for individuals who become eligible for old-age benefits (regardless of when they apply for those benefits) after 1978, whose disability occurred after 1978, or who die after 1978.

The formula for 1979 would be:

90 percent of the first $180 of average indexed monthly earnings (AIME); plus
32 percent of AIME over $180 through AIME of $1,085; plus
15 percent of AIME above $1,085.

This formula would provide benefit amounts roughly 5 percent lower than those that are estimated for 1979 under existing law.

**For beneficiaries on the rolls** cost-of-living benefit increase procedures would operate as they do under present law.

**Transition guarantees.**—For the 10-year period 1979–88 individuals becoming first eligible for old-age benefits would guaranteed the higher of the PIA under wage-indexing or under the benefit table in the law in December 1978.

**Average indexed monthly wage** (p. 150).—Similar provision.

**Benefit formula** (p. 150).—Similar provision except that the formula for 1979 would be:

92 percent of the first $180 of AIME; plus
33 percent of AIME over $180 through AIME of $1,075; plus
16 percent of AIME above $1,075.

This formula would provide benefit amounts roughly 2 1/2 percent lower than those that are estimated for 1979 under existing law.

Similar provision, except that two increases per year would be possible.

Similar provision for the 5-year period 1979–83.
Cost-of-living increases.—If the Secretary determines that in the 1st quarter of the year (January-March) the cost of living (CPI) has exceeded by 3 percent or more the level for the 1st quarter of the most recent preceding year in which a cost-of-living benefit increase has gone into effect, or, if later, the most recent calendar quarter in which an ad hoc increase became effective, a benefit increase equal to the percentage increase in the CPI between the 2 quarters (rounded to the nearest \( \frac{1}{10} \) of 1 percent) is effective for June of the year in which the determination is made (payable in the July checks). (Supplemental security income payment levels are increased effective for July payable in the July checks.) The increase is effective for beneficiaries on the rolls and for future beneficiaries. (Each percentage figure in the benefit formula by the percentage increase.) There is no cost-of-living increase if in the preceding year a law had been enacted providing a general benefit increase or if a legislated benefit increase had become effective.

Minimum monthly primary amount.—$114 as of June 1977 (average monthly wage of $76 and below) increased by the cost of living.

Special minimum benefit.—Provides a special minimum benefit of up to $180 a month for a worker with 30 years of creditable earnings ($270 for a couple). The special minimum is calculated by multiplying $9 times the number of years of coverage in excess of 10 and up to 30—for a maximum multiplier of 20. Generally a year of "coverage" is a year in which a person has earnings at least as high as one quarter of the contribution and benefit base ($4,125 in 1977) in effect for the year and this would rise with average wages in the future. Benefit not increased by cost-of-living mechanism.

Maximum monthly family benefit June 1979.—
Men and women age 62 in June 1979: $887.
Young disabled: $1,940.
**House Bill**

Cost-of-living (p. 35).—Provides that in general cost-of-living increases will apply only to keep benefits up to date with price level changes beginning with the year each individual becomes eligible for benefits (or dies).

Minimum monthly primary amount (p. 19).—The December 1978 minimum benefit rounded to the next higher dollar (estimated to be $121) would be frozen for new beneficiaries but the minimum benefit would be increased in line with CPI increases after a worker reaches age 62, becomes disabled, or dies.

Special minimum benefit (p. 19).— Raises $9 figure to $11.50 thereby increasing the maximum benefit amounts to $230 for an individual and $345 for a couple. Years of coverage will be based on the existing contribution base (without ad hoc increases as a result of H.R. 9346) increased automatically. Benefits will be increased by cost-of-living mechanism. Effective January 1979.


**Senate Bill**

Cost-of-living increases (p. 166).—Similar provision, except that effective December 1977 semi-annual cost-of-living increases would be possible effective each December and June (January and July for Supplemental Security Income payment levels). A cost-of-living increase is provided at the end of a 6-month period if the CPI increases by at least 4 percent. If an increase is not provided because the 4-percent trigger is not met, the percentage drops back to 3 for a 12-month period as under present law. It is already known that no increase could be provided effective for December 1977.

The measuring period would end with February for a June increase, or August for a December increase, and would begin with the previous February or August which triggered the previous automatic increase, or the last month which was the effective month of an ad hoc benefit increase if later. However, the first measuring period under the amendment would begin with the first calendar quarter of 1977. (Sec. 135, p. 225). (Church floor amendment adopted by a vote of 50 yeas to 21 nays.)

Minimum monthly primary amount (p. 151).—Similar provision, except that the Senate amendment would increase the minimum by the CPI index only from the point where the individual actually begins to receive benefits rather than from the point at which he becomes eligible for benefits (or dies).

No provision.

Although not specified in the law the formula underlying the benefit table in the law on June 1979 for the family maximum is estimated to be 150 percent of PIA’s up to $257. It gradually increases to 188 percent of a PIA of $368 and then declines to 175 percent of PIA’s for $483 and above.

C. Increase in old-age benefit amounts for delayed retirement.

House bill
sec. 203
p. 47

Senate bill
sec. 123
p. 185

Automatic increases on account of delayed retirement.—An old-age beneficiary who claims no benefits prior to age 65 and thereafter has benefits withheld under the retirement test is entitled to have his benefit increased by a credit equal to $1/2 of 1 percent for each full month of withholding. Increases are effective in January of the year following the year the credits were earned, except that credits earned in the year of attainment of age 72 are effective in the month of such attainment.

IV. COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

A. Study concerning mandatory coverage of Federal employees.

House bill
sec. 301
p. 50

Excludes civilian employees of the United States or its instrumentalities who are covered under Federal staff retirement systems.
The family maximum benefit formula would be specified in the law and would range from 150 to 188 percent of the PIA as under present law.

The family maximum benefit amounts would be determined by applying the following formula:
- 150 percent of the first $230 of PIA, plus
- 272 percent of the next $102 of PIA, plus
- 134 percent of the next $101 of PIA, plus
- 175 percent of the remainder.

Provides for an increase in the delayed retirement credit (which applies to the worker only) to one-fourth of 1 percent for each month (3 percent per year) a worker does not receive a benefit from age 65 and up to the month he reaches age 72. The provision would apply for months after 1981 for workers whose benefits are computed under the new wage indexed system or under the 10-year transitional guarantee.

Provides that as soon as possible after the date of enactment, the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly conduct a detailed study with respect to methods by which full coverage of Federal employees under OASDHI could be attained. Upon completion of the study, and in any event no later than two years after the date of enactment, a report will be submitted to the President and the appropriate Committees of Congress including the results of the study and recommendations (Fisher amendment adopted by a vote of 380 to 39.)

<table>
<thead>
<tr>
<th>HOUSE BILL</th>
<th>SENATE BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>The family maximum benefit formula would be specified in the law and would range from 150 to 188 percent of the PIA as under present law.</td>
<td>Similar provision.</td>
</tr>
<tr>
<td>The family maximum benefit amounts would be determined by applying the following formula:</td>
<td>Similar provision except that the formula would be:</td>
</tr>
<tr>
<td>150 percent of the first $230 of PIA, plus</td>
<td>150 percent of the first $236 of PIA, plus</td>
</tr>
<tr>
<td>272 percent of the next $102 of PIA, plus</td>
<td>272 percent of the next $106 of PIA, plus</td>
</tr>
<tr>
<td>134 percent of the next $101 of PIA, plus</td>
<td>134 percent of the next $107 of PIA, plus</td>
</tr>
<tr>
<td>175 percent of the remainder.</td>
<td>175 percent of the remainder.</td>
</tr>
<tr>
<td>Provides for an increase in the delayed retirement credit (which applies to the worker only) to one-fourth of 1 percent for each month (3 percent per year) a worker does not receive a benefit from age 65 and up to the month he reaches age 72. The provision would apply for months after 1981 for workers whose benefits are computed under the new wage indexed system or under the 10-year transitional guarantee.</td>
<td>No similar provision, but makes delayed retirement credit applicable to widow and widower benefits, as well as to the worker's benefit.</td>
</tr>
<tr>
<td>Provides that as soon as possible after the date of enactment, the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly conduct a detailed study with respect to methods by which full coverage of Federal employees under OASDHI could be attained. Upon completion of the study, and in any event no later than two years after the date of enactment, a report will be submitted to the President and the appropriate Committees of Congress including the results of the study and recommendations (Fisher amendment adopted by a vote of 380 to 39.)</td>
<td>No provision.</td>
</tr>
<tr>
<td>ITEM</td>
<td>PRESENT LAW</td>
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<td>---------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>B. Study concerning mandatory coverage of State and local government employees.</td>
<td>Covers on an optional basis employees of States (including Puerto Rico, Virgin Islands, Guam and American Samoa) and political subdivisions thereof, under voluntary agreements between the Secretary of Health, Education, and Welfare and each State.</td>
</tr>
<tr>
<td>House bill sec. 302 p. 54</td>
<td></td>
</tr>
<tr>
<td>C. Limited partnerships.</td>
<td>A partner’s share of partnership income is includable in his net income from self-employment irrespective of the nature of his membership in the partnership.</td>
</tr>
<tr>
<td>House bill sec. 305 p. 57</td>
<td></td>
</tr>
<tr>
<td>D. Cash tips.</td>
<td>Cash tips received by an employee in the course of his employment are covered as wages for social security purposes if the tips amount to $20 or more a month for employment by one employer. Employers are not required to pay the social security employer tax on the tips. The tips represent compensation for income tax purposes even though less than $20 a month or even though paid in other than cash but are not, under either of these conditions, subject to withholding for income tax purposes. However, tips amounting to $20 or more a month in work for one employer are subject to withholding for income tax purposes.</td>
</tr>
<tr>
<td>House bill sec. 304 p. 59</td>
<td></td>
</tr>
<tr>
<td>E. Ministers and members of religious orders.</td>
<td>Covers as self-employed duly ordained, commissioned, or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty.) Clergymen irrevocably can elect not to be covered if they are conscientiously opposed to social security coverage on grounds of conscientious belief or religious principle.</td>
</tr>
<tr>
<td>House bill sec. 305 p. 59</td>
<td></td>
</tr>
<tr>
<td>F. International social security agreements (totalization).</td>
<td>No provision.</td>
</tr>
<tr>
<td>House bill sec. 306 p. 62</td>
<td></td>
</tr>
<tr>
<td>Senate bill sec. 129 p. 233</td>
<td></td>
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<tr>
<td>HOUSE BILL</td>
<td>SENATE BILL</td>
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<tr>
<td>Provides that as soon as possible after the date of enactment, the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education and Welfare and the Director of the Office of Management and Budget shall jointly conduct a detailed study with respect to methods by which full coverage of State and local employees under OASDHI could be attained. Upon completion of the study, and in any event no later than 2 years after the date of enactment, a report will be submitted to the President and the appropriate committees of Congress including the results of the study and recommendations. (Fisher amendment adopted by a vote of 380 to 39.)</td>
<td>No provision.</td>
</tr>
<tr>
<td>Excludes from social security coverage the distributive share of income or loss from a limited partnership. Effective for taxable years beginning after December 31, 1977.</td>
<td>No provision.</td>
</tr>
<tr>
<td>Requires employers to pay social security contributions with respect to covered tips which are deemed wages under the Federal minimum wage law. Effective January, 1978.</td>
<td>No provision.</td>
</tr>
<tr>
<td>Provides that an election made by a clergyman in the past to be exempt from social security may be revoked by filing an application no later than the due date of the tax return for his first taxable year beginning after enactment. Effective for taxable years ending on or after enactment, or beginning after enactment (whichever is specified by the clergyman).</td>
<td>No provision.</td>
</tr>
<tr>
<td>Provides the President with authority to enter into bilateral social security agreements (totalization agreements) with interested foreign countries to provide for limited coordination between U.S. social security system and that of the other country. An agreement could eliminate dual coverage and contributions for the same work under the social security systems of two cooperating countries and could provide that eligibility and the amount of benefits payable by each country would take into account a</td>
<td>Similar provision except:</td>
</tr>
<tr>
<td>ITEM</td>
<td>PRESENT LAW</td>
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<tr>
<td>G. Illinois policemen, firemen.</td>
<td>Illinois is not on list of States who can extend coverage to policemen and firemen under a retirement system.</td>
</tr>
<tr>
<td>House bill</td>
<td>sec. 307 p. 67</td>
</tr>
<tr>
<td>H. Wisconsin Retirement Fund.</td>
<td>Wisconsin Retirement Fund—Allows the State of Wisconsin to extend coverage to State and local employees covered under the Wisconsin Retirement Fund without holding a referendum.</td>
</tr>
<tr>
<td>House bill</td>
<td>sec. 310 p. 69</td>
</tr>
<tr>
<td>V. ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM</td>
<td></td>
</tr>
<tr>
<td>Part A.—Equalization of Treatment of Men and Women Under the Program</td>
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<tr>
<td>The social security law contains a number of relatively minor provisions that are different for men and women.</td>
<td></td>
</tr>
<tr>
<td>1. Divorced husbands.</td>
<td>Provides benefits based on a former spouse’s social security earnings record for an aged divorced wife and an aged or disabled surviving divorced wife but not for divorced men in like circumstances.</td>
</tr>
<tr>
<td>House bill</td>
<td>sec. 401 p. 69</td>
</tr>
<tr>
<td>2. Remarriage of surviving spouses before age 60.</td>
<td>Provides that an aged or disabled widow (or surviving divorced wife) may qualify for widow’s benefits if she “is not married” when she applies for benefits. For a widower (or surviving divorced husband), on the other hand, the require-</td>
</tr>
<tr>
<td>House bill</td>
<td>sec. 402 p. 74</td>
</tr>
<tr>
<td>HOUSE BILL</td>
<td>SENATE BILL</td>
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<td>worker's work and earnings in both countries. Each country would exchange information on covered earnings with the other country, make determinations of coverage based on its own social security law, and pay pro rata benefits directly to beneficiaries. The Congress would have an opportunity to consider and reject a proposed agreement, as each negotiated agreement must be submitted to the Congress for review and could not become effective before 90 days on each of which at least one House of Congress has been in session following its submission. To reject an agreement would require enactment of legislation to that effect by both Houses of Congress. The United States has two totalization treaties signed with Italy and West Germany, but such treaties cannot become effective until Congress enacts the general enabling legislation. Provides social security coverage for employment prior to 1978 by certain policemen and firemen who are covered by the Illinois Municipal Retirement Fund and for whom social security taxes have been paid. Extends the special provision applying to employees covered under the Wisconsin Retirement Fund to any successor system to the Fund.</td>
<td>Requires that each agreement be transmitted to the Congress with a report on the estimated cost and the number of individuals affected; a totalization agreement could not go into effect until after both Houses had each been in session for 90 days and neither House passed a resolution of disapproval within the 90-day period. The Senate provision also contains a specific prohibition against including in an agreement any provision which would be contrary to the provisions of title II. No provision. No provision. No provision.</td>
</tr>
</tbody>
</table>
3. Illegitimate children.

House bill
sec. 403
p. 74

4. Transitional insured status.

House bill
sec. 404
p. 75

5. Special age 72 benefits.

House bill
sec. 405
p. 76

6. Fathers insurance benefits.

House bill
sec. 406
p. 77

A 1965 amendment to the social security law made certain people who attained age 72 before 1969 eligible for benefits based on a shorter time in covered employment than would otherwise be required. Benefits were also provided for certain wives and widows who attained age 72 before 1969, but similar benefits were not provided for husbands or widowers.

Certain people who reach age 72 before 1968 get special monthly cash payments (financed from general revenues) even though they have not worked in jobs covered by social security. The special payments can also be made to people who reach age 72 after 1967 and before 1972 if they have a specified amount of work under social security but not enough to qualify for regular retirement benefits.

When both members of a couple are receiving such payments, the husband receives a full benefit (now $78.50) and the wife gets a benefit equal to one-half the husband's benefit (now $39.30).

Benefits are provided by the present statute for a woman who has in her care a minor or disabled child (entitled to child's benefits) of her retired, disabled, or deceased husband, or deceased former husband. By virtue of a 1975 Supreme Court decision in Weinberger v. Wiesenfeld...
Provides that an illegitimate child's status for purposes of entitlement to child's insurance benefits will be determined with respect to the child's mother in the same way as it is now determined with respect to the child's father.

In addition, the bill changes the social security statute with respect to children of disabled workers to conform to a 1974 Supreme Court decision in Jimenes v. Weinberger. That decision provided that certain illegitimate children could get benefits based on a worker's earnings if the relationship and/or living with or support requirements in the law are met at the time the child applies for benefits instead of before the worker becomes disabled, as the statute provides. The bill makes a similar change with respect to children of retired workers.

Provides such benefits for husbands and widowers under the same conditions as for wives and widows.

Provides that when both members of a couple are receiving special age-72 payments, the total amount of the payments ($117.80) to the couple would be divided equally between the two.

Provides benefits for men who were not covered by the Supreme Court decision—young husbands of retired or disabled workers, and surviving divorced husbands with an entitled minor or disabled child of the retired, disabled, or deceased worker in their care. The bill also changes
26

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<tr>
<th>ITEM</th>
<th>PRESENT LAW</th>
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<tbody>
<tr>
<td>benefits are also provided for a similarly situated widowed father. (In <em>Wiesenfeld</em>, the Court ruled that benefits must be provided for a widower with an entitled child in his care on the same basis as they are provided for a widow with an entitled child in her care.) Also under the law, benefits are not provided for a father who has in his care an entitled child of his retired or disabled wife or deceased former wife.</td>
<td></td>
</tr>
</tbody>
</table>

7. Effect of marriage on childhood disability beneficiary and on dependents and dependent survivors' benefits.

*House bill*

secs. 407, 408

pp. 80-81

When a childhood disability beneficiary (a retired, disabled, or deceased worker's child who has been disabled since before age 22) marries another person getting dependent's or survivor's benefits, and when a disabled worker marries a childhood disability beneficiary or a mother, surviving divorced mother, or father, neither's benefits are terminated by reason of the marriage. Subsequent treatment of the spouse's benefits if the childhood disability beneficiary or disabled worker beneficiary has medically recovered or engages in substantial work and has his or her disability benefits terminated varies depending on the sex of the disability beneficiary. If the disability beneficiary is a male, the benefits of his spouse end when his benefits end. If, on the other hand, the disability beneficiary is a female, the benefits of her spouse do not end when her benefits end.

8. Treatment of self-employment income in community property state.

*House bill*

sec. 409

p. 82

Provides that all income from self-employment in a trade or business owned or operated by a married couple in a State in which community property statutes are in effect is deemed to be the husband's for social security purposes unless the wife exercises substantially all the management and control of the business, in which case all the self-employment income is treated as the wife's. In noncommunity property States, self-employment income of married couples is credited to the spouse who owns or is predominantly active in the business.

9. Credit for certain military service.

*House bill*

sec. 410

p. 83

Generally provides that if a civil service annuity based in part on military service performed before 1957 is payable to an individual, such service may not be used in determining eligibility for or the amount of such individual's social security benefit. An exception applies to a widow (or child), but not a widower, entitled to a civil service survivor's annuity based in whole or in part on pre-1957 military service. The widow (or child), but not a widower, may waive the right to the civil service survivor's annuity and receive credit for pre-1957 military service for purposes of determining eligibility for or the amount of social security survivor's benefits.
the statute to reflect the Supreme Court decision in *Weinberger v. Wiesenfeld*.

Provides that the benefits of the spouse of a female disability beneficiary would be terminated if she ceases to be disabled, as is now the case if the disability beneficiary is a male.

Permits self-employment income of a married couple in a community property State to be credited for social security purposes to the spouse who exercises more management and control over the trade or business. The provision would be effective with respect to taxable years beginning after 1977. Where the husband and wife exercised the same amount of management and control the self-employment income would be divided equally between both the husband and wife.

Provides that a widower, as well as a widow, would be permitted to waive payment of a civil service annuity attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for or the amount of a social security benefit.
Part B.—Effect of Marriage, Remarriage and Divorce on Benefit Eligibility

1. Eliminate marriage or remarriage as factor in eligibility for, or reduction or termination of, benefits.

   House bill
   sec. 415
   p. 90

   Provides in general, that the marriage (or remarriage) of a worker's divorced or surviving spouse, parent, or child prevents or terminates entitlement to benefits based on the worker's social security earnings record. For example, a widow who remaries before 60 cannot get benefits based on her first husband's earnings as long as she is married. If she remaries after age 60, the benefits based on the first husband's social security are reduced or terminated; the widow gets either a benefit equal to a wife's benefit based on her first husband's earnings (which is less than the widow's benefit she was getting) or a wife's benefit based on her current husband's earnings (if he is a beneficiary), whichever is higher. Benefits are not payable to divorced spouses and young surviving spouses who are remarried.

2. Duration of marriage requirement.

   House bill
   sec. 416
   p. 90

   Provides benefits for aged divorced wives and aged surviving divorced wives of retired, disabled, or deceased insured workers, subject to a 20-year duration-of-marriage requirement.

Part C.—Dependents benefits and study of gender-based differences

1. Study of gender-based differences under social security program.

   House bill
   sec. 421
   p. 90

   Senate bill
   sec. 201
   p. 232

   No provision.
Provides that marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse (including those with an entitled child in their care), parent, or child, and remarriage would not cause any reduction in aged widow’s or widower’s insurance benefits. Also, the dependent’s benefits of a person married to a disabled worker or an adult disabled since childhood would no longer be terminated when the disability ends.

The amendments made by the bill would apply with respect to benefits for months after December 1978. People whose dependents benefits were terminated because of marriage or remarriage (or because of the recovery of a previously disabled spouse) prior to January 1979 may again become entitled to such benefits thereafter upon application for reentitlement.

Reduces from 20 years to 5 years the length of time a person must have been married to a worker in order for benefits to be payable to an aged divorced spouse or surviving divorced spouse.

Effective with respect to benefits for months after December 1978.

Directs the Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, to carry out a detailed study of proposals: (1) to eliminate dependency as a requirement for entitlement to social security spouse’s benefits, and (2) to bring about the equal treatment of men and women in any and all respects. In conducting this study the Secretary shall take into account the effects of the changing role of women in today’s society including such things as: (1) changes in the nature and extent of women’s participation in the labor force, (2) the increasing divorce rate, and (3) the economic value of women’s work in the home. The study shall include appropriate cost analyses. A full and complete report shall be submitted by the Secretary to the Congress within 6 months after enactment of the bill.
ITEM | PRESENT LAW
--- | ---
2. Reduced benefits for spouses receiving Government pension. | A woman can become entitled to spouse's or surviving spouse's benefits without proving dependency on her husband. As a result of a March 1977 Supreme Court decision, a man can also become entitled to spouse's or surviving spouse's benefits without proving his dependency on his wife.

Senate bill
sec. 124
p. 188

VI. CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

A. Liberalization of earnings test.

House bill
sec. 501
p. 99

Senate bill
secs. 121-122
pp. 182-185

Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of $1 in benefits for each $2 of annual earnings in excess of $3,000 in 1977.

Under automatic provisions, in the year after an automatic benefit increase becomes effective the amount of earnings exempted from the withholding of benefits under the retirement test automatically increases in proportion to the increase in average wages in covered employment.

The following are estimated automatic increases in the annual exempt amount under the retirement test as reported in the 1977 Report of the Board of Trustees:

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual exempt amount under retirement test</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$3,240</td>
</tr>
<tr>
<td>1979</td>
<td>$3,480</td>
</tr>
<tr>
<td>1980</td>
<td>$3,720</td>
</tr>
<tr>
<td>1981</td>
<td>$3,960</td>
</tr>
<tr>
<td>1982</td>
<td>$4,200</td>
</tr>
</tbody>
</table>

B. Liberalization of foreign work test.

House bill
sec. 503
p. 104

A separate retirement test applies to employment or self-employment outside the United States which is not covered by the U.S. social security system. A monthly benefit is withheld when a beneficiary under age 72 works on any part of 7 or more days within a month. This test is based solely on the number of days the beneficiary works and not on the amount of earnings.
<table>
<thead>
<tr>
<th>HOUSE BILL</th>
<th>SENATE BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No provision.</td>
<td>Provides that social security benefits payable to spouses and surviving spouses be reduced by the amount of any public (Federal, State, or local) retirement benefit payable to the spouse. The offset would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. The reduction would apply to individuals who become entitled to spouse's benefits or to surviving spouse's benefits on the basis of applications filed in and after the month of enactment. (Also eliminates dependency requirements for husband's and widower's benefits from the social security statute.)</td>
</tr>
</tbody>
</table>

Increases the earnings limitations for beneficiaries age 65-72 to the following amounts for 1978-81, and totally eliminates it in 1982 for beneficiaries aged 65-72:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$3,000</td>
</tr>
<tr>
<td>1978</td>
<td>4,000</td>
</tr>
<tr>
<td>1979</td>
<td>4,500</td>
</tr>
<tr>
<td>1980</td>
<td>5,000</td>
</tr>
<tr>
<td>1981</td>
<td>5,500</td>
</tr>
<tr>
<td>1982</td>
<td>No limit</td>
</tr>
</tbody>
</table>

The retirement test figure of present law, which is to rise to $3,240 in 1978, would continue to apply to beneficiaries under age 65. (Ketchum amendment adopted by a vote of 268 to 149)

Increases the earnings limitations for beneficiaries age 65-72 to the following amounts for 1978-81, and totally eliminates it in 1982 for beneficiaries aged 65-72:

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<tr>
<th>Calendar year</th>
<th>Amount</th>
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<tr>
<td>1977</td>
<td>$3,000</td>
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<tr>
<td>1978</td>
<td>4,000</td>
</tr>
<tr>
<td>1979</td>
<td>4,500</td>
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<tr>
<td>1980</td>
<td>5,000</td>
</tr>
<tr>
<td>1981</td>
<td>5,500</td>
</tr>
<tr>
<td>1982</td>
<td>No limit</td>
</tr>
</tbody>
</table>

The retirement test figure of present law, which is to rise to $3,240 in 1978, would continue to apply to beneficiaries under age 65. (Ketchum amendment adopted by a vote of 268 to 149)

Provides that benefits would not be payable for any month in which a beneficiary worked in 9 or more calendar days in 1978 and in 12 or more calendar days in 1979 and subsequent years.

No provision.

Provides that benefits would not be payable for any month in which a beneficiary worked in 9 or more calendar days in 1978 and in 12 or more calendar days in 1979 and subsequent years.

No provision.

Provides that benefits would not be payable for any month in which a beneficiary worked in 9 or more calendar days in 1978 and in 12 or more calendar days in 1979 and subsequent years.

No provision.

Increases the annual exempt amount to $4,500 for 1978 and to $6,000 for 1979 for all beneficiaries (under age 65 as well as over age 65) with automatic increases thereafter, as under present law.

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$4,500</td>
</tr>
<tr>
<td>1978</td>
<td>6,000</td>
</tr>
<tr>
<td>1979</td>
<td>6,480</td>
</tr>
<tr>
<td>1980</td>
<td>6,960</td>
</tr>
<tr>
<td>1982</td>
<td>7,440</td>
</tr>
</tbody>
</table>

1 Estimated amounts under automatic provision.

Reduces the age at which a beneficiary is no longer subject to the retirement test from age 72 to 70, beginning in 1982. (Church substitute amendment adopted by a vote of 59 to 28.)
VII. COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

A. Annual crediting of quarters of coverage.

Employers report wages for social security purposes on a quarterly basis. As a result of Public Law 94–202, beginning in 1978, private employers will report annually; however, quarterly wage information will need to be listed on the annual reports because provisions of the law which require the use of quarterly wage data for some purposes were not changed. Forms W–2 will be used as the annual reports of wages for both social security and income tax purposes, and they will include either the amount of wages paid the worker in each quarter or a checkoff of the calendar quarters in which the worker was paid at least $50 (the measure of a quarter of coverage). (State and local employers continue to report on a quarterly basis.) This information would allow SSA to determine whether a worker has enough quarters of coverage to be eligible for benefits.

B. Amount required for quarter of coverage.

"Quarter of coverage" is defined as a calendar quarter in which worker received at least $50 in wages.

VIII. MISCELLANEOUS PROVISIONS


Requires that after January of each Presidential inauguration year the Secretary shall appoint an Advisory Council on Social Security consisting of a Chairman and 12 other members who are representatives of organizations of employees and employers, the self-employed, and the general public. The Council is required to review the status of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program and the programs under parts A and B of title XVIII, and of reviewing the scope of coverage and the adequacy of benefits under, and all other aspects of, these programs, including their impact on the public assistance programs under the Act. The Council is also required to submit reports of its findings and recommendations to the Secretary not later than January 1 of the...
Changes the provisions of the Social Security Act that require the use of quarterly wage data so that only annual data would be needed—employers would no longer have to check off quarters of coverage or report quarterly wages on the forms W-2. Excludes from the definition of wages certain employment wherein the remuneration is less than $100 in a calendar year. State and local employers will continue to report on a quarterly basis but wages will be converted to annual figures. The most significant program change relates to how annual wages would be credited in terms of quarters of coverage. Effective date, January 1, 1978.

Establishes a National Commission on Social Security independent from the executive branch composed of nine members—five appointed by the President, two by the Speaker, and two by the President pro tem of the Senate. The Commission would be required to submit interim reports and to issue a final report two years after its appointment.

(1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds

The Senate amendment includes no provision comparable to the House bill relating to a National Commission.

Under the Senate bill, the advisory council to be appointed this year would have an additional 9 months in which to make its report. The report would be due October 1, 1979, rather than January 1, 1979.
second year after the year in which it is required to be appointed. Such reports are to be transmitted to the Congress and the Board of Trustees.

2. Elimination of certain optional payment procedures under social security.

   Persons applying for benefits are permitted, if they meet all conditions of entitlement, to get benefits for up to 12 months prior to the month in which they filed an application.

   House bill
   sec. 702
   p. 126

   Senate bill
   sec. 126
   p. 196
to meet the immediate and long-range financing needs of such programs;

(B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;

(C) the impact of such programs on, and their relation to, public assistance programs, other governmental retirement and annuity programs, medical service delivery systems, and national employment practices;

(D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured or otherwise eligible for benefits under such programs, including inequities and inequalities arising out of marital status, sex, or similar classifications or categories; and

(E) possible alternatives to the current Federal programs or particular aspects thereof, including but not limited to (i) a phasing out of the payroll tax with the financing of such programs being accomplished in some other manner (including general revenue funding and the retirement bond), (ii) the establishment of a system providing for mandatory participation in any or all of the Federal programs, (iii) the integration of such current Federal programs with private retirement programs, and (iv) the establishment of a system permitting covered individuals a choice of public or private programs or both.

Provides that benefits not be paid retroactively for months before an application is filed when this payment results in a permanent reduction of future monthly benefits. Effective January 1, 1978.

Identical to House provision, except effective upon enactment.
3. Early payment of social security and SSI benefit checks in certain situations.

   House bill
   sec. 703
   p. 129
   Senate bill
   sec. 127
   p. 198

Social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month.

4. Taxation of corporations.

   Senate bill
   sec. 125
   p. 195

When an individual is concurrently employed by a group of corporations and works for more than one of the corporations, each corporation is treated as an individual employer for employer tax purposes. As a result, the group of corporations may be required to pay employment taxes on an individual's wages in excess of the maximum amount otherwise taxable.

5. Nonprofit organizations which failed to file waiver certificates.

   Senate bill
   sec. 139
   p. 209

Nonprofit organizations that have been paying social security taxes without having filed a valid waiver certificate to cover employees under the social security system are deemed to have filed such a waiver in those instances where no refund was obtained before September 9, 1976, and also in instances when organizations which received a refund before September 9, 1976, did not file a waiver within 180 days after October 4, 1976 (date of enactment of Public Law 94–563).
Requires that, when the delivery date for either payment falls on a Saturday, Sunday, or legal public holiday, the checks would be delivered on an earlier date. Any overpayment that occurs as a direct result of the earlier delivery of checks would be waived and would not be subject to the recovery.

No provision.

No provision in H.R. 9346; H.R. 8490 as reported by Ways and Means Committee would forgive unpaid social security taxes for certain organizations that stopped paying taxes prior to October 1979 without receiving a refund and were deemed to have filed a certificate under P.L. 94-563; would permit employees of those organizations to individually elect retroactive coverage providing the taxes were paid; and would extend from April 19, 1977, to December 31, 1977, the date by which organizations that received a tax refund may file a waiver certificate.

Similar provision, except there is no waiver of recovery of overpayments that occur as a result of earlier delivery of checks.

A group of corporations concurrently employing an individual would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would result in such corporations having to pay no more in social security and unemployment taxes than a single employer pays. The provision is effective January 1, 1979.

Similar to H.R. 8490 except would permit a refund of back taxes to certain organization that had stopped paying the taxes before October 1, 1976, but paid the back taxes after enactment of P.L. 94-563.

Senator Ribicoff's floor amendment provides that certain nonprofit organizations that had obtained refunds for the quarter ending prior to July 1, 1973 would be entitled to file actual waiver certificates as are organizations that received refunds for any period after June 30, 1973 and before September 9, 1976.

Senator Dole's and Senator Sarbanes' floor amendment provides that those calendar quarters in which organizations were required to pay social security taxes pending determination of their application for section 501(c)(3) tax exempt status shall not be considered calendar quarters in which taxes were paid without having filed a waiver certificate for the purpose of deeming them to have filed a constructive waiver certificate under Public Law 94-563. (This exclusion generally applies through the quarter ending after the twelfth month following mailing of the ruling. Organizations ruled exempt after December 31, 1975 qualify for the exclusion through the quarter in which such ruling was issued.)
 Senate bill
 sec. 131
 p. 218

To qualify for disability benefits, a legally blind person must be fully insured. If he is under age 55, he gets a 9-month trial period to test his capacity to work; if he engages in SGA after the trial work period, his benefits are terminated. If he is aged 55 or older, his benefits are suspended for each month in which he engages in SGA.

The amount of benefits is computed the same as for nonblind disabled beneficiaries.

7. Administrative law judges.
 Senate bill
 sec. 202
 p. 233

Public Law 94–202 established temporary hearing officer positions (ALJ’s) to hear cases under titles II, XVI, and XVIII of the Social Security Act pursuant to the Administrative Procedure Act. The authority for the positions would expire on December 31, 1978.

8. Study of CPI for the elderly.
 Senate bill
 sec. 201
 p. 232

No provision.

 Senate bill
 sec. 132

An individual who is under age 62 and who receives both social security and workmen’s compensation benefits at the same time may have his social security reduced. No reduction is made if the State workmen’s compensation program provides for any reduction in the workmen’s compensation benefit because of the payment of social security. However, if the workmen’s compensation benefits are not reduced, then social security benefits are reduced by whatever amount is necessary to assure that the individual’s total income from both social security and workmen’s compensation is not higher than 80% of his “average current earnings.”

“Average current earnings” are defined as the highest of the average monthly wage on which the benefit is based, the average monthly wage during the individual’s highest five consecutive years of earnings, or the average wage the individual had in the one year of highest earnings during the five years before he became disabled.

Where an individual receives a lump sum settlement under workmen’s compensation rather than monthly payments. The Department prorates the lump sum settlement over a period of time and applies the monthly reduction in social security payments as though the lump sum settlement had been paid monthly.
<table>
<thead>
<tr>
<th>HOUSE BILL</th>
<th>SENATE BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No provision.</td>
<td>A legally blind worker would:</td>
</tr>
<tr>
<td></td>
<td>(1) need only 6 quarters of coverage;</td>
</tr>
<tr>
<td></td>
<td>(2) be considered disabled, regardless of earnings and capacity to work;</td>
</tr>
<tr>
<td></td>
<td>(3) have benefits computed and recomputed in a special, advantageous method;</td>
</tr>
<tr>
<td></td>
<td>(4) not be subject to the retirement test at age 65; and</td>
</tr>
<tr>
<td></td>
<td>(5) not be required to undergo vocational rehabilitation services.</td>
</tr>
<tr>
<td></td>
<td>(Bayh floor amendment adopted by a voice vote.)</td>
</tr>
<tr>
<td>No provision, but identical bill (H.R. 5723) reported by Ways and Means Committee.</td>
<td>Converts appointments to permanent ALJ status under the Administrative Procedure Act.</td>
</tr>
<tr>
<td>No provision.</td>
<td>Senate bill requires the Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, to study the need to develop a special consumer price index for the elderly, and to report to Congress within 6 months of enactment.</td>
</tr>
<tr>
<td>No provision.</td>
<td>Senate amendment repeals the provision of existing law which provides for a reduction in social security benefits for persons simultaneously entitled to workmen's compensation payments (Wallop amendment adopted by a voice vote).</td>
</tr>
</tbody>
</table>
ITEM | PRESENT LAW
--- | ---
| No reduction is made after the individual becomes age 62 and no reduction is made in the amount of any increases in social security benefits which become payable after the individual goes on the rolls.
The reduction is recomputed every three years to give the individual the benefit of increases which he might have had in “average current earnings” had he not become disabled.

10. Reimbursement under medicare for certain wheelchairs.

Senate bill
sec. 306
p. 249

Among the items which are specified in the statute as allowable for medicare reimbursement are “wheel chairs used in the patient’s home”. The Department of Health, Education, and Welfare has interpreted this statute to preclude coverage for a type of wheelchair known as the “AMIGO” wheelchair which is self-propelled on the basis that it can be used outside the home as well as in the home.

IX. PROVISIONS RELATING TO PUBLIC ASSISTANCE PROGRAMS

1. Fiscal relief for State and local welfare costs. No provision.

Senate bill
sec. 301
p. 238

2. Incentives for lowering AFDC error rates.

Senate bill
sec. 302
p. 238

Under its general regulatory authority, the Department of Health, Education, and Welfare requires the States in administering their programs of aid to families with dependent children to conduct quality review samplings which provide statistical data concerning the percentage of erroneous payments. Attempts by the Department to use this quality control system as a basis for reducing Federal matching to States with excessively high error rates have thus far been successfully blocked in the courts and have consequently been withdrawn by the Department.
No provision.

The Senate amendment would expand the definition of allowable expenses to include devices serving the same or similar purposes as wheelchairs in order to assure coverage of the "AMIGO" wheelchair (Griffin amendment adopted by a voice vote).

No provision.

The Senate amendment would provide for a one-time payment as soon as possible after enactment to the States of $374 million as fiscal relief for State and local welfare costs. The amount payable to each State would have to be passed through to local jurisdictions which participate in the cost of the AFDC program except that no political subdivision could receive more than 90% of its share of program costs.

The amount allocated to each State out of the $374 million total would be computed under a two-part formula. Half of the total would be allocated among the States in proportion to each State's share of AFDC expenditures for December, 1976. The other half of the $374 million total would be allocated among the States in the same relative proportion as the most recent general revenue sharing allocations.

No provision.

The Senate amendment would establish a system of fiscal incentives for States which have low error rates as measured by the quality control findings.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PRESENT LAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Access by AFDC agencies to wage records.</td>
<td>Present law contains no specific statutory provision either allowing or requiring State AFDC agencies to verify the amount of earnings reported (or not reported) by AFDC recipients through cross-checking the wage records of State unemployment compensation agencies or the Social Security Administration.</td>
</tr>
<tr>
<td>Senate bill</td>
<td>Section 1115 of the Social Security Act allows the Secretary of Health, Education, and Welfare to waive any of the State plan requirements of the Federal AFDC statute for the sake of experimental pilot or demonstration projects which in the Secretary's judgment are likely to assist in promoting the objectives of the program. Waivers requested by the States under this authority become effective only when specifically approved by the Secretary.</td>
</tr>
</tbody>
</table>

Senate bill
sec 303
p. 240

Senate bill
sec. 304
p. 243
<table>
<thead>
<tr>
<th>HOUSE BILL</th>
<th>SENATE BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If the error rate is:</strong></td>
<td><strong>Federal savings</strong></td>
</tr>
<tr>
<td>At least 3.5 percent but less than 4 percent</td>
<td>10</td>
</tr>
<tr>
<td>At least 3 percent but less than 3.5 percent</td>
<td>20</td>
</tr>
<tr>
<td>At least 2.5 percent but less than 3 percent</td>
<td>30</td>
</tr>
<tr>
<td>At least 2 percent but less than 2.5 percent</td>
<td>40</td>
</tr>
<tr>
<td>Less than 2 percent</td>
<td>50</td>
</tr>
</tbody>
</table>

1 The State will retain this percent of the imputed Federal savings.

No provision.

The Senate amendment would specifically authorize State AFDC agencies to obtain wage information from the wage records maintained by the Social Security Administration and the wage records maintained by State unemployment compensation agencies for purposes of determining eligibility for (or amount of) AFDC. The Secretary of HEW would establish the necessary safeguards to prevent the improper use of such information. Effective October 1, 1979, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

No provision.

The Senate amendment would authorize certain types of State demonstration projects related to the AFDC program to be implemented if the Secretary did not specifically disapprove the implementation of such projects within forty-five days after the State applies to have the projects approved. In other words, a State could proceed with such projects either when the Secretary approved them, or forty-five days after submitting them to the Secretary if no decision had been reached by HEW within that period. Once implemented, demonstration projects could continue for two years or until such time as the Secretary took action to disapprove the waiver.

Under this authority, States would be permitted to conduct not more than three demonstration projects but not more than one on a Statewide basis. Projects involving public service employment would have to meet reasonable standards related to health, safety and other conditions, could not displace employed workers, would have to be reasonable for the individuals participating, and would have to provide appropriate workmen's compensation protection. Participation in any project by any AFDC recipient would have to be on a voluntary basis.

States would be permitted to waive ordinary statutory rules requiring statewide uniformity, administration by a single agency, and regarding participation in the work incentive program and
5. **AFDC earned income disregard.**

   Under present law States are required, in determining need for Aid to Families with Dependent Children, to disregard:
   
   1. All earned income of a child who is a full-time student, or a part-time student who is not a full-time employee; and
   2. The first $30 earned monthly by an adult plus one-third of additional earnings. Costs related to work (such as transportation costs, uniforms, union dues, child care and other items) are also deducted from earnings in calculating the amount of welfare benefit. The $30 plus one-third disregard is based on total earnings and not on earnings net of work expense deductions.

6. **Federal liability for Federally-caused errors in State SSI supplementation (1974).**

   Where States provide additional benefits to aged, blind and disabled people over and above the Federally administered SSI payments under title XVI of the Social Security Act, there is authority in existing law for States to either administer those payments themselves or to enter into agreements with the Department under which the State supplemental benefits are paid by the Social Security Administration with that agency being reimbursed by the State for the cost of those payments. Where State supplemental payments have been Federally administered, the Department has negotiated with the States a partial Federal assumption of liability for the cost of payments which were made incorrectly. Where States have administered their own benefits, however, the Department has not assumed any Federal liability for erroneous payments. No statutory provisions exist concerning Federal liability for incorrect State supplementation payments under either mode of administration.
the disregard of certain amounts of earned income. (Not more than half of all income could be disregarded under the waiver authority, however.)

AFDC matching for these demonstration projects would be limited to the amount the State would have received through AFDC if it had not implemented the demonstration project. In addition the State’s general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC matching.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary took action to disapprove a State waiver of statutory rules before the end of the 2-year period. The provision would not apply after September 30, 1980.

No provision.

The Senate amendment would require States to disregard the first $60 earned monthly by an individual working full-time ($30 in the case of an individual working part time—work under 40 hours weekly would be considered part-time unless it involved 35 hours per week and weekly wages of at least $92.) There would be no deduction for individual itemized work expenses except that reasonable child care expenses, subject to limitations prescribed by the Secretary would also be disregarded. The remaining earnings (net of the basic $60 or $30 disregard and child care expenses) would be disregarded according to the following formula: \( \frac{1}{3} \) of up to $300 of additional earnings would be disregarded and \( \frac{1}{5} \) of earnings above that.

No provision.

The Senate amendment would authorize and direct the Secretary of Health, Education, and Welfare to reimburse the States for erroneous State supplemental payments administered by them and paid during 1974 to the extent that an HEW audit determines is appropriate on the basis that the incorrect payments resulted from erroneous or incomplete information furnished to the States by the Department or from States’ reliance on incorrect payments made by the Department. (Allen amendment adopted by a voice vote.)
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PRESENT LAW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>X. NON-SOCIAL SECURITY ACT PROVISIONS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Prohibition against reducing veteran's pensions because of social security increases.</td>
<td>Benefits for veterans who are disabled from non-service connected disability (including veterans who are age 65 and over) are payable on a needs-test basis in which the amount payable is reduced to take into account the other income which the veteran has. A similar needs test applies in the case of benefits for the widows of veterans who die from non-service connected causes and also in the case of compensation payable to the dependent parents of veterans who die from service connected causes. In computing the amount payable under each of these programs, 10% of the value of social security benefits is excluded. Otherwise, however, the social security benefit is counted like any other income and serves to reduce the pension. When social security benefits are raised, the amount of pension payable is accordingly reduced (however, this effect is offset to some extent by periodic <em>ad hoc</em> increases in the rates of pension payable to veterans).</td>
</tr>
<tr>
<td>Senate bill</td>
<td></td>
</tr>
<tr>
<td>sec. 204</td>
<td></td>
</tr>
<tr>
<td>p. 234</td>
<td></td>
</tr>
<tr>
<td>2. Tax credit for higher education expenses.</td>
<td>Individuals are allowed a deduction in computing their income tax liability for education expenses only to the extent that they represent ordinary and necessary business expenses.</td>
</tr>
<tr>
<td>Senate bill</td>
<td></td>
</tr>
<tr>
<td>sec. 401</td>
<td></td>
</tr>
<tr>
<td>p. 258</td>
<td></td>
</tr>
<tr>
<td>3. Treatment of honoraria under Federal Election Act.</td>
<td>Under the Federal Election Campaign Act (2 USC 4411), a Federal officer or employee cannot accept any honorarium of more than $2,000 or honoraria aggregating more than $25,000 in any calendar year.</td>
</tr>
<tr>
<td>Senate bill</td>
<td></td>
</tr>
<tr>
<td>sec. 307</td>
<td></td>
</tr>
<tr>
<td>p. 249</td>
<td></td>
</tr>
</tbody>
</table>
No provision.

The Senate amendment provides that the amount of any social security benefit resulting from a cost of living increase will not be used to reduce Veterans Administration payments of these types. The amendment would apply to social security increases taking place after September 1, 1978. (McIntyre floor amendment agreed to by a voice vote—tabling motion failed 20 to 68).

No provision.

The Senate amendment modifies the Internal Revenue Code to provide an income tax credit for educational expenses (tuition, fees, books, and equipment, but not meals, lodging, or other living expenses) paid to an institution of higher education or a vocational school. The amount of the credit is limited each year to $250 per student. For 1978 only, it would be refundable. The student must be a full-time student working towards a baccalaureate degree or certificate of required course work. Expenses eligible for the credit are reduced by scholarship or fellowship grants, educational assistance allowances, and education and training allowances. (Roth amendment adopted by a vote of 61 to 11.)

No provision.

The Senate amendment makes clear that a contribution to a charitable organization selected by the payor from a list of 5 or more organizations named by the government officer or employee shall not be treated as an honorarium. Also, amounts returned to a payor before the end of the calendar year shall not be treated as honoraria. The amendment also provides that honoraria are to be treated as accepted in the year of receipt. The amendment is effective with respect to honoraria received after December 31, 1976. (Dole amendment adopted by a voice vote.)
XI. TABLES

HOUSE BILL

A. SHORT TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY ADMINISTRATION ACTUARY

OASDI Program as Modified by H.R. 9346 as Passed by the House of Representatives

TABLE H-1.—ESTIMATED EFFECTS OF THE HOUSE BILL ON THE NET INCREASE IN THE OASI AND DI TRUST FUNDS, COMBINED, IN EACH CALENDAR YEAR 1978-83, BY PROVISION

[In millions]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total additional amount of benefit payments</td>
<td>-$371</td>
<td>$682</td>
<td>$545</td>
<td>$64</td>
<td>$2,313</td>
<td>$1,818</td>
</tr>
<tr>
<td>Reduction in other outgo</td>
<td>16</td>
<td>54</td>
<td>70</td>
<td>138</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>Net amount of additional outgo</td>
<td>-371</td>
<td>666</td>
<td>491</td>
<td>-12</td>
<td>2,175</td>
<td>1,608</td>
</tr>
<tr>
<td>Decoupling</td>
<td>Jan. 1979</td>
<td>-70</td>
<td>-351</td>
<td>-803</td>
<td>-1,473</td>
<td>-2,302</td>
</tr>
<tr>
<td>Elimination of marriage or remarriage as a bar to entitlement to benefits</td>
<td>Jan. 1979</td>
<td>1,135</td>
<td>1,355</td>
<td>1,454</td>
<td>1,551</td>
<td>1,654</td>
</tr>
<tr>
<td>Reduction in duration of marriage required for divorced spouses benefits from 20 to 5 years</td>
<td>Jan. 1979</td>
<td>137</td>
<td>164</td>
<td>177</td>
<td>190</td>
<td>204</td>
</tr>
<tr>
<td>Changes in the retirement test—Total</td>
<td>Jan. 1978</td>
<td>54</td>
<td>266</td>
<td>359</td>
<td>404</td>
<td>3,299</td>
</tr>
<tr>
<td>Gradual increases in the exempt amount for beneficiaries age 65 and over</td>
<td>Jan. 1978</td>
<td>278</td>
<td>542</td>
<td>656</td>
<td>717</td>
<td>753</td>
</tr>
<tr>
<td>Reduction in age at which test ceases to apply from age 72 to age 65</td>
<td>Jan. 1982</td>
<td>2,872</td>
<td>3,203</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal—cost provisions</td>
<td>Jan. 1978</td>
<td>278</td>
<td>542</td>
<td>656</td>
<td>717</td>
<td>3,625</td>
</tr>
<tr>
<td>Elimination of retroactive payments of actuarially reduced benefits</td>
<td>Jan. 1978</td>
<td>-339</td>
<td>-536</td>
<td>-550</td>
<td>-559</td>
<td>-505</td>
</tr>
<tr>
<td>Limitation on increases in actuarially reduced benefits</td>
<td>Jan. 1978</td>
<td>-90</td>
<td>-280</td>
<td>-500</td>
<td>-751</td>
<td>-948</td>
</tr>
<tr>
<td>Increase in special minimum benefits</td>
<td>Jan. 1979</td>
<td>4</td>
<td>15</td>
<td>14</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Changes in annual wage reporting provisions</td>
<td>Jan. 1978</td>
<td>(2)</td>
<td>1</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Elimination of gender-based distinctions from the law</td>
<td>Jan. 1978</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Increases in contribution and benefit base</td>
<td>Jan. 1978</td>
<td>(2)</td>
<td>12</td>
<td>44</td>
<td>112</td>
<td>218</td>
</tr>
<tr>
<td>Additional tax contribution income resulting from financing changes</td>
<td>Jan. 1978</td>
<td>3,999</td>
<td>6,673</td>
<td>8,566</td>
<td>15,284</td>
<td>19,900</td>
</tr>
<tr>
<td>Additional interest income</td>
<td>Jan. 1978</td>
<td>114</td>
<td>478</td>
<td>1,007</td>
<td>1,885</td>
<td>3,075</td>
</tr>
<tr>
<td>Total additional income</td>
<td>Jan. 1978</td>
<td>4,113</td>
<td>7,151</td>
<td>9,573</td>
<td>17,169</td>
<td>22,975</td>
</tr>
<tr>
<td>Net effect on increase in trust funds</td>
<td>Jan. 1978</td>
<td>4,484</td>
<td>6,485</td>
<td>9,082</td>
<td>17,181</td>
<td>20,800</td>
</tr>
</tbody>
</table>

1 Transfers to the railroad retirement account under the financial interchange provisions are lower under the House bill than under present law because of the financing changes in the bill.
2 Less than $500,000.
## A. SHORT TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY ADMINISTRATION ACTUARY

**OASDI Program as Modified by H.R. 9346 as Passed by the Senate**

**TABLE S-1—ESTIMATED EFFECTS OF THE SENATE BILL ON THE NET INCREASE IN THE OASI AND DI TRUST FUNDS, COMBINED, IN EACH CALENDAR YEAR 1978-83, BY PROVISION**

(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total amount of additional benefit payments</strong></td>
<td>$463</td>
<td>$1,503</td>
<td>$1,438</td>
<td>$909</td>
<td>$630</td>
<td>$273</td>
</tr>
<tr>
<td><strong>Reduction in other outgo</strong></td>
<td>16</td>
<td>28</td>
<td>151</td>
<td>217</td>
<td>274</td>
<td><strong>Net amount of additional outgo</strong></td>
</tr>
<tr>
<td></td>
<td>463</td>
<td>1,487</td>
<td>1,410</td>
<td>758</td>
<td>413</td>
<td>$547</td>
</tr>
<tr>
<td><strong>Decoupling</strong></td>
<td>-31</td>
<td>-196</td>
<td>-486</td>
<td>-947</td>
<td>-1,609</td>
<td></td>
</tr>
<tr>
<td><strong>Changes in eligibility requirements actuarially reduced benefits</strong></td>
<td>410</td>
<td>720</td>
<td>824</td>
<td>929</td>
<td>1,033</td>
<td>1,137</td>
</tr>
<tr>
<td><strong>Elimination of workers' compensation offset provision</strong></td>
<td>172</td>
<td>202</td>
<td>226</td>
<td>254</td>
<td>282</td>
<td>312</td>
</tr>
<tr>
<td><strong>Changes in retirement test—net total</strong></td>
<td>582</td>
<td>1,786</td>
<td>2,170</td>
<td>2,271</td>
<td>2,744</td>
<td>2,835</td>
</tr>
<tr>
<td><strong>Elimination of monthly measure increases in exempt amounts for all beneficiaries</strong></td>
<td>-224</td>
<td>-276</td>
<td>-297</td>
<td>-313</td>
<td>-326</td>
<td>-337</td>
</tr>
<tr>
<td><strong>Reduction in exempt age from 72 to 70</strong></td>
<td>806</td>
<td>2,062</td>
<td>2,467</td>
<td>2,584</td>
<td>2,719</td>
<td>2,785</td>
</tr>
<tr>
<td><strong>Subtotal—cost provisions</strong></td>
<td>806</td>
<td>2,062</td>
<td>2,467</td>
<td>2,584</td>
<td>3,070</td>
<td>3,172</td>
</tr>
<tr>
<td><strong>Elimination of retroactive payments of actuarially reduced benefits</strong></td>
<td>-424</td>
<td>-536</td>
<td>-550</td>
<td>-559</td>
<td>-565</td>
<td>-569</td>
</tr>
<tr>
<td><strong>Limitation on increases in actuarially reduced benefits</strong></td>
<td>-90</td>
<td>-280</td>
<td>-500</td>
<td>-751</td>
<td>-948</td>
<td>-1,157</td>
</tr>
<tr>
<td><strong>Increase in benefits of surviving spouses, resulting from deceased worker's delayed retirement credits</strong></td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td><strong>Offset to benefits of spouses receiving public retirement pensions</strong></td>
<td>-190</td>
<td>-362</td>
<td>-545</td>
<td>-767</td>
<td>-1,008</td>
<td>-1,289</td>
</tr>
<tr>
<td><strong>Increases in contribution and benefit base</strong></td>
<td>(4)</td>
<td>11</td>
<td>29</td>
<td>54</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional tax contribution income resulting from financing changes</strong></td>
<td>1,630</td>
<td>8,209</td>
<td>9,767</td>
<td>16,822</td>
<td>19,800</td>
<td>21,375</td>
</tr>
<tr>
<td><strong>Additional interest income</strong></td>
<td>42</td>
<td>215</td>
<td>800</td>
<td>1,720</td>
<td>2,994</td>
<td>4,099</td>
</tr>
<tr>
<td><strong>Total amount of additional income</strong></td>
<td>1,672</td>
<td>8,424</td>
<td>10,567</td>
<td>18,542</td>
<td>22,894</td>
<td>26,074</td>
</tr>
<tr>
<td><strong>Net effect on increase in trust funds</strong></td>
<td>1,209</td>
<td>6,937</td>
<td>9,157</td>
<td>17,784</td>
<td>22,481</td>
<td>26,021</td>
</tr>
</tbody>
</table>

1 Transfers to the railroad retirement account under the financial interchange provisions are lower under the Senate bill than under present law because of the financing changes in the bill.
2 The Senate Finance Committee adopted the administration's estimate of the benefit reduction that would result from the administration proposal regarding benefits for dependent spouses as the estimated reduction that would result from the related committee amendment offsetting Government retirement pensions against spouses' benefits. The Office of the Actuary estimates reductions of $135 million in 1978, $235 million in 1979, $324 million in 1980, $434 million in 1981, $554 million in 1982, and $692 million in 1983.
3 Includes reimbursements from the general fund for reduction in employer payments by State and local governments and in employer tax contributions from nonprofit organizations. Such reimbursements are assumed to be made concurrently with the loss of such payments and tax contributions.
4 Less than $500,000.
TABLE H-2.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM H.R. 9346 AS PASSED BY THE HOUSE OF REPRESENTATIVES BY PROVISION, CALENDAR YEARS 1978–83

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Increase in contribution and benefit base</th>
<th>Reallocation of tax rates between OASDI and HI</th>
<th>Increase in OASDI self-employment tax rates to 1½ times employee rate</th>
<th>Increase in tax rates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>$2.3</td>
<td>$1.7</td>
<td></td>
<td></td>
<td>$4.0</td>
</tr>
<tr>
<td>1979</td>
<td>4.6</td>
<td>2.0</td>
<td></td>
<td></td>
<td>6.7</td>
</tr>
<tr>
<td>1980</td>
<td>6.3</td>
<td>2.3</td>
<td></td>
<td></td>
<td>8.6</td>
</tr>
<tr>
<td>1981</td>
<td>8.0</td>
<td>1.3</td>
<td>$6.1</td>
<td>5.8</td>
<td>15.3</td>
</tr>
<tr>
<td>1982</td>
<td>8.8</td>
<td>1.3</td>
<td>.4</td>
<td>9.3</td>
<td>19.9</td>
</tr>
<tr>
<td>1983</td>
<td>9.4</td>
<td>1.4</td>
<td>.4</td>
<td>10.2</td>
<td>21.5</td>
</tr>
<tr>
<td>HI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>.5</td>
<td>-1.7</td>
<td></td>
<td></td>
<td>-1.2</td>
</tr>
<tr>
<td>1979</td>
<td>1.0</td>
<td>-2.0</td>
<td></td>
<td></td>
<td>-1.0</td>
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<tr>
<td>1980</td>
<td>1.4</td>
<td>-2.3</td>
<td></td>
<td></td>
<td>-0.9</td>
</tr>
<tr>
<td>1981</td>
<td>2.1</td>
<td>-1.3</td>
<td></td>
<td></td>
<td>.8</td>
</tr>
<tr>
<td>1982</td>
<td>2.3</td>
<td>-1.3</td>
<td></td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>1983</td>
<td>2.5</td>
<td>-1.4</td>
<td></td>
<td></td>
<td>1.1</td>
</tr>
<tr>
<td>OASDHI:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1978</td>
<td>2.8</td>
<td></td>
<td></td>
<td></td>
<td>2.8</td>
</tr>
<tr>
<td>1979</td>
<td>5.5</td>
<td></td>
<td></td>
<td></td>
<td>5.7</td>
</tr>
<tr>
<td>1980</td>
<td>7.6</td>
<td></td>
<td></td>
<td></td>
<td>7.7</td>
</tr>
<tr>
<td>1981</td>
<td>10.1</td>
<td></td>
<td></td>
<td></td>
<td>16.1</td>
</tr>
<tr>
<td>1982</td>
<td>11.2</td>
<td></td>
<td></td>
<td></td>
<td>20.9</td>
</tr>
<tr>
<td>1983</td>
<td>11.9</td>
<td></td>
<td></td>
<td></td>
<td>22.6</td>
</tr>
</tbody>
</table>

1 Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

TABLE H-3.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977–87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at end of year as a percentage of outgo during year</th>
<th>Fund at end of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$72.5</td>
<td>$75.6</td>
<td>-$3.1</td>
<td>$32.3</td>
<td>47</td>
</tr>
<tr>
<td>1978</td>
<td>80.6</td>
<td>83.6</td>
<td>-3.0</td>
<td>29.3</td>
<td>39</td>
</tr>
<tr>
<td>1979</td>
<td>90.8</td>
<td>92.7</td>
<td>-1.9</td>
<td>27.4</td>
<td>32</td>
</tr>
<tr>
<td>1980</td>
<td>100.8</td>
<td>101.3</td>
<td>-1.4</td>
<td>26.9</td>
<td>27</td>
</tr>
<tr>
<td>1981</td>
<td>114.1</td>
<td>109.9</td>
<td>4.2</td>
<td>31.1</td>
<td>25</td>
</tr>
<tr>
<td>1982</td>
<td>125.9</td>
<td>121.4</td>
<td>4.5</td>
<td>35.6</td>
<td>26</td>
</tr>
<tr>
<td>1983</td>
<td>135.1</td>
<td>130.7</td>
<td>4.4</td>
<td>40.0</td>
<td>27</td>
</tr>
<tr>
<td>1984</td>
<td>144.4</td>
<td>140.5</td>
<td>3.9</td>
<td>43.9</td>
<td>28</td>
</tr>
<tr>
<td>1985</td>
<td>160.3</td>
<td>151.1</td>
<td>9.2</td>
<td>53.2</td>
<td>29</td>
</tr>
<tr>
<td>1986</td>
<td>171.9</td>
<td>162.2</td>
<td>9.7</td>
<td>62.9</td>
<td>33</td>
</tr>
<tr>
<td>1987</td>
<td>183.7</td>
<td>174.0</td>
<td>9.7</td>
<td>72.6</td>
<td>36</td>
</tr>
</tbody>
</table>

See note at end of table H-6.
### TABLE S-2.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM H.R. 9346 AS PASSED BY THE SENATE, BY PROVISION, CALENDAR YEARS 1978-83

[In billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Increase in OASDI self-employment tax rates</th>
<th>Reallocation of tax rates to 1½ times employer rate</th>
<th>Increase in OASDI</th>
<th>Increase in HI</th>
<th>Increase in self-employment tax rates</th>
<th>Total increase in tax rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase in base for employers and self-employed</td>
<td></td>
<td>OASDI</td>
<td>HI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>$5.1</td>
<td>$1.6</td>
<td>$0.4</td>
<td>1.1</td>
<td>$0.9</td>
<td>$0.8</td>
</tr>
<tr>
<td>1980</td>
<td>6.2</td>
<td>1.1</td>
<td>0.5</td>
<td>1.0</td>
<td>3.6</td>
<td>3.3</td>
</tr>
<tr>
<td>1981</td>
<td>6.5</td>
<td>2.4</td>
<td>0.9</td>
<td>4.7</td>
<td>4.3</td>
<td>3</td>
</tr>
<tr>
<td>1982</td>
<td>6.6</td>
<td>2.6</td>
<td>1.0</td>
<td>5.0</td>
<td>4.6</td>
<td>4</td>
</tr>
<tr>
<td>1983</td>
<td>6.7</td>
<td>2.8</td>
<td>1.3</td>
<td>5.0</td>
<td>4.6</td>
<td>4</td>
</tr>
</tbody>
</table>

### TABLE S-3.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
<th>Fund at end of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$72.5</td>
<td>$75.6</td>
<td>$-3.1</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>1978</td>
<td>$78.5</td>
<td>$83.8</td>
<td>$-5.3</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>1979</td>
<td>92.1</td>
<td>92.5</td>
<td>$-0.4</td>
<td>26.6</td>
<td>29</td>
</tr>
<tr>
<td>1980</td>
<td>102.0</td>
<td>101.0</td>
<td>1.0</td>
<td>27.5</td>
<td>26</td>
</tr>
<tr>
<td>1981</td>
<td>115.2</td>
<td>109.3</td>
<td>5.9</td>
<td>33.4</td>
<td>25</td>
</tr>
<tr>
<td>1982</td>
<td>125.7</td>
<td>118.1</td>
<td>7.6</td>
<td>41.0</td>
<td>28</td>
</tr>
<tr>
<td>1983</td>
<td>135.0</td>
<td>126.8</td>
<td>8.2</td>
<td>49.3</td>
<td>32</td>
</tr>
<tr>
<td>1984</td>
<td>144.4</td>
<td>136.3</td>
<td>8.1</td>
<td>57.3</td>
<td>36</td>
</tr>
<tr>
<td>1985</td>
<td>151.0</td>
<td>146.5</td>
<td>14.5</td>
<td>71.8</td>
<td>39</td>
</tr>
<tr>
<td>1986</td>
<td>157.1</td>
<td>157.3</td>
<td>15.8</td>
<td>97.6</td>
<td>46</td>
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<tr>
<td>1987</td>
<td>185.0</td>
<td>168.7</td>
<td>16.2</td>
<td>103.8</td>
<td>52</td>
</tr>
</tbody>
</table>

See note at end of table S-6.
### HOUSE BILL

**TABLE H-4.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87**

[Amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
<th>Fund at end of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$9.6</td>
<td>$12.0</td>
<td>−$2.4</td>
<td>$3.3</td>
<td>48</td>
<td>27</td>
</tr>
<tr>
<td>1978</td>
<td>14.2</td>
<td>13.7</td>
<td>.5</td>
<td>3.8</td>
<td>24</td>
<td>28</td>
</tr>
<tr>
<td>1979</td>
<td>15.9</td>
<td>15.3</td>
<td>.6</td>
<td>4.4</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>1980</td>
<td>17.6</td>
<td>17.1</td>
<td>.5</td>
<td>4.9</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td>1981</td>
<td>20.5</td>
<td>19.0</td>
<td>1.5</td>
<td>6.4</td>
<td>25</td>
<td>34</td>
</tr>
<tr>
<td>1982</td>
<td>22.3</td>
<td>20.9</td>
<td>1.4</td>
<td>7.8</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>1983</td>
<td>23.9</td>
<td>23.0</td>
<td>.9</td>
<td>8.8</td>
<td>34</td>
<td>38</td>
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<tr>
<td>1984</td>
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<td>25.2</td>
<td>.3</td>
<td>9.1</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>1985</td>
<td>30.3</td>
<td>27.7</td>
<td>2.6</td>
<td>11.7</td>
<td>33</td>
<td>42</td>
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<tr>
<td>1986</td>
<td>32.8</td>
<td>30.3</td>
<td>2.4</td>
<td>14.1</td>
<td>38</td>
<td>46</td>
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<tr>
<td>1987</td>
<td>35.0</td>
<td>33.2</td>
<td>1.8</td>
<td>15.9</td>
<td>43</td>
<td>48</td>
</tr>
</tbody>
</table>

See note at end of table H-5.

**TABLE H-5.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87**

[Amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in funds</th>
<th>Funds at end of year</th>
<th>Funds at beginning of year as a percentage of outgo during year</th>
<th>Funds at end of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$82.1</td>
<td>$87.6</td>
<td>−$5.5</td>
<td>$35.6</td>
<td>47</td>
<td>41</td>
</tr>
<tr>
<td>1978</td>
<td>94.8</td>
<td>97.3</td>
<td>−2.5</td>
<td>33.1</td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td>1979</td>
<td>106.7</td>
<td>108.0</td>
<td>−1.3</td>
<td>31.8</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td>1980</td>
<td>118.4</td>
<td>118.4</td>
<td>(0)</td>
<td>31.8</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>1981</td>
<td>134.6</td>
<td>138.9</td>
<td>5.7</td>
<td>37.5</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>1982</td>
<td>148.2</td>
<td>142.3</td>
<td>5.9</td>
<td>43.4</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>1983</td>
<td>159.0</td>
<td>153.6</td>
<td>5.4</td>
<td>48.8</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>1984</td>
<td>170.0</td>
<td>165.8</td>
<td>4.2</td>
<td>53.0</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>1985</td>
<td>190.6</td>
<td>178.8</td>
<td>11.8</td>
<td>64.8</td>
<td>30</td>
<td>36</td>
</tr>
<tr>
<td>1986</td>
<td>204.7</td>
<td>192.5</td>
<td>12.2</td>
<td>77.0</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>1987</td>
<td>218.7</td>
<td>207.1</td>
<td>11.5</td>
<td>88.5</td>
<td>37</td>
<td>43</td>
</tr>
</tbody>
</table>

1 Income exceeds outgo by less than $50 million.

See note at end of table H-5.
### TABLE S-4.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977–87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at end of year as a percentage of outgo during year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$9.6</td>
<td>$12.0</td>
<td>$-2.4</td>
<td>$3.3</td>
<td>48</td>
</tr>
<tr>
<td>1978</td>
<td>13.8</td>
<td>14.3</td>
<td>$-0.5</td>
<td>2.8</td>
<td>23</td>
</tr>
<tr>
<td>1979</td>
<td>15.9</td>
<td>16.3</td>
<td>$-0.4</td>
<td>2.4</td>
<td>23</td>
</tr>
<tr>
<td>1980</td>
<td>17.5</td>
<td>18.3</td>
<td>$-0.8</td>
<td>1.6</td>
<td>13</td>
</tr>
<tr>
<td>1981</td>
<td>20.7</td>
<td>20.3</td>
<td>$0.4</td>
<td>1.9</td>
<td>8</td>
</tr>
<tr>
<td>1982</td>
<td>22.4</td>
<td>22.4</td>
<td>(1)</td>
<td>(1)</td>
<td>9</td>
</tr>
<tr>
<td>1983</td>
<td>23.9</td>
<td>24.7</td>
<td>$-0.8</td>
<td>1.1</td>
<td>8</td>
</tr>
<tr>
<td>1984</td>
<td>25.4</td>
<td>27.2</td>
<td>$-1.7</td>
<td>$-6</td>
<td>4</td>
</tr>
<tr>
<td>1985</td>
<td>31.1</td>
<td>29.8</td>
<td>$1.3</td>
<td>$7</td>
<td>(2)</td>
</tr>
<tr>
<td>1986</td>
<td>33.7</td>
<td>32.6</td>
<td>$1.0</td>
<td>$1.8</td>
<td>2</td>
</tr>
<tr>
<td>1987</td>
<td>35.9</td>
<td>35.7</td>
<td>$0.2</td>
<td>$2.0</td>
<td>5</td>
</tr>
</tbody>
</table>

1 Outgo exceeds income by less than $50 million.
2 Fund exhausted at end of 1984.

See note at end of table S-6.

### TABLE S-5.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977–87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in funds</th>
<th>Funds at end of year as a percentage of outgo during year</th>
<th>Funds at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$82.1</td>
<td>$87.6</td>
<td>$-5.5</td>
<td>$35.6</td>
<td>47</td>
</tr>
<tr>
<td>1978</td>
<td>92.3</td>
<td>98.1</td>
<td>$-5.8</td>
<td>29.8</td>
<td>36</td>
</tr>
<tr>
<td>1979</td>
<td>108.0</td>
<td>108.8</td>
<td>$-0.9</td>
<td>29.0</td>
<td>27</td>
</tr>
<tr>
<td>1980</td>
<td>119.5</td>
<td>119.3</td>
<td>$0.1</td>
<td>29.1</td>
<td>24</td>
</tr>
<tr>
<td>1981</td>
<td>135.9</td>
<td>129.7</td>
<td>$6.2</td>
<td>35.3</td>
<td>22</td>
</tr>
<tr>
<td>1982</td>
<td>148.1</td>
<td>140.5</td>
<td>$7.6</td>
<td>42.9</td>
<td>25</td>
</tr>
<tr>
<td>1983</td>
<td>159.0</td>
<td>151.5</td>
<td>$7.5</td>
<td>50.4</td>
<td>28</td>
</tr>
<tr>
<td>1984</td>
<td>169.8</td>
<td>163.5</td>
<td>$6.3</td>
<td>50.7</td>
<td>31</td>
</tr>
<tr>
<td>1985</td>
<td>192.1</td>
<td>176.3</td>
<td>$15.8</td>
<td>72.5</td>
<td>32</td>
</tr>
<tr>
<td>1986</td>
<td>206.7</td>
<td>189.9</td>
<td>$16.8</td>
<td>89.4</td>
<td>38</td>
</tr>
<tr>
<td>1987</td>
<td>220.8</td>
<td>204.4</td>
<td>$16.5</td>
<td>105.8</td>
<td>44</td>
</tr>
</tbody>
</table>

See note at end of table S-6.
TABLE H-6.—ESTIMATED OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$16.1</td>
<td>$16.2</td>
<td>$-0.1</td>
<td>$10.5</td>
<td>66</td>
</tr>
<tr>
<td>1978</td>
<td>19.7</td>
<td>19.1</td>
<td>.6</td>
<td>11.0</td>
<td>55</td>
</tr>
<tr>
<td>1979</td>
<td>22.3</td>
<td>22.3</td>
<td>-1.1</td>
<td>11.0</td>
<td>49</td>
</tr>
<tr>
<td>1980</td>
<td>24.5</td>
<td>25.9</td>
<td>-1.4</td>
<td>9.6</td>
<td>42</td>
</tr>
<tr>
<td>1981</td>
<td>33.8</td>
<td>29.8</td>
<td>3.9</td>
<td>13.5</td>
<td>32</td>
</tr>
<tr>
<td>1982</td>
<td>37.0</td>
<td>34.1</td>
<td>2.9</td>
<td>18.4</td>
<td>32</td>
</tr>
<tr>
<td>1983</td>
<td>39.5</td>
<td>38.7</td>
<td>.8</td>
<td>17.2</td>
<td>42</td>
</tr>
<tr>
<td>1984</td>
<td>42.0</td>
<td>43.9</td>
<td>-1.8</td>
<td>15.4</td>
<td>39</td>
</tr>
<tr>
<td>1985</td>
<td>44.5</td>
<td>45.4</td>
<td>-5.0</td>
<td>10.4</td>
<td>31</td>
</tr>
<tr>
<td>1986</td>
<td>51.9</td>
<td>55.2</td>
<td>-3.3</td>
<td>7.1</td>
<td>19</td>
</tr>
<tr>
<td>1987</td>
<td>55.3</td>
<td>61.5</td>
<td>-6.2</td>
<td>0.8</td>
<td>12</td>
</tr>
</tbody>
</table>

Note.—The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

B. SHORT-TERM ESTIMATES PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

TABLE II-7.—CBO ESTIMATES OF INCREASES IN OUTGO FOR FISCAL YEARS 1978-83, OASDI

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decoupling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raise exempt amount in retirement test</td>
<td>0</td>
<td>0</td>
<td>-0.3</td>
<td>-0.7</td>
<td>-1.3</td>
<td>-2.1</td>
</tr>
<tr>
<td>Limit windfall increases for early retirees</td>
<td>0</td>
<td>-.2</td>
<td>-4</td>
<td>-7</td>
<td>-9</td>
<td>-1.2</td>
</tr>
<tr>
<td>Expand benefits to divorced spouses</td>
<td>0</td>
<td>-.2</td>
<td>.2</td>
<td>.2</td>
<td>.2</td>
<td>.2</td>
</tr>
<tr>
<td>Elimination of marriage as a bar to benefit entitlement</td>
<td>0</td>
<td>1.3</td>
<td>1.4</td>
<td>1.6</td>
<td>1.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Elimination of monthly retirement test</td>
<td>-.2</td>
<td>-.2</td>
<td>-.2</td>
<td>-.2</td>
<td>-.2</td>
<td>-.1</td>
</tr>
<tr>
<td>Elimination of retroactive benefits</td>
<td>-.2</td>
<td>-.4</td>
<td>-.6</td>
<td>-.6</td>
<td>-.6</td>
<td>-.6</td>
</tr>
<tr>
<td>Total</td>
<td>-.4</td>
<td>.9</td>
<td>.4</td>
<td>-.1</td>
<td>2.0</td>
<td>1.3</td>
</tr>
</tbody>
</table>

1 Includes freezing of minimum benefit and increment in delayed retirement credit.
2 Total includes minor costs and savings of other provisions.
3 Less than $50 million.
### TABLE S-6.—ESTIMATED OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
<th>Fund at end of year</th>
<th>Fund at beginning of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$16.1</td>
<td>$16.2</td>
<td>-$0.1</td>
<td>$10.5</td>
<td>66</td>
</tr>
<tr>
<td>1978</td>
<td>19.2</td>
<td>19.0</td>
<td>.2</td>
<td>10.7</td>
<td>55</td>
</tr>
<tr>
<td>1979</td>
<td>23.4</td>
<td>22.2</td>
<td>1.2</td>
<td>11.9</td>
<td>48</td>
</tr>
<tr>
<td>1980</td>
<td>25.8</td>
<td>25.9</td>
<td>0</td>
<td>11.9</td>
<td>46</td>
</tr>
<tr>
<td>1981</td>
<td>32.7</td>
<td>29.8</td>
<td>2.8</td>
<td>14.7</td>
<td>40</td>
</tr>
<tr>
<td>1982</td>
<td>35.4</td>
<td>34.1</td>
<td>1.3</td>
<td>16.0</td>
<td>43</td>
</tr>
<tr>
<td>1983</td>
<td>37.7</td>
<td>37.8</td>
<td>1.0</td>
<td>15.0</td>
<td>41</td>
</tr>
<tr>
<td>1984</td>
<td>39.9</td>
<td>43.9</td>
<td>4.0</td>
<td>11.0</td>
<td>34</td>
</tr>
<tr>
<td>1985</td>
<td>48.5</td>
<td>49.4</td>
<td>3.8</td>
<td>7.2</td>
<td>22</td>
</tr>
<tr>
<td>1986</td>
<td>50.1</td>
<td>55.2</td>
<td>5.1</td>
<td>2.1</td>
<td>13</td>
</tr>
<tr>
<td>1987</td>
<td>52.9</td>
<td>61.5</td>
<td>8.6</td>
<td>(9)</td>
<td>3</td>
</tr>
</tbody>
</table>

1 Outgo exceeds income by less than $50 million.

Notes—1. The above estimates are based on the intermediate set of assumptions shown in the 1977 Trustees Report. 2. The Senate Finance Committee adopted the administration’s estimate of the benefit reduction that would result from the administration proposal regarding benefits for dependent spouses as the estimated reduction that would result from the related committee amendment offsetting government pensions against spouses benefits.

### B. SHORT-TERM ESTIMATES PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

**TABLE S-7.—CBO ESTIMATES OF INCREASES IN OUTGO FOR FISCAL YEARS 1978-83, OASDI**

[In billions of dollars]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decoupling</td>
<td>-0.02</td>
<td>-0.14</td>
<td>-0.41</td>
<td>-0.81</td>
<td>-1.44</td>
<td></td>
</tr>
<tr>
<td>Raise exempt amount in earnings test</td>
<td>1.20</td>
<td>1.39</td>
<td>1.51</td>
<td>2.00</td>
<td>2.15</td>
<td></td>
</tr>
<tr>
<td>Allow widows to collect increased benefits of husband's delayed retirement</td>
<td>(1)</td>
<td>(1)</td>
<td>.01</td>
<td>.01</td>
<td>.01</td>
<td>.01</td>
</tr>
<tr>
<td>Pension offset to spouse benefit</td>
<td>-0.17</td>
<td>-0.27</td>
<td>-0.41</td>
<td>-0.43</td>
<td>-0.53</td>
<td>-0.64</td>
</tr>
<tr>
<td>Limit windfall increases for early retirement</td>
<td>-.05</td>
<td>-.23</td>
<td>-.45</td>
<td>-.68</td>
<td>-.91</td>
<td>-1.17</td>
</tr>
<tr>
<td>Limit on retroactive benefits</td>
<td>-.20</td>
<td>-.53</td>
<td>-.55</td>
<td>-.56</td>
<td>-.56</td>
<td>-.57</td>
</tr>
<tr>
<td>Eliminate monthly retirement test</td>
<td>-.20</td>
<td>-.20</td>
<td>-.20</td>
<td>-.20</td>
<td>-.20</td>
<td>-.20</td>
</tr>
<tr>
<td>Liberalize benefits to blind</td>
<td>-.31</td>
<td>-.51</td>
<td>-.63</td>
<td>-.67</td>
<td>-.72</td>
<td>-.76</td>
</tr>
<tr>
<td>Total</td>
<td>-.281</td>
<td>.589</td>
<td>.420</td>
<td>.070</td>
<td>-.110</td>
<td>-.00</td>
</tr>
</tbody>
</table>

1 Less than $5 million.
C. LONG-TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY ADMINISTRATION ACTUARY

TABLE H-8.—CHANGES IN ACTUARIAL BALANCE OF THE OASI AND DI PROGRAM OVER LONG-RANGE PERIOD (1977-2051) AS A RESULT OF CHANGES INCLUDED IN THE HOUSE-PASSED BILL

<table>
<thead>
<tr>
<th>Item</th>
<th>OASI</th>
<th>DI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-range actuarial balance under present law</td>
<td>-6.06</td>
<td>-2.14</td>
<td>-8.20</td>
</tr>
<tr>
<td>Wage-indexed decoupling</td>
<td>-3.72</td>
<td>1.07</td>
<td>4.80</td>
</tr>
<tr>
<td>Freeze the minimum benefit</td>
<td>.07</td>
<td>.02</td>
<td>.08</td>
</tr>
<tr>
<td>Retirement test</td>
<td>-.23</td>
<td></td>
<td>-.23</td>
</tr>
<tr>
<td>Delayed-retirement increment</td>
<td></td>
<td></td>
<td>.00</td>
</tr>
<tr>
<td>Marriage/remarriage</td>
<td>-.08</td>
<td></td>
<td>-.08</td>
</tr>
<tr>
<td>Original actuarial reduction factor</td>
<td>.25</td>
<td></td>
<td>.25</td>
</tr>
<tr>
<td>Miscellaneous provisions</td>
<td>.46</td>
<td>.08</td>
<td>.54</td>
</tr>
<tr>
<td>Increase in taxable wage base</td>
<td>.08</td>
<td>.02</td>
<td>.10</td>
</tr>
<tr>
<td>Tax rate increases</td>
<td>.56</td>
<td>.56</td>
<td>1.12</td>
</tr>
<tr>
<td>Total effect of changes in the bill</td>
<td>4.83</td>
<td>1.75</td>
<td>6.58</td>
</tr>
<tr>
<td>Long-range actuarial balance under the bill</td>
<td>-1.23</td>
<td>-.39</td>
<td>-1.62</td>
</tr>
</tbody>
</table>

1 Includes updating the special minimum and providing for automatic increases after 1979.
2 Includes equal treatment by sex, employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.


<table>
<thead>
<tr>
<th>Item</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-range actuarial balance under present law</td>
<td>-1.16</td>
</tr>
<tr>
<td>Increase in taxable wage base</td>
<td>+.25</td>
</tr>
<tr>
<td>Eligibility requirements regarding marriage/remarriage and divorce</td>
<td>-.02</td>
</tr>
<tr>
<td>Revised tax schedule</td>
<td>-.11</td>
</tr>
<tr>
<td>Total effect of changes in bill</td>
<td>+.12</td>
</tr>
<tr>
<td>Long-range actuarial balance under bill</td>
<td>-1.04</td>
</tr>
</tbody>
</table>
### TABLE S-8.—CHANGES IN ACTUARIAL BALANCE OF THE OASI AND DI PROGRAM OVER LONG-RANGE PERIOD (1977-2051) AS A RESULT OF CHANGES INCLUDED IN THE SENATE-PASSED BILL

[In percent of payroll]

<table>
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<th>DI</th>
<th>Total</th>
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<td>Increase in taxable wage base for employees and self-employed persons</td>
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### TABLE S-9.—CHANGES IN THE ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE PROGRAM OVER THE LONG-RANGE PERIOD (1977-2001) AS A RESULT OF CHANGES INCLUDED IN THE SENATE-PASSED BILL

[In percent of payroll]

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TABLE H-10.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE HOUSE-PASSED BILL, FOR SELECTED YEARS 1977-2055

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<th>Tax rate in bill</th>
<th>Difference</th>
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1 Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5.2 percent in average wage in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
TABLE S-10.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE SENATE-PASSED BILL, FOR SELECTED YEARS 1977–2055

[In percent]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Old-age and survivors insurance</th>
<th>Disability insurance</th>
<th>Total</th>
<th>Tax rate in bill</th>
<th>Difference</th>
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1 Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5.4 percent in average wage in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
D. NON-OASDI PROVISIONS IN SENATE BILL

### TABLE S-11.—ESTIMATED BUDGETARY IMPACT OF NON-OASDI PROVISIONS

[In billions]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Fiscal relief for welfare costs</td>
<td>0.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>AFDC earned income disregard</td>
<td>0.18</td>
<td>0.23</td>
<td>0.24</td>
<td>0.26</td>
<td>0.28</td>
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<tr>
<td>Prohibition against veterans pension reduction for OASDI</td>
<td>0.11</td>
<td>0.26</td>
<td></td>
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<td>0.39</td>
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<tr>
<td>Education tax credit (revenue reduction)</td>
<td>0.18</td>
<td>1.27</td>
<td>1.20</td>
<td>1.22</td>
<td>1.24</td>
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<tr>
<td>Federal liability for certain State SSI errors</td>
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</table>

1 Estimated cost of $0.001 billion.
Source: CBO.

### TABLE S-12.—DISTRIBUTION OF FISCAL RELIEF FOR WELFARE COSTS UNDER SENATE BILL

<table>
<thead>
<tr>
<th>State</th>
<th>Amount (thousands)</th>
<th>Percent of total</th>
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</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>4,360</td>
<td>1.2</td>
</tr>
<tr>
<td>Alaska</td>
<td>740</td>
<td>0.2</td>
</tr>
<tr>
<td>Arizona</td>
<td>2,614</td>
<td>0.7</td>
</tr>
<tr>
<td>Arkansas</td>
<td>2,721</td>
<td>0.7</td>
</tr>
<tr>
<td>California</td>
<td>50,490</td>
<td>13.5</td>
</tr>
<tr>
<td>Colorado</td>
<td>3,541</td>
<td>1.0</td>
</tr>
<tr>
<td>Connecticut</td>
<td>4,939</td>
<td>1.3</td>
</tr>
<tr>
<td>Delaware</td>
<td>1,045</td>
<td>0.3</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>2,410</td>
<td>0.6</td>
</tr>
<tr>
<td>Florida</td>
<td>7,903</td>
<td>2.1</td>
</tr>
<tr>
<td>Georgia</td>
<td>5,876</td>
<td>1.6</td>
</tr>
<tr>
<td>Hawaii</td>
<td>2,277</td>
<td>0.6</td>
</tr>
<tr>
<td>Idaho</td>
<td>1,023</td>
<td>0.3</td>
</tr>
<tr>
<td>Illinois</td>
<td>23,239</td>
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<tr>
<td>Indiana</td>
<td>6,073</td>
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<tr>
<td>Iowa</td>
<td>3,897</td>
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<tr>
<td>Kansas</td>
<td>2,996</td>
<td>0.8</td>
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<tr>
<td>Kentucky</td>
<td>5,690</td>
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<tr>
<td>Louisiana</td>
<td>5,992</td>
<td>1.6</td>
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<tr>
<td>Maine</td>
<td>1,961</td>
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<tr>
<td>Maryland</td>
<td>6,539</td>
<td>1.8</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>14,344</td>
<td>3.8</td>
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<tr>
<td>Michigan</td>
<td>21,043</td>
<td>5.6</td>
</tr>
<tr>
<td>Minnesota</td>
<td>6,443</td>
<td>1.7</td>
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<tr>
<td>Mississippi</td>
<td>3,271</td>
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<tr>
<td>Missouri</td>
<td>6,260</td>
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<tr>
<td>Montana</td>
<td>$893</td>
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<tr>
<td>Nebraska</td>
<td>1,644</td>
<td>0.4</td>
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<td>Nevada</td>
<td>622</td>
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<tr>
<td>New Hampshire</td>
<td>977</td>
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<tr>
<td>New Jersey</td>
<td>13,902</td>
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<tr>
<td>New Mexico</td>
<td>1,843</td>
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<tr>
<td>New York</td>
<td>52,921</td>
<td>14.2</td>
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<tr>
<td>North Carolina</td>
<td>7,006</td>
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<tr>
<td>North Dakota</td>
<td>658</td>
<td>0.2</td>
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<tr>
<td>Ohio</td>
<td>15,604</td>
<td>4.2</td>
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<tr>
<td>Oklahoma</td>
<td>3,454</td>
<td>0.9</td>
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<tr>
<td>Oregon</td>
<td>4,438</td>
<td>1.2</td>
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<tr>
<td>Pennsylvania</td>
<td>22,481</td>
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<tr>
<td>Rhode Island</td>
<td>1,810</td>
<td>0.5</td>
</tr>
<tr>
<td>South Carolina</td>
<td>3,333</td>
<td>0.9</td>
</tr>
<tr>
<td>South Dakota</td>
<td>912</td>
<td>0.2</td>
</tr>
<tr>
<td>Tennessee</td>
<td>4,950</td>
<td>1.3</td>
</tr>
<tr>
<td>Texas</td>
<td>11,630</td>
<td>3.1</td>
</tr>
<tr>
<td>Utah</td>
<td>1,728</td>
<td>0.5</td>
</tr>
<tr>
<td>Vermont</td>
<td>906</td>
<td>0.3</td>
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<tr>
<td>Virginia</td>
<td>6,348</td>
<td>1.7</td>
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<tr>
<td>Washington</td>
<td>5,445</td>
<td>1.5</td>
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<tr>
<td>West Virginia</td>
<td>2,670</td>
<td>0.7</td>
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<tr>
<td>Wisconsin</td>
<td>8,572</td>
<td>2.3</td>
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<tr>
<td>Wyoming</td>
<td>436</td>
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<tr>
<td>Guam</td>
<td>94</td>
<td>0.2</td>
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<tr>
<td>Puerto Rico</td>
<td>899</td>
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<tr>
<td>Virgin Islands</td>
<td>65</td>
<td>0.2</td>
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</table>

1 Less than 0.05 percent.
REQUEST FOR PERMISSION TO APPOIN
POINT CONFEREES ON H.R. 9346 AT
ANY TIME HOUSE IS IN SESSION

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that on any day when the House is in session and a message has been received from the Senate returning the bill H.R. 9346 with Senate amendments thereto, it shall be in order to take from the Speaker's table the bill H.R. 9346, with the Senate amendments, disagree to the Senate amendments, and request a conference or agree to the conference requested by the Senate and that the Speaker be authorized to appoint House conferees without intervening motion.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. ANDERSON of Illinois. Mr. Speaker, reserving the right to object, would the distinguished chairman of the Committee on Ways and Means explain what this bill involves?

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield, the Senate presently is in consideration of the social security bill. It is a matter of great urgency that the conferees work on it during the intervening time. If the Senate should get it in time to vote and go to conference this afternoon, we would do so; but it is anticipated that probably will not happen. In that event, we are asking unanimous consent that conferees can be appointed on any day that the House is in session so we can move into conference on the bill.

Mr. ANDERSON of Illinois. Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. BAUMAN. Mr. Speaker, further reserving the right to object, the gentleman's request did not say germane amendments. It is the habit of the other
body to load down legislation with almost anything they can load on, particularly those that have some political usefulness.

Mr. Speaker, if the gentleman would amend the request to say nongermane amendments, I would not object; but I think otherwise it is a very broad request for the Speaker, without concurrence of the House.

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield, let me say that the House conferees will do everything in their power to stay with the germane amendments and with the House bill; but I think there is no way that we could handle that matter in this request in the way suggested by the gentleman from Maryland.

Mr. BAUMAN. The gentleman could handle it very easily by amending the request to ask for this power if the bill comes over with germane amendments.

Mr. ULLMAN. Let me say to the gentleman that the House will be fully protected on any nongermane amendments. There are procedures that allow for separate votes on those matters under the rules. I think it would be very unwise of this body to tie the conferees up in the manner suggested, but I just want to assure the gentleman that the conferees are going to do everything in their power to hold to the House position and hold to germaneness.

Mr. BAUMAN. Mr. Speaker, I withdraw my reservation of objection.

Mr. KETCHUM. Mr. Speaker, reserving the right to object, I would like to ask the chairman of the Ways and Means Committee this: What the gentleman is asking is unanimous consent to appoint conferees at any time that the social security bill might be passed by the other body?

Mr. ULLMAN. At any time that there is a pro forma session of the House, and after the papers have been returned, I am asking unanimous consent that conferees be appointed so we then can go to conference on the social security bill.

Mr. KETCHUM. Further reserving the right to object, in other words, if the other body were, by some stretch of the imagination, to pass the social security bill tomorrow or today, then next Tuesday—if that is the first pro forma session—the gentleman could then ask to go to conference?

Mr. ULLMAN. That is the purpose of the request, that the conferees be named and that we go to conference with the Senate.

Mr. KETCHUM. In other words, we would go to conference like next Tuesday or next Wednesday?

Mr. ULLMAN. It would be the intention of the chairman of the Ways and Means Committee to make the request as soon as the Senate passes the social security bill and we get the papers over here. Then, the first meeting thereafter, the chairman of the Ways and Means Committee would make the request.

Mr. KETCHUM. Further reserving the right to object, what I am trying to determine is, does the gentleman mean that if the conferees were appointed by next Tuesday, the first pro forma ses-
Mr. Ullman. Mr. Speaker, I ask unanimous consent to take from the Speaker’s table the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system’s benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference asked by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

Mr. Archer. Mr. Speaker, I offer a preferential motion.

The SPEAKER pro tempore. The gentleman from Texas (Mr. Archer) is recognized for 1 hour.

(Mr. Archer asked and was given permission to revise and extend his remarks.)

Mr. Archer. Mr. Speaker, for purposes of debate only, I yield 30 minutes to the gentleman from Oregon (Mr. Ullman) and reserve the other 30 minutes for myself. At this time I yield myself such time as I may consume.

Mr. Speaker, the motion I have offered would instruct the House conferees on social security to insist on a provision to eliminate by 1982 the ceiling on earnings of beneficiaries aged 65 or older.

The provision was an amendment approved in the House by a vote of 268 to 149, offered by the gentleman from California (Mr. Ketchum), and it clearly demonstrates that more than 60 percent of this House want this provision included in the bill.

Because of that mandate, because of the widespread support of this change which has been expressed over the years and because of the merits of the provision itself, we should act now to instruct our conferees on this one issue.

Until the ceiling on the earnings of social security retirees is lifted, our entire society will remain the loser. It will continue to lose the services of wise and experienced workers who simply cannot afford to work for substantial pay because, if they do, they will lose their valued social security benefits.

Millions of retirees are individual losers, too, of course, because they face...
a potential loss of benefits if they pursue gainful employment. They are forced to adopt artificial work practices. They cannot work that extra hour; they cannot sell that extra item because either more work would put their earnings over the ceiling. It also creates an incentive to circumvent the law by working for unreported cash.

It is time, Mr. Speaker, to put an end to this waste, in taxes and economic activity and in human lives.

One argument that is often made against the repeal of the earnings limitation is that it would not help the many people who work in arduous tasks that they might have wanted to pursue all their lives, but could not afford to do so because they were locked economically into an unwanted career.

Mr. Speaker, we simply face the fact that changing demographics are changing America. In 1935, when the Social Security Act was signed, American males aged 65 and older were living at least 3 years longer, and these expectancies will have reached 15 years by the year 2050. An American male aged 65 could look forward to, on the average, another 11.9 years of life. Females at that age could expect to live an average of about 13 years beyond age 65. But today, the life expectancy of an American, aged 65 is almost 14 years, and for an American female it is 18 years.

Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. Mr. Speaker, I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate my colleague yielding to me. The essential point of this motion to instruct is to reinforce the support that this House gave by voting for the Ketchum amendment to eliminate the earnings limitation for senior citizens beyond age 65.

Mr. ARCHER. That is correct, to permit them to continue to work without suffering any loss of their social security benefits after age 65.

Mr. ROUSSELOT. And especially because so many senior citizens are also now living longer and want to earn their way.

Mr. ARCHER. That is correct.

Mr. ROUSSELOT. I appreciate the gentleman offering this motion to instruct. It is appropriate, and I join him in his strong effort.

Mr. ARCHER. By the year 2050 the American man will have reached 15 years for American men and 20 years for American women. In short, men will be living at least 3 years longer, and women at 5?

Mr. ICHORD. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. I yield.

Mr. ICHORD. I listened very intently to the distinguished gentleman from Texas, and I cannot disagree with anything that he has said. He has made a very excellent statement, but we must realize that when we increase the benefits that are paid out, we must somewhere get the contributions.

I would like to ask the gentleman from Texas as to how he would increase the contributions.

Mr. ARCHER. I say to the gentleman that the increased economic activity in this country generated by the creativity of people over 65 and their work efforts will produce far more than the increased benefits in additional taxes coming into the Treasury of the United States, through income taxes and social security taxes paid on the earnings of persons over 65. We are suffering a tremendous loss of wasted human productivity at this time.

Mr. ICHORD. Was that the gentleman's thought?

Mr. ARCHER. In addition, the Ketchum amendment itself carries provisions to provide the necessary funds.

To continue with my statement, not only are we meeting older persons who are living longer productive lives, medical literature clearly indicates an improvement in health levels of older persons, compared with 20 or 40 years ago. Better health care, available health services, and improved medicines have combined to keep more Americans more active, both mentally and physically, for increasingly long periods of time.

It also is argued by those opposed to the repeal of the earnings limitation that those workers who retire early do so because of ill health, and therefore could not work for a longer time. A 1976 Social Security Administration survey report did, in fact, state that “falling health is the most important reason described by over half the men claiming reduced benefits.” But this retrospective analysis contradicts prospective studies, and in a number of instances might reflect an understandably defensive response offered by persons who are attempting to produce a pretension to retire by pleading ill health because it is a reason readily acceptable to society.

On the other side of this retirement coin, there are those who believe— and I happen to be one of them—that enforced retirement actually may cause ill health and reduced longevity. I have talked with a number of physicians, some of whom testified before our committee, who also believe that quitting work too early has happened to be one of them— that enforced retirement actually may cause ill health and reduced longevity. I have talked with a number of physicians, some of whom testified before our committee, who also believe that quitting work too early has been in many cases a contributing factor in disease and death.

Still another oft-heard argument against repealing the earnings limitation is that if older persons keep on working, there will be fewer jobs for younger people trying to break into the labor force. But this reasoning has proved as an overall effect. An economist who also is a recognized expert on social security recently pointed out that in 1950, when the unemployment rate for males 20 years and older was just 5 percent, more than 45 percent of males aged 65 or older were still in the labor force. Yet in 1975, when the unemployment rate for males 20 years old or older was 9 percent, only about 21 percent of the males aged 65 or older were in the labor force.

One argument that is often made against the repeal of the earnings limitation is that it would not help the many people who work in arduous tasks that they might have wanted to pursue all their lives, but could not afford to do so because they were locked economically into an unwanted career.

Mr. Speaker, we simply face the fact that changing demographics are changing America. In 1935, when the Social Security Act was signed, American males aged 65 and older were living at least 3 years longer, and these expectancies will have reached 15 years by the year 2050. An American male aged 65 could look forward to, on the average, another 11.9 years of life. Females at that age could expect to live an average of about 13 years beyond age 65. But today, the life expectancy of an American, aged 65 is almost 14 years, and for an American female it is 18 years.

Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

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Mr. ARCHER. That is correct, to permit them to continue to work without suffering any loss of their social security benefits after age 65.

Mr. ROUSSELOT. And especially because so many senior citizens are also now living longer and want to earn their way.

Mr. ARCHER. That is correct.

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It also is argued by those opposed to the repeal of the earnings limitation that those workers who retire early do so because of ill health, and therefore could not work for a longer time. A 1976 Social Security Administration survey report did, in fact, state that “falling health is the most important reason described by over half the men claiming reduced benefits.” But this retrospective analysis contradicts prospective studies, and in a number of instances might reflect an understandably defensive response offered by persons who are attempting to produce a pretension to retire by pleading ill health because it is a reason readily acceptable to society.

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Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. Mr. Speaker, I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate my colleague yielding to me. The essential point of this motion to instruct is to reinforce the support that this House gave by voting for the Ketchum amendment to eliminate the earnings limitation for senior citizens beyond age 65.

Mr. ARCHER. That is correct, to permit them to continue to work without suffering any loss of their social security benefits after age 65.

Mr. ROUSSELOT. And especially because so many senior citizens are also now living longer and want to earn their way.

Mr. ARCHER. That is correct.

Mr. ROUSSELOT. I appreciate the gentleman offering this motion to instruct. It is appropriate, and I join him in his strong effort.

Mr. ARCHER. By the year 2050 the American man will have reached 15 years for American men and 20 years for American women. In short, men will be living at least 3 years longer, and women at 5?

Mr. ICHORD. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. I yield.

Mr. ICHORD. I listened very intently to the distinguished gent...
Mr. ARCHER. Mr. Speaker, if the gentleman from Oregon will yield for a response, the actuarial expert tells me that the particular amendment is only one-tenth of 1 percent of the payroll. That is all it amounts to, and that estimate does not include provision for any extra social security taxes paid into the system on the extra earnings of persons over 65. For this reason I believe it is faulty and grossly exaggerates the net cost to the fund.

Mr. ULLMAN. Mr. Speaker, let me urge my colleagues not to take this very drastic step of moving to instruct conferees on an issue that is far-reaching as the one we will have in our conference dealing with the exempt earnings for social security benefits eligibility. I urge my colleagues to let the legislative process work.

The assumption somehow is that the conferees are committed to the House bill, and I want to say that the chairman of this committee will always be committed to the House position. On the other hand, the nature and composition of a conference that is formed always to reach an agreement between the positions of the House and the other body. The conditions of a conference demand flexibility in order to allow the decision-making process to work.

It is not possible, of course, for the House to bind conferees. That is obvious by the very nature of the process. To instuct conferees, even though we cannot bind conferees, seems to me to be a procedure that should be used very sparingly.

Let me say that it is the intention of the chairman of the Committee on Ways and Means, while he certainly cannot commit the other conferees, to bring back from the conference a bill on which the majority of the House can agree and can support. That includes certain actions in this area that are very important, and in making that consideration, the conference will have to look at all pieces in the package.

They are going to have to look to the long-range actuarial soundness of the social security system. They are going to have to look at the use of resources, both to those who are paying into the system and those who are the recipients of the benefits.

Mr. Speaker, I urge the Members of this body to vote against the motion to instruct and to give the conferees, by voting against the motion to instruct, a vote of confidence, so that they may indeed live up to their responsibilities and bring back the very best bill that they can get in their conference with the Senate.

Mr. MOAKLEY. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Massachusetts.

(Mr. MOAKLEY asked and was given permission to revise and extend his remarks.)

Mr. MOAKLEY. Mr. Speaker, I rise in opposition to the motion offered by the gentleman from California (Mr. Ketchum). I should stress that I voted for the amendment when the gentleman offered it. I oppose the consideration of the Social Security Financing Amendment (H.R. 9346) and, as a member of the Committee on Rules, I supported efforts to have the amendment made in order under the rule.

I am therefore in the position of opposing a motion to instruct conferees to insist on an amendment I have strongly supported. I believe that this inconsistency in this position. I believe that instructions to conferees are appropriate only in extraordinary cases.

I should point out that the managers for each House conference without limitation under the standing rules. Clause 3 of rule XXVIII prohibits consideration in the House of a conference report which exceeds the scope of the conference. While this is frequently a difficult question for the Chair, rulings on points of order raised on the question of scope are extremely straightforward when specific dollar amounts are involved. For each year, the conferees will be limited by the lowest and highest figures. It appears to me that it might be useful to insert in the Record a summary on the limitations on the conferees:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lowest</th>
<th>Highest</th>
<th>Ketchum motion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$4,000</td>
<td>$5,500</td>
<td>$4,000</td>
</tr>
<tr>
<td>1980</td>
<td>$5,000</td>
<td>$6,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>After 1980</td>
<td>(7)</td>
<td>(9)</td>
<td>(9)</td>
</tr>
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</table>

1 After 1979, the Senate bill provides that the $6,000 ceiling will be adjusted to reflect inflation by the same factor used to adjust benefits.

Thus, Mr. Speaker, if the Ketchum motion were to prevail, it is possible that a worker over 65 years of age earning $6,000 now would have gotten $2,250 less in benefits during 1979 through 1981 under the motion than would be possible without instructions.

Although the motion would instruct House conferees to insist on language with no limitation after 1981, only well paid workers would be able to make up the money lost in the next 4 years.

If, during the course of the conference, it appears that the conferees are prepared to agree on a figure the House cannot accept, a motion may be made in the House to instruct conferees or the report itself can be sent back to conference. But I cannot support an effort to send our managers into conference bound to the lower House figures for the remainder of the 95th Congress. I believe that the complete repeal of limitations after 1981 will be included in the report especially since it would be perfectly possible even without instructions.

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. Ketchum).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Speaker and Members of the House, some Members may possibly have heard that it was my objection to this bill that caused the conference on an ill-advised unanimous-consent request by the chairman of the Committee on Ways and Means that held up consideration or going to conference on this bill.

Let me say, in no uncertain terms, that I did, indeed, object; and we are today participating in an exercise, right here and now, which the chairman of the Committee on Ways and Means would have precluded us from doing had we appointed conferees in a pro forma session.

I do not see how to say, Mr. Speaker, that I was mildly surprised and terribly disappointed in the leadership of my committee because the chairman of the Committee on Ways and Means and all of the members knew, beyond a shadow of doubt, for that reason I objected to the appointing of conferees in a pro forma session. I was surprised that the chairman did not mention that to the press.

One advantage accrued to this body in my opinion by me—say; and that is that each and every one of my colleagues have had time to listen to their constituents, who told them what they thought of the social security bill during the recess. I am sure our constituents have discussed it at some length with all of us.

Mr. Speaker, I think it is important to have that input before a go-conference. That is nothing lost. Nothing has been lost. Conferees will now be appointed. We will go to conference, and undoubtedly we will come back with some kind of bill.

Mr. Speaker, I sincerely hope that this body will concur with the Archer amendment, will concur with the overwhelming desires of this House, as expressed during the debate on the social security bill in a pro forma session, not one Member would have been able to offer a motion to instruct conferees.

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Mr. ARCHER. Mr. Speaker, I yield 1½ minutes to the gentleman from California (Mr. LAGOMARSINO). (Mr. LAGOMARSINO asked and was given permission to revise and extend his remarks.)

Mr. LAGOMARSINO. Mr. Speaker, I rise to support the motion to instruct our conferees to insist on the Ketchum amendment to H.R. 9346 to phase out the earnings limitation for social security recipients. I do not know how many of the Members have had a chance to read the article in Monday's Los Angeles Times on this issue. The article spoke of two persons age 67 who receive $3,744 a year in social security benefits. One works at a menial job for 6 months of the year just to make ends meet. But for every dollar he earns over $3,000, he loses half that much in benefits.

The other retiree, according to the Times, lives in easy street. In addition to his social security benefits, he receives $100,000 a year in investment dividends—without lifting a finger.

This anomaly is caused by laws now on the books that permit earning income exceeding $3,000 a year to be, in effect, taxed at a 50-percent rate by the social security administration. No such penalty is levied against the coupon clipper.

It is beyond my understanding that this is fair. The Ketchum amendment would do away with this discriminatory provision of the law—a provision which penalizes people who wish to contribute to the economy of their talents and productive capacity. It has been said that the true test of any society is the way it treats its senior citizens. I say do away with this hated earnings test, and restore our senior citizens to the respect, and legal protection, they deserve.

The projections of cost do not include increased social security taxes that will be added. It is my understanding that the Social Security Administration has refused to make such estimates or projections.

Mr. ARCHER. Mr. Speaker, for the purpose of debate only, I yield 3 minutes to the gentleman from Pennsylvania (Mr. COUGHLIN).

(Mr. COUGHLIN asked and was given permission to revise and extend his remarks.)

Mr. COUGHLIN. Mr. Speaker, I rise in support of the motion offered by the gentleman from Texas (Mr. Archer). As a sponsor of similar legislation to eliminate the earnings limitation on social security I think this measure is long overdue to provide this kind of relief.

At the appropriate time, Mr. Speaker, I will also seek to offer an amendment to the motion offered by the gentleman from Texas (Mr. Archer) to provide additional instructions to the conferees to agree to the Senate provision for a $250 income tax credit for higher education expenses.

Mr. Speaker, many colleagues are well aware of the long history of this proposal whose time has certainly come.

It will be said that we are being asked to agree to a nongermane Senate amendment but the fact is that this House has been denied time after time an opportunity to vote here in the House on education tax credits.

Many of my colleagues will remember during the final hours of the last session of Congress, specifically on Wednesday, September 29, 1976, a commitment was made to bring this matter before the House for a vote. It was brought here under a procedure which was objected to successfully.

Such legislation to provide educational tax credits has been passed in the Senate in four out of the last five Congresses for similar legislation has been introduced in this House by myself as long ago as 1970 and by numerous other Members. In fact, 210 Members of the House have sponsored some form of education tax credit legislation in the Congress alone. That warrants it being brought here for a vote.

On September 8, 1977, at the time of consideration of the second concurrent resolution on the Budget, a provision was made for this amendment. That provision was adopted by this House by a vote of 311 to 76.

The time has come, now, to provide some measure of tax relief to those who are struggling to meet the soaring costs of higher education. Seven years have elapsed since I first introduced this legislation. In that time the cost of such an education has doubled, up over 50 percent, and in the community colleges and vocational schools, it has increased by 130 percent. Business can get a tax deduction for educational expenses, why cannot people get that kind of a deduction? This would not mean a revenue loss to the Government, but could instead provide immediate relief to those people who are severely affected by inflation, namely our senior citizens living on fixed incomes.

The best and most effective way of providing this help is to remove the kinds of limitations which trap them into a position where they are dependent on Government programs for survival.

These people want the freedom to choose to continue working to supplement their retirement incomes without suffering a loss of benefits.

I urge my colleagues to support the motion.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, I rise in support of the Archer motion.

Mr. Speaker, I support the Archer motion because the purpose of this is to support the elimination of the earnings limitation on social security.

The House voted, by a strong majority, to eliminate the inequitable restriction under which social security beneficiaries must lose benefits if they earn a certain amount of income. That decision ought to be supported in the conference committee.

Many social security recipients desire to work even after they begin receiving benefits. People ought to be encouraged to work. Many of our older citizens lose the sense of worth when they are forced to leave their jobs, or are not allowed to seek new jobs, because of this earnings limitation.

In my district, people constantly refer to the earnings limitation as the most inequitable single feature of our whole social security system. It is high time we got rid of it.

More than a majority of our colleagues have described those with large incomes, without worry, receiving untaxed social security. It just does not seem fair.

I think we must let the older people who wish to earn a little extra to do so; that is my reason for supporting this amendment.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. Don H. Clausen).

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Speaker, I rise to support the motion of the gentleman from Texas (Mr. Archer) to instruct the conferees on the social security financing bill to insist on the phasing out of the earnings limitation placed on our senior citizens who receive social security benefits.

As an original cosponsor of legislation to accomplish this goal and having voted for the passage of the resolution of the gentleman from California (Mr. Ketchum), I want to continue my association with this effort and reemphasize the need to provide immediate relief to those people most severely affected by inflation, namely our senior citizens living on fixed incomes.

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These people want the freedom to choose to continue working to supplement their retirement incomes without suffering a loss of benefits.

I urge my colleagues to support the motion.
Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. Schussler).

(Mr. SCHULZE asked and was given permission to revise and extend his remarks.)

Mr. SCHULZE. Mr. Speaker, I rise in support of the Archer motion.

Mr. Speaker, for the past several months, Members of both Houses of Congress have been debating the social security finance bill. Here is the most controversial and significant provisions, particularly for the elderly and others living on fixed incomes, is the $2,000 amount of income which those receiving social security may earn in addition to their monthly benefits.

No other aspect of the present law has attracted so much adverse reaction from the public. Hearings before the Ways and Means Subcommittee on Social Security, of which I am a member, produced more testimony than any other issue. It is particularly, necessary to consider the ramifications of this limitation at a time when there is concern for the well-being of our elderly citizens. It has finally been acknowledged that elderly Americans are an under-citizen. It has finally been acknowledged that there is a need for the well-being of our elderly citizens.

Mr. Speaker, the discussion and adverse testimony on the earnings limitations than the Means Subcommittee on Social Security, of which I am a member, produced more testimony on the earnings limitations than any other issue. It is particularly, necessary to consider the ramifications of this limitation at a time when there is concern for the well-being of our elderly citizens. It has finally been acknowledged that elderly Americans are an under-citizen. It has finally been acknowledged that there is a need for the well-being of our elderly citizens.

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Mr. WAGGONNER. I would plead with the members to reject this motion to instruct.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. WAGGONNER. I yield to the gentleman from Texas.

Mr. ARCHER. Does the gentleman actually stand in the well and tell this House that a Congressman who has paid in all his life to an alternative program to the social security trust fund, and can retire at age 60, can continue to get another high-paid job?

Mr. WAGGONNER. He could without having to be a social security recipient. Nobody can get it now without an earnings limitation. I am saying that we have to provide a transition that will allow us to not destroy, first of all, retirement systems that the business community of this country has, the land over. Nor should we further aggravate the social security trust fund.

I am saying, do not instruct us, and let the conference committee and the House work the matter out. The gentleman from Texas (Mr. ARCHER), my friend, is going to be a conference chairman. I am just saying that we are jeopardizing the social security trust fund when it is already in serious jeopardy, and we should let the conference committee try to provide for a transition that will preserve the system.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Indiana (Mr. Jacobs).

Mr. Jacobs. Mr. Speaker, I think it is not right for us to express sympathy to those people who have been hurt by the earnings limitation put on them. That sympathetic feeling was one that reflected the sympathetic feelings that the gentleman from Texas (Mr. ARCHER) and my friend, the gentleman from California (Mr. Ketchum) who are expressing. We would all like to do something to make it a little easier for them to get by on what is a minimum social security benefit at the bottom end. But we do not want to do that at the expense of breaking the system and we do not want to do that by adding still further to a very, very heavy tax burden that this bill is putting on the working people and the middle class.

I would only point out to my distinguished friend, the gentleman from Texas, that, while I appreciate his generosity and his concern for the senior citizens, I think it is not fair that those citizens who have the money in the bank and are going to receive a lot more than a elderly person who is working to get by and who has saved all his life to an alternative program to the social security trust fund, and who will make the hundred thousand dollars after everything is said and done, should have their feet in concrete and not even talk to the Senate conference on what ought to be done on this very, very difficult matter. I do not believe that the conference committee is insensible to the concern the gentleman from California and the gentleman from Texas (Mr. Archers) are expressing. We would all like to do something to help the elderly. We would all like to do something that makes it easier for them to get by on what is a minimum social security benefit at the bottom end. But we do not want to do that at the expense of breaking the system and we do not want to do that by adding still further to a very, very heavy tax burden that this bill is putting on the working people and the middle class.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. MIKVA. I yield 3 minutes to the gentlewoman from Kansas (Mrs. Kays), a very important member of the committee.
Can we possibly say to our working men and women, those who are working at the low steps of income, that they have to pay additional taxes in addition to competing with those who are at the high level of income? Immigrants aged 70 and 70, are still holding the jobs that the younger work force is seeking?

As a matter of public policy, I do not think we can possibly say that to those people who are in our work force. I think that changes the entire way we have in the past looked at the retirement test, and it underscores the natural sensitivity all of us have because it has been far too low.

What does the National Council of Senior Citizens say about this? They say, "No." They say that it is a wrong policy. It is pointed out in their statement that the acceptance of a $4,000 retirement test would provide an income that is very near to the average income of the average working man and woman, an income less than a thousand dollars below that of the person who is still working and who is probably still supporting a family. I would like to quote from the end of the council's statement on this issue, as follows:

"The elderly for whom added earnings and higher incomes would be of greatest help are the least likely to benefit. People who draw low benefits because they could not earn high salaries in their peak earning years, or whose health is too poor to permit them to continue earning, and the sort who must save $6,000 in the best of circumstances. They will not be helped at all by ending the retirement test. Instead, they need to rid themselves of the restriction of age, or permanently, and those who are..." 

Mr. Speaker, let us look to our responsibilities and raise the retirement test to a decent level, but let us not perform the terrible, mistaken public policy of saying that those who are going to have to pay for older members of the work force who would receive additional benefits when they are not retired. I urge the Members to vote against the Archer motion to instruct conferees.

Mr. ULLMAN. Mr. Speaker, I yield to the gentleman from Kansas (Mr. GLICKMAN).

Mr. GLICKMAN asked and was given permission to revise and extend his remarks.

Mr. GLICKMAN. Mr. Speaker, I supported the Ketchum amendment when it was offered here, and I still support it basically on its merits. But the longer I hear statements on the issue, the more I realize that only a fool never changes his mind when he finds he perhaps is wrong, or better yet, not entirely right. Although I do not think the amendment is intrinsically wrong, I intend to vote against the motion to instruct conferees. I do not think it is the general policy that conferees on an issue which I think is very complicated and on a matter which could turn out to be very costly.

When I went home recently, I must have made 30 speeches, and the main issue confronting those who are fighting gay rights, was not the Panama Canal, was not energy, but it was social security.

The main issue I heard related to rising wage rates and wage bases provided in our bill. Not once did this issue regarding the earnings limitation come up. But the main issue of rising social security taxes was so overwhelmingly on the part of my constituents that I do not think I am willing to tie the hands of the conferees on this bill on an issue which could raise these taxes fairly dramatically, though the issue on the merits is still quite attractive.

I think this is an issue that should be compromised. The future of the social security system, even with this bill, is, in my mind, rather bleak, and while the issues raised by the Ketchum amendment are somewhat popular political issues, after I came back from Kansas I found the most popular issue to be lower social security taxes.

Mr. Speaker, I think it would be foolish for us to vote to instruct conferees and I urge the membership to vote down this motion to instruct.

Mr. GEPhardt. Mr. Speaker, will the gentleman yield?

Mr. GLICKMAN. I yield to the gentleman from Missouri (Mr. ALLEN).

Mr. ALLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Kansas (Mr. GLICKMAN).

(Mr. GLICKMAN asked and was given permission to revise and extend his remarks.)

Mr. ALLEN. Mr. Speaker, those who have reached the age where they are entitled to receive social security benefits, and they who have already paid their taxes, should not be forced to retire in order to receive full benefits, or be penalized for having other sources of income. This is not required of those who have paid their premiums on annuity policies with private insurance companies, and it should not be required of those who have paid their premiums in the form of social security taxes. Furthermore, the more wealthy, who own stocks, bonds, real estate and other assets from which they draw an income, are not limited in the amount of income they may receive in order for qualify for full social security benefits. I can see no justification or defense for this kind of discrimination against the less fortunate of our citizens whose income outside of social security taxes. Pursuit of social security is in the form of wages and salaries for work performed. Everyone should be treated alike.

The Government's failure to control spiraling inflation has hurt those on modest and fixed incomes. The elderly and people with disabilities, either temporary or permanent, and those who are often without other sources of income, find that the meager increases in their social security payments have been offset by spiraling inflation.

There is no reason for those on a limited income to bear the often devastating consequences of Government policies that do nothing to control inflation. And certainly there is no reason for placing this cost on senior citizens. I urge the Members to vote against this bill.

It is Congress, and only Congress, which can correct this injustice. The right of the old to be treated alike.

Mr. Speaker, on this matter I urge my colleagues to vote on the side of responsible alternatives for the conferees. I ask them to recall what happened the other day when the actuaries told us that that would do certain things and keep the trust fund in a sound actuarial posture.

There was the story when we adopted the cost-of-living increases. Then all at once, we woke up to the fact that it was destroying the social security fund over the long term. In this particular instance, I urge the conferees to give the authority to be actuarially responsible so as to keep that trust fund solvent. If we are to have the responsibility, I ask that that decision be left to us. I ask that we vote to oppose this kind of discrimination.

Mrs. FENWICK. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. Mr. Speaker, I yield to the gentleman from New Jersey (Mrs. FENWICK).

Mrs. FENWICK. Mr. Speaker, I thank the chairman for yielding.

I was staggered to hear that remov- ing all limitations on the ceiling would cost $2 billion. I did not know that.

I want to ask the chairman, Does that take into account the income taxes that the people who will be receiving the benefit would be paying, since they would be employed, and also the social security taxes which they would be paying?

Mr. ULLMAN. This does not take into consideration those factors; but I want to say that the actuarial assumption in that estimate, in my judgment, is too conservative. Furthermore, I am sure that the $3 billion saving will go up and up and up as the years go on.

Therefore, Mr. Speaker, I urge the gentilewoman from New Jersey (Mrs. FENWICK) to oppose the motion to instruct.
do we know it is even going to cost $3.2 billion?

Mr. ULLMAN. The problem is that there will be no more income; if that person did not stay on that job, someone else who does not have a job would have that job. Consequently, somebody would be paying the taxes if that other person did not stay on the job and continue to work. It is still a job on which someone would be paying taxes, and there really is no cost gain in that event.

Mrs. FENWICK. Mr. Speaker, I thank the gentleman.

Mr. ULLMAN. Mr. Speaker, I reserve the balance of my time.

The SPEAKER. The Chair will state that there is no other business pending.

Mr. ARCHER. Mr. Speaker, I favor lifting the unfair earnings limitation that presently penalizes retirees who need to work and supplement their meager retirement and social security benefits. I believe for the Social Security amendment which would remove the limitation, and I have even introduced a bill of my own which would lift the unfair limit on earned income.

However, I do not think we should vote to instruct our conference on this issue at this time. Rather we should let the conference process to see if an acceptable provision can be written into the law that will lift the earnings limit for those who need to work to supplement their income but would not let the vote continue to receive social security and allows ranges ranging in the hundreds of thousands of dollars. So we should not bind the conference now. A vote against Mr. Archer's motion is not a vote against the unfair penalty; rather it is a vote to let the conference come up with the best possible provision.

I will not vote for the final conference report unless it contains a fair provision for lifting the earnings limitation. But the time to cast that vote will come later. This is not the vote to accomplish that end.

Mr. GRASSLEY. Mr. Speaker, I support the Ketchum amendment to elimi-

nate the earnings limitation on retirees because it is the only rational thing to do. We can talk about raising it from $3,000 today to $4,500 or $6,000 at some future day or any other figure you might want to pick out of the air. But the fact remains that no limitation is justified or rational and as a matter of principle the limitation must be abolished.

Any limitation is discriminatory against our elderly. There is no justification for this discriminatory practice. If it is discrimination based on age, and it is just as wrong as discrimination based on race, creed, religion, or sex. We are concerned about those blatant forms of discrimination in employment so why should we not be equally up-in-arms about this form of age discrimination.

Ultimately if freedom means anything in this great country, it implies no economic sanctions should be applied to anyone's desire to work. The earnings limitation is such a sanction.

Besides, most of those who want to work after 65, need to work because of the earnings limitation from social security.

The SPEAKER. The gentleman from Texas (Mr. Archer), as I understand it, wishes to yield time?

Mr. ARCHER. I will yield back the balance of my time.

Mr. ARCHER. Mr. Speaker, I would like to yield to the gentleman from Pennsylvania (Mr. Corcoran) for the amendment which he has previously described.

Mr. ARCHER. Mr. Speaker, I would favor lifting the unfair earnings limitation that presently penalizes retirees who need to work and supplement their meager retirement and social security benefits. I believe for the Social Security amendment which would remove the limitation, and I have even introduced a bill of my own which would lift the unfair limit on earned income.

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The Clerk announced the following pairs:

On this vote:

- Mr. Jones of Tennessee for, with Mr. McDonald against.
- Mr. Jones for, with Mr. White against.
- Mr. Barasin for, with Mr. Abdnor against.
- Mr. Dellums for, with Mr. Cunningham against.
- Mr. Charles H. Wilson of California for, with Mr. Chisholm against.
- Mr. Francis with Mr. Kissel.

The result of the vote was announced above recorded. The Speaker announced the yeas and nays were ordered.

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The vote was taken by electronic device, and there were—yeas 183, nays 209, not voting 42, as follows:

The Clerk announced the following pairs:

On this vote:

- Mr. McDonald for, with Mr. Jones of Tennessee against.
- Mr. White for, with Mr. Chisholm against.
- Mr. Abdnor for, with Mr. Cunningham against.
- Mr. Dellums with Mr. Cunningham.
- Mr. Kelley for, with Mr. Tucker against.
- Mr. McClory for, with Mr. Charles H. Wilson of California against.

Before the vote on this amendment was taken, a motion was made to reconsider the same.

The Speaker announced that the yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 183, nays 209, not voting 42, as follows:

The Speaker announced the following pairs:

On this vote:

- Mr. McDonald for, with Mr. Jones of Tennessee against.
- Mr. White for, with Mr. Chisholm against.
- Mr. Abdnor for, with Mr. Cunningham against.

Before the vote on this amendment was taken, a motion was made to reconsider the same.

The Speaker announced that the yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 183, nays 209, not voting 42, as follows:

The Speaker announced the following pairs:

On this vote:

- Mr. McDonald for, with Mr. Jones of Tennessee against.
- Mr. White for, with Mr. Chisholm against.
- Mr. Abdnor for, with Mr. Cunningham against.

Before the vote on this amendment was taken, a motion was made to reconsider the same.

The Speaker announced that the yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 183, nays 209, not voting 42, as follows:
SOCIAL SECURITY AMENDMENTS OF 1977

DECEMBER 14, 1977.—Ordered to be printed

Mr. Long, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 9346]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, 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 House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1977".

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TITLE I—PROVISIONS RELATING TO THE FINANCING OF THE OLD-AGE SURVIVORS, AND DISABILITY INSURANCE PROGRAM

ADJUSTMENTS IN TAX RATES

Sec. 101. (a) (1) Section 3101 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.08 percent;

(4) with respect to wages received during the calendar year 1981, the rate shall be 5.35 percent;

(5) with respect to wages received during the calendar years 1982 through 1984, the rate shall be 5.40 percent;

(6) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.70 percent; and

(7) with respect to wages received after December 31, 1989, the rate shall be 6.20 percent."

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

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.08 percent;"
“(4) with respect to wages paid during the calendar year 1981, the rate shall be 5.35 percent;
“(5) with respect to wages paid during the calendar years 1982 through 1984, the rate shall be 5.40 percent;
“(6) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.70 percent; and
“(7) with respect to wages paid after December 31, 1989, the rate shall be 6.00 percent.”;

(3) Section 1401(a) of such Code (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out “a tax” and all that follows and inserting in lieu thereof the following: “a tax as follows:
“(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;
“(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;
“(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;
“(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1983, the tax shall be equal to 8.00 percent of the amount of the self-employment income for such taxable year;
“(5) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 8.05 percent of the amount of the self-employment income for such taxable year;
“(6) in the case of any taxable year beginning after December 31, 1982, and before January 1, 1989, the tax shall be equal to 8.50 percent of the amount of the self-employment income for such taxable year; and
“(7) in the case of any taxable year beginning after December 31, 1989, the tax shall be equal to 9.30 percent of the amount of the self-employment income for such taxable year.”;

(b) (1) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:
“(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;
“(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;
“(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;
“(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.30 percent;
“(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and
“(6) with respect to wages received after December 31, 1985, the rate shall be 1.45 percent.”.
Section 3111 (b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;
(2) with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;
(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;
(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.30 percent;
(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and
(6) with respect to wages paid after December 31, 1985, the rate shall be 1.45 percent."

Section 1401 (b) of such Code (relating to tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;
(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;
(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;
(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.30 percent of the amount of the self-employment income for such taxable year;
(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and
(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year."

SEC. 102. (a) (1) Section 201 (b) (1) of the Social Security Act is amended by striking out clauses (G) through (J) and inserting in lieu thereof the following: "(G) 1.55 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.65 per centum of the wages (as so defined) paid after Decem-
ber 31, 1980, and before January 1, 1985, and so reported, (J) 1.90 per
centum of the wages (as so defined) paid after December 31, 1984, and
before January 1, 1990, and so reported, and (K) 2.20 per centum of
the wages (as so defined) paid after December 31, 1989, and so
reported.

(2) Section 201(b)(2) of such Act is amended by striking out clauses
(G) through (J) and inserting in lieu thereof the following: “(G)
1.090 per centum of the amount of self-employment income (as so
defined) so reported for any taxable year beginning after Decem-
ber 31, 1977, and before January 1, 1979, (H) 1.0400 per centum of the
amount of self-employment income (as so defined) so reported for any
taxable year beginning after December 31, 1978, and before January
1, 1981, (I) 1.2375 per centum of the amount of self-employment
income (as so defined) so reported for any taxable year beginning
after December 31, 1980, and before January 1, 1985, (J) 1.4350 per
centum of the amount of self-employment income (as so defined) so
reported for any taxable year beginning after December 31, 1984, and
before January 1, 1990, and (K) 1.650 per centum of the amount of
self-employment income (as so defined) so reported for any taxable
year beginning after December 31, 1989.”

INCREASES IN EARNINGS BASE

Sec. 103. (a) (1) Section 30(a) of the Social Security Act is
amended by inserting “or (c)” after “determined under subsection
(b)”.

(2) Section 230(b) of such Act is amended by striking out “shall be”
in the matter preceding paragraph (1) and inserting in lieu thereof
“shall (subject to subsection (c)) be”.

(b) Section 230(c) of such Act is amended—
(1) by inserting “(1)” immediately before “the ‘contribution
and benefit base’”; and
(2) by striking out “section.” and inserting in lieu thereof the
following:
“section, and (2) the ‘contribution and benefit base’ with respect to
remuneration paid (and taxable years beginning) —
“(A) in 1978 shall be $17,700,
“(B) in 1979 shall be $20,200,
“(C) in 1980 shall be $25,900, and
“(D) in 1981 shall be $29,700.

For purposes of determining under subsection (b) the ‘contribution
and benefit base’ with respect to remuneration paid (and taxable years
beginning) in 1982 and subsequent years, the dollar amounts specified
in clause (2) of the preceding sentence shall be considered to have re-
sulted from the application of such subsection (b) and to be the
amount determined (with respect to the years involved) under that
subsection. For purposes of determining employer tax liability under
section 3321(a) of the Internal Revenue Code of 1954, for purposes of
determining the portion of the employee representative tax liability
under section 3311(a) of such Code which results from the applica-
tion of the 9.5 percent rate specified therein, and for purposes of com-
puting average monthly compensation under section 3(j) of the Rail-
road Retirement Act of 1974, except with respect to annuity amounts
determined under section 3(a) or 3(f)(3) of such Act, clause (2) and the preceding sentence of this subsection shall be disregarded.

(c) (1) Section 230 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of law, the contribution and benefit base determined under this section for any calendar year after 1976 for purposes of section 4022(b)(3)(B) of Public Law 93–406, with respect to any plan, shall be the contribution and benefit base that would have been determined for such year if this section as in effect immediately prior to the enactment of the Social Security Amendments of 1977 had remained in effect without change."

(2) The amendment made by paragraph (1) shall apply with respect to plan terminations occurring after the date of the enactment of this Act.

(d) (1) The second sentence of section 215(i)(2)(D)(v) of such Act is amended by striking out "is equal to one-twelfth of the new contribution and benefit base" and inserting in lieu thereof "is equal to, or exceeds by less than $5, one-twelfth of the new contribution and benefit base".

(2) The third sentence of section 215(i)(2)(D)(v) of such Act is amended by striking out all that follows "cause (iv)" and inserting in lieu thereof "plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over such second figure for the calendar year in which the table of benefits is revised."

EFFECTIVE DATE

SEC. 104. The amendments made by this title shall apply with respect to remuneration paid or received, and taxable years beginning, after 1977.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 201. (a) Section 215(a) of the Social Security Act is amended to read as follows:

"(a) (1) (A) The primary insurance amount of an individual shall (except as otherwise provided in this section) be equal to the sum of—"

"(i) 90 percent of the individual's average indexed monthly earnings (determined under subsection (b)) to the extent that such earnings do not exceed the amount established for purposes of this clause by subparagraph (B),

"(ii) 32 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (i) but do not exceed the amount established for purposes of this clause by subparagraph (B), and

"(iii) 15 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (ii),"
rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

(1) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in the calendar year 1979, the amount established for purposes of clause (i) and (ii) of subparagraph (A) shall be $180 and $1,085, respectively.

(ii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph and the quotient obtained by dividing—

(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year preceding the calendar year for which the determination is made, by

(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year 1977.

(iii) Each amount established under clause (ii) for any calendar year shall be rounded to the nearest $1, except that any amounts so established which is a multiple of $0.50 but not of $1 shall be rounded to the next higher $1.

(2) No primary insurance amount computed under subparagraph (A) may be less than—

(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in (or deemed to be contained in) this subsection as in effect in December 1978, rounded (if not a multiple of $1) to the next higher multiple of $1, or

(II) an amount equal to $11.50 multiplied by the individual's years of coverage in excess of 10, or the increased amount determined for purposes of this subdivision under subsection (i), whichever is greater. No increase under subsection (i), except as provided in subsection (i) (2) (A), shall apply to the dollar amount specified in subdivision (I) of this clause.

(ii) For purposes of clause (i) (II), the term 'years of coverage' with respect to any individual means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to such individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 281) for years after 1956 and before 1961 by (b) $900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual
under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year, or of not less than 25 percent of the maximum amount which could be so counted for such year (in the case of a year after 1977) if section 230 as in effect immediately prior to the enactment of the Social Security Amendments of 1977 had remained in effect without change.

"(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self-employment income under subsection (b)(3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average of the total wages (as described in subparagraph (B)(ii)(I)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average of the total wages (as so described) for each calendar year after 1950.

"(2) (A) A year shall not be counted as the year of an individual's death or eligibility for purposes of this subsection or subsection (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit or benefits to which he was entitled during such 12 months).

"(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—

"(i) the primary insurance amount upon which such disability insurance benefit was based, increased by the amount of each general benefit increase (as defined in subsection (i)(3)), and each increase provided under subsection (i)(2), that would have applied to such primary insurance amount had the individual remained entitled to such disability insurance benefit until the month in which he became so entitled or reentitled or died, or

"(ii) the amount computed under paragraph (1)(C).

"(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual's disability (whether because of such individual's subsequent entitlement to old-age insurance benefits or to a disability insurance benefit based upon a subsequent period of disability, or because of such individual's death), the primary insurance amount so computed may in no case be less than the primary insurance amount with respect to which such former disability insurance benefit was most recently determined.

"(3) (A) Paragraph (1) applies only to an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

"(i) becomes eligible for such a benefit,
"(ii) becomes eligible for a disability insurance benefit, or
"(iii) dies,
and (except for subparagraph (C) (i) (II) thereof) it applies to every
such individual except to the extent otherwise provided by paragraph
(4).

"(B) For purposes of this title, an individual is deemed to be
eligible—
"(i) for old-age insurance benefits, for months beginning with
the month in which he attains age 62, or
"(ii) for disability insurance benefits, for months beginning
with the month in which his period of disability began as provided
under section 216(i) (2) (C),
except as provided in paragraph (2) (A) in cases where fewer than 12
months have elapsed since the termination of a prior period of
disability.

"(4) Paragraph (1) (except for subparagraph (C) (i) (II) thereof)
does not apply to the computation or recomputation of a primary
insurance amount for—

"(A) an individual who was eligible for a disability insurance
benefit for a month prior to January 1979 unless, prior to the
month in which occurs the event described in clause (i), (ii), or
(iii) of paragraph (3) (A), there occurs a period of at least 12
consecutive months for which he was not entitled to a disability
insurance benefit, or

"(B) an individual who had wages or self-employment income
credited for one or more years prior to 1979, and who was not
eligible for an old-age or disability insurance benefit, and did not
die, prior to January 1979, if in the year for which the computa-
tion or recommendation would be made the individual's primary
insurance amount would be greater if computed or recomputed—

"(i) under section 215(a) as in effect in December 1978, for
purposes of old-age insurance benefits in the case of an in-
dividual who becomes eligible for such benefits prior to 1984,
or

"(ii) as provided by section 215(d), in the case of an
individual to whom such section applies.
In determining whether an individual's primary insurance amount
would be greater if computed or recomputed as provided in subpara-
graph (B), (I) the table of benefits in effect in December 1978 shall
be applied without regard to any increases in that table which may
become effective (in accordance with section 215(i) (4)) for years
after 1978 (subject to clause (iii) of subsection (i) (2) (A) but with-
out regard to clauses (iv) and (v) thereof) and (II) such individual's
average monthly wage shall be computed as provided by subsection
(b) (f).

"(3) For purposes of computing the primary insurance amount
(after December 1978) of an individual to whom paragraph (1) does
not apply (other than an individual described in paragraph (4) (B)),
this section as in effect in December 1978 shall remain in effect, except
that, effective for January 1979, the dollar amount specified in para-
graph (3) of subsection (a) shall be increased to $11.50. The table
for determining primary insurance amounts and maximum family
benefits contained in this section in December 1978 shall be revised as provided by subsection (i) for each year after 1978.

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

"Average Indexed Monthly Earnings; Average Monthly Wage

"(b) (1) An individual's average indexed monthly earnings shall be equal to the quotient obtained by dividing—

"(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

"(B) the number of months in those years.

"(2) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection with respect to any individual—

"(i) the term 'benefit computation years' means those computation base years, equal in number to the number determined under subparagraph (A), for which the total of such individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

"(ii) the term 'computation base years' means the calendar years after 1950 and before—

"(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j) (1) or otherwise) the first month of that entitlement; or

"(II) in the case of an individual who has died (without having become entitled to old-age insurance benefits), the year succeeding the year of his death; except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means (except as otherwise provided by section 104(j) (2) of the Social Security Amendments of 1972) the number of calendar years after 1950 (or, if later, the year in which the individual attained age 81) and before the year in which the individual died, or, if it occurred earlier (but after 1960), the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

"(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) shall be deemed to be equal to the product of—

"(i) the wages and self-employment income paid in or credited to such year (as determined without regard to this subparagraph), and

"(ii) the quotient obtained by dividing—

"(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the
limitations specified in section 209(a) reported to the Secretary of the Treasury or his delegate for the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such death or eligibility, but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period), by

"(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year which—

"(i) occurs after the second calendar year specified in subparagraph (A) (I), or

"(ii) is a year treated under subsection (f) (2)(C) as though it were the last year of the period specified in paragraph (2) (B) (ii),

shall be available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) For purposes of determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a) (4) (B), this subsection as in effect in December 1978 shall remain in effect, except that paragraph (2)(C) (as then in effect) shall be deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a) (3)(B) as in effect in January 1979) for an old-age or disability insurance benefit, or, if earlier, the year in which he died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year for such purposes."

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

"Application of Prior Provisions in Certain Cases

"(c) This subsection as in effect in December 1978 shall remain in effect with respect to an individual to whom subsection (a)(1) does not apply by reason of the individual's eligibility for an old-age or disability insurance benefit, or the individual's death, prior to 1979."

(d)(1) The matter in the text of section 215(d) of such Act which precedes paragraph (1)(C) is amended to read as follows:

"(d)(1) For purposes of column I of the table appearing in subsection (a), as that subsection was in effect in December 1977, an individual's primary insurance benefit shall be computed as follows:
“(A) The individual’s average monthly wage shall be determined as provided in subsection (b), as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect) 1936 shall be used instead of 1960.

“(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2) (as so in effect)

“(i) the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1950 shall be divided by the number of years (hereinafter in this subparagraph referred to as the ‘divisor’) elapsing after the year in which the individual attained age 20 and prior to 1951; and

“(ii) the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1949 shall be divided by the number of years (hereinafter in this subparagraph referred to as the ‘divisor’) elapsing after 1949 and prior to 1951.

The quotient so obtained shall be deemed to be the individual’s wages credited to each of the years which were used in computing the amount of the divisor, except that

“(iii) if the quotient exceeds $3,000, only $3,000 shall be deemed to be the individual’s wages for each of the years which were used in computing the amount of the divisor, and the remainder of the individual’s total wages prior to 1951 (I) if less than $3,000, shall be deemed credited to the year immediately preceding the earliest year used in computing the amount of the divisor, or (II) if $3,000 or more, shall be deemed credited, in $3,000 increments, to the year immediately preceding the earliest year used in computing the amount of the divisor and to each year consecutively preceding that year, with any remainder less than $3,000 being credited to the year immediately preceding the earliest year to which a full $3,000 increment was credited; and

“(iv) no more than $42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.”

(2) Section 215(d)(1)(D) of such Act is amended to read as follows:

“(D) The individual’s primary insurance benefit shall be 40 percent of the first $50 of his average monthly wage as computed under this subsection, plus 10 percent of the next $200 of his average monthly wage, increased by 1 percent for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual’s total wages prior to 1951 divided by $1,650 (disregarding any fraction).”

(3) Section 215(d)(3) of such Act is amended (A) by striking out “in the case of an individual” and all that follows and inserting in lieu thereof the following “in the case of an individual who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220.”
(d) Section 215(d) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age or disability insurance benefits or die prior to 1978."

(e) Section 215(e) of such Act is amended—

(1) by striking out "average monthly wage" each place it appears and inserting in lieu thereof "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 216(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b) (3) (A))."

(f) (1) Section 215(f) (2) of this Act is amended to read as follows:

"(2) (A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recomputed the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a) (F) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts established by subsection (a) (1) (B) for purposes of clauses (i) and (ii) of subsection (a) (1) (A), the amounts so established that were (or, in the case of an individual described in subsection (a) (4) (B), would have been) used in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation of any individual's primary insurance amount under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (ii); and subsection (b) (3) (A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with respect to any year shall be effective—

"(i) in the case of an individual who did not die in that year, for benefits beginning with benefits for January of the following year; or

"(ii) in the case of an individual who died in that year, for benefits beginning with benefits for the month in which he died."

(2) Section 215(f) (3) of such Act is repealed.

(3) Section 215(f) (4) of such Act is amended to read as follows:

"(4) A recomputation shall be effective under this subsection only if it increases the primary insurance amount by at least $1."

(4) Section 215(f) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(7) This subsection as in effect in December 1978 shall continue to apply to the recomputation of a primary insurance amount computed
under subsection (a) or (d) as in effect (without regard to the table in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing a primary insurance amount determined under subsection (a) or (d) (as so in effect) in the case of an individual to whom those subsections apply by reason of subsection (a) (d) (B) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age or disability insurance benefit or died, or for any year thereafter.

"(8) The Secretary shall recompute the primary insurance amounts applicable to beneficiaries whose benefits are based on a primary insurance amount which was computed under subsection (a) (3) effective prior to January 1979, or would have been so computed if the dollar amount specified therein were $11.50. Such recomputation shall be effective January 1979, and shall include the effect of the increase in the dollar amount provided by subsection (a) (1) (C) (i) (II). Such primary insurance amount shall be deemed to be provided under such section for purposes of subsection (i)."

"(g) (1) Section 215 (i) (2) (A) (ii) of such Act is amended to read as follows:

"(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

"(I) the benefit amount to which individuals are entitled for that month under section 227 or 228,

"(II) the primary insurance amount of each other individual on which benefit entitlement is based under this title (including a primary insurance amount determined under subsection (a) (1) (C) (i) (I), but subject to the provisions of such subsection (a) (1) (C) (i) and clauses (iv) and (v) of this subparagraph), and

"(III) the amount of total monthly benefits based on any primary insurance amount which is permitted under section 203 (and such total shall be increased, unless otherwise so increased under another provision of this title, at the same time as such primary insurance amount) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203 (a) (6) and (7) as in effect after December 1978.

The increase shall be derived by multiplying each of the amounts described in subdivisions (I), (II), and (III) (including each of those amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B); and any amount so increased that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10. Any increase under this subsection in a primary insurance amount determined under subparagraph (C) (i) (II) of subsection (a) (1)
shall be applied after the initial determination of such primary insurance amount under that subparagraph (with the amount of such increase, in the case of an individual who becomes eligible for old-age or disability insurance benefits or dies in a calendar year after 1979, being determined from the range of possible primary insurance amounts published by the Secretary under the last sentence of subparagraph (D)).

(2) Section 215(i)(2)(A) of such Act is amended by adding at the end thereof the following new clauses:

"(iii) In the case of an individual who becomes eligible for an old-age or disability insurance benefit, or who dies prior to becoming so eligible, in a year in which there occurs an increase provided under clause (ii), the individual's primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title and, with respect to a primary insurance amount determined under subsection (a)(1)(C)(i)(I), subject to the provisions of subsection (a)(1)(C)(i) and clauses (iv) and (v) of this subparagraph) by the amount of that increase and subsequent applicable increases, but only with respect to benefits payable for months after May of that year.

(iv) (I) In the case of an individual who is entitled to an old-age insurance benefit that is based on a primary insurance amount determined under subsection (a)(1)(C)(i)(I), such primary insurance amount shall not be increased under this subsection for any year before the year in which occurs the first month with respect to which there is payable to such individual all or some part of such benefit after application of the provisions of section 203 relating to deductions on account of work, or, if earlier, the year in which he attains age 65.

(II) In the case of an individual who is entitled to an insurance benefit under subsection (e) or (f) of section 202 that is based on a primary insurance amount determined under subsection (a)(1)(C)(i)(I), such primary insurance amount shall not be increased under this subsection for any year before the year in which occurs the first month with respect to which there is payable to such individual all or some part of such benefit after application of the provisions of section 203 relating to deductions on account of work, or, if earlier, the year in which he attains age 65.

(III) Any increase under this subsection which otherwise would be applied to a primary insurance amount except for the provisions of subdivision (II) of this clause, shall apply to such primary insurance amount if, during any month of the year in which the increase occurs, any individual is entitled to a benefit under subsection (d), (g), or (h) of section 202 based on such primary insurance amount, and such primary insurance amount is based upon the wages and self-employment income of a deceased individual.

(IV) No primary insurance amount determined under subsection (a)(1)(C)(i)(I) shall be increased under this subsection for any year during which no individual was entitled to any benefit based thereon under section 202 or 223 for any month of such year.

(V) In any case in which an increase under this subsection which occurs during any year applies to a primary insurance amount determined under subsection (a)(1)(C)(i)(I), and such an increase occur-
(v) Notwithstanding clause (iv), no primary insurance amount shall be less than that provided under section 215(a) (1) without regard to subparagraph (C) (i) (I) thereof, as subsequently increased by applicable increases under this section.

(3) Section 215(i) (2) (D) of such Act (as amended by section 103(d) of this Act) is further amended by striking out all that follows the first sentence and inserting in lieu thereof the following: "He shall also publish in the Federal Register at that time (i) a revision of the range of the primary insurance amounts which are possible after the application of this subsection based on the dollar amount specified in subparagraph (C) (i) (II) of subsection (a) (1) (with such revised primary insurance amounts constituting the increased amounts determined for purposes of such subparagraph (C) (i) (II) under this subsection), or specified in subsection (a) (3) as in effect prior to 1979, and (ii) a revision of the range of maximum family benefits which correspond to such primary insurance amounts (with such maximum benefits being effective notwithstanding section 203(a) except for paragraph (3) (B) thereof (or paragraph (2) thereof as in effect prior to 1979))."

(4) Section 215(i) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) This subsection as in effect in December 1978 shall continue to apply to subsections (a) and (d), as then in effect, for purposes of computing the primary insurance amount of an individual to whom subsection (a) does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4) (B) of that subsection (but the application of this subsection in such cases shall be modified by the application of subdivision (I) in the last sentence of paragraph (4) of that subsection)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4) (B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2) (D) of this subsection as then in effect.".

MAXIMUM BENEFITS

Sec. 202 The text of section 203(a) of the Social Security Act is amended to read as follows:

"(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or section 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of para-
be reduced as necessary so as not to exceed—

"(A) 150 percent of such individual's primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),

"(B) 20 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),

"(C) 134 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (B) but does not exceed the amount established with respect to this subparagraph by paragraph (2), and

"(D) 175 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (C).

Any such amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(2) (A) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming so eligible for such benefits), in the calendar year 1979, the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) shall be $230, $332, and $433, respectively.

"(B) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming so eligible for such benefits), in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established for the calendar year 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B) (ii) of section 215(i) (I), with such product being rounded in the manner prescribed by section 215(a) (I) (B) (iii).

"(C) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula which (except as provided in section 215(i) (2) (D)) is to be applicable under this paragraph to individuals who become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in the following calendar year.

"(D) A year shall not be counted as the year of an individual's death or eligibility for purposes of this paragraph or paragraph (7) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefits to which he was entitled during such 12 months).

"(3) (A) When an individual who is entitled to benefits on the basis of the wages and self-employment income of any insured individual and to whom this subsection applies would (but for the provisions of section 202(k) (2) (A)) be entitled to child's insurance benefits for a month on the basis of the wages and self-employment income of one or more other insured individuals, the total monthly benefits to which all beneficiaries are entitled on the basis of such wages and self-employment income shall not be reduced under this subsection to less than the smaller of—
“(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or
“(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a) (1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230.
“(B) When two or more persons were entitled (without the application of section 202(j) (1) and section 23(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—
“(i) the amount determined under this subsection without regard to this subparagraph,
“(ii) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual’s wages and self-employment income, or
“(iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i) (3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of 0.10 being rounded to the next higher multiple of 0.10);
but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k) (2) (A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k) (2) (A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.
“(C) When any of such individuals is entitled to monthly benefits as a divorced spouse under section 202 (b) or (c) or as a surviving divorced spouse under section 202 (e) or (f) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits
under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced spouse or surviving divorced spouse were entitled to benefits for such month.

"(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 202(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased.

"(5) Notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title, then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month.

"(6) In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were determined under section 215(a) (1) or (4), or section 215(d), as in effect after December 1978; the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefits base determined under section 230 for the year in which that month occurs.

"(7) Subject to paragraph (6), this subsection as in effect in December 1978 shall remain in effect with respect to a primary insurance amount computed under section 215 (a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an individual who first becomes eligible for an old-age or disability insurance benefit,
or dies (before becoming eligible for such a benefit), after December 1978, shall instead be governed by this section as in effect after December 1978.”.

INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR DELAYED RETIREMENT

Sec. 203. Section 9203(w) (1) of Social Security Act is amended—

(1) by striking out “If the first month” and all that follows down through “to such individual” in the matter preceding subparagraph (A) and inserting in lieu thereof “The amount of an old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 9215(a) (3)) which is payable without regard to this subsection to an individual”; and

(2) by inserting after “such amount,” in subparagraph (A) the following: “or, in the case of an individual who first becomes eligible for an old-age insurance benefit after December 1978, one-quarter of 1 percent of such amount.”.

WIDOW’S AND WIDOWER’S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

Sec. 204. (a) Section 9203(e) (2) (A) of the Social Security Act is amended (1) by inserting “(as determined after application of the following sentence)” after “primary insurance amount”, and (2) by adding at the end thereof the following new sentence: “If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual’s primary insurance amount, if less than the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received) for the month prior to the month in which he died, shall be deemed to be equal to such old-age insurance benefit, and notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(b) Section 9203(e) (2) (B) (i) of such Act is amended by inserting “and section 9215(f) (5) or (6) were applied, where applicable,” after “living”.

(c) Section 9203(f) (3) (A) of such Act is amended (1) by inserting “(as determined after application of the following sentence)” after “primary insurance amount”, and (2) by adding at the end thereof the following new sentence: “If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual’s primary insurance amount, if less than the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received)
for the month prior to the month in which she died, shall be deemed to be equal to such old-age insurance benefit, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(d) Section 202 (f) (3) (B) (i) of such Act is amended by inserting “and section 215(f) (5) or (6) were applied, where applicable,” after “living.”

(e) Section 203(a) of such Act (as amended by section 202 of this Act) is further amended by adding at the end thereof the following new paragraph:

“(8) When—

(A) one or more persons were entitled (without the application of section 202(f) (1)) to monthly benefits under section 202 for May 1978 on the basis of the wages and self-employment income of an individual,

(B) the benefit of at least one such person for June 1978 is increased by reason of the amendments made by section 204 of the Social Security Amendments of 1977; and

(C) the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203(a) (4))

then the amount of the benefit to which each such person is entitled for months after May 1978 shall be increased (after such reductions are made under this subsection) to the amount such benefits would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased.”.

CONFORMING AMENDMENTS

Sec. 205. (a) Section 202(m) (1) of the Social Security Act is amended to read as follows:

“(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of such wages and self-employment income, the individual’s benefit amount for that month, prior to reduction under subsection (k) (2), shall not be less than that provided by subparagraph (C) (i) (II) of section 215(a) (1) and increased under section 215(i) for months after May of the year in which the insured individual died as though such benefit were a primary insurance amount.”.

(b) Section 202(w) of such Act (as amended by section 203 of this Act) is further amended—

(1) by inserting after “section 215(a) (3)” in paragraph (1) (in the matter preceding subparagraph (A)) the following: “as in effect in December 1978 or section 215(a) (1) (C) (i) (II) as in effect thereafter”: 
(2) by inserting "as in effect in December 1978, or section 215 (a) (I) (C) (I) (II) as in effect thereafter," after "paragraph (3) of section 215(a)" in paragraph (5); and

(3) by inserting "(whether before, in, or after December 1978)" after "determined under section 215(a)" in paragraph (5).

(c) Section 217(b) (1) of such Act is amended by inserting "as in effect in December 1978" after "section 215(c)" each place it appears, and after "section 215(d)".

(d) Section 224(a) of such Act is amended by inserting "(determined under section 215(b) as in effect prior to January 1979)" after "(A) the average monthly wage" in the sentence immediately following paragraph (8).

(e) Section 1839(c) (3) (B) of such Act is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a) (1), based upon average indexed monthly earnings of $900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1."

EFFECTIVE DATE

Sec. 206. The amendments made by the provisions of this title other than sections 201(d), 204, and 205(a) shall be effective with respect to monthly benefits under title II of the Social Security Act payable for months after December 1978 and with respect to lump-sum death payments with respect to deaths occurring after such month. The amendments made by section 201(d) shall be effective with respect to monthly benefits of an individual who becomes eligible for an old-age or disability insurance benefit, or dies, after December 1977. The amendments made by section 204 shall be effective with respect to monthly benefits for months after May 1978. The amendment made by section 205(a) shall be effective with respect to monthly benefits payable for months after December 1978 based on the wages and self-employment income of individuals who die after December 1978.

TITLE III—OTHER CHANGES IN PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—CHANGES IN EARNINGS TEST

LIBERALIZATION OF EARNINGS TEST FOR INDIVIDUALS AGE 65 AND OVER

Sec. 301. (a) Section 203(f)(8) (A) of the Social Security Act is amended by striking out "a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective
by subparagraph (C) of this paragraph) with respect to any individual’s taxable year which ends after the calendar year and inserting in lieu thereof “the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C)) with respect to taxable years ending in (or with the close of) the calendar year after the calendar year”.

(b) (1) Section 203(f) (8) (B) of such Act is amended by striking out “The exempt amount for each month of a particular taxable year shall be” in the matter preceding clause (i) and inserting in lieu thereof “Except as otherwise provided in subparagraph (D), the exempt amount which is applicable to individuals described in such subparagraph and the exempt amount which is applicable to other individuals, for each month of a particular taxable year, shall each be”.

(2) Section 203(f) (8) (B) (i) of such Act is amended by striking out “the exempt amount” and inserting in lieu thereof “the corresponding exempt amount”.

(3) The last sentence of section 203(f) (8) (B) of such Act is amended by striking out “the exempt amount” and inserting in lieu thereof “an exempt amount”.

(c) (1) Section 203(f) (8) of such Act is further amended by adding at the end thereof the following new subparagraph:

“(D) Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained age 65 before the close of the taxable year involved—

“(i) shall be $333.331/2 for each month of any taxable year ending after 1977 and before 1979,

“(ii) shall be $375 for each month of any taxable year ending after 1978 and before 1980,

“(iii) shall be $416.66½ for each month of any taxable year ending after 1979 and before 1981,

“(iv) shall be $458.33½ for each month of any taxable year ending after 1980 and before 1982, and

“(v) shall be $500 for each month of any taxable year ending after 1981 and before 1983.”.

(2) No notification with respect to an increased exempt amount for individuals described in section 203(f) (8) (D) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203(f) (8) (B) of such Act in 1977, 1978, 1979, 1980, or 1981; and section 203(f) (8) (C) of such Act shall not prevent the new exempt amount determined and published under section 203(f) (8) (A) in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203(f) (8) (D) of such Act (as so added).

(d) Subsections (f) (1), (f) (3), (f) (4) (B), and (h) (1) (A) of section 203 of such Act are each amended by striking out “$200 or the exempt amount” and inserting in lieu thereof “the applicable exempt amount”.

(e) The amendments made by this section shall apply with respect to taxable years ending after December 1977.
KEPEAL OF EARNINGS LIMITATION FOR INDIVIDUALS AGE 70 AND OVER

SEC. 302. (a) Subsections (c)(1), (d)(1), (f)(1)(B), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (j)(3) of section 203 of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 70".

(c) Subsection (h)(1)(A) of section 203 of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(d) The heading of subsection (j) of section 203 of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(e) The amendments made by this section shall apply only with respect to taxable years ending after December 31, 1981.

ELIMINATION OF MONTHLY EARNINGS TEST

SEC. 303. (a) Clause (E) of the last sentence of section 203(f)(1) of the Social Security Act (as amended by section 301(d) of this Act) is further amended by inserting before the period at the end thereof the following: "if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled for the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the applicable exempt amount as determined under paragraph (8)".

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits payable for months after December 1977.

PART B—COVERAGE

STUDY OF UNIVERSAL COVERAGE

SEC. 311. (a) The Secretary of Health, Education, and Welfare is directed to undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the extent of the coverage under the old-age, survivors, and disability insurance programs and under the programs established by title XVIII of the Social Security Act. The study shall examine the feasibility and desirability of covering, under such social security programs, Federal employees, State and local governmental employees, and employees of non-profit organizations who are not now covered. The study shall include alternative methods of accomplishing such coverage together with any appropriate alternatives to extending coverage to such employees.

(b) With respect to each major alternative method or proposal included in the study described in subsection (a), such study shall also include an analysis of the changes which would be required in the programs established by the Social Security Act and in any other systems
or programs (such as retirement, survivorship, disability, and health programs) affecting the individuals who would be covered under such social security programs under such alternative method or proposal. Such analysis shall include the structural changes required in such programs, the financial impact of such changes, and the effect of such changes on the benefit rights and contribution liabilities of the affected individuals.

(c) In conducting the study required by subsection (a), the Secretary of Health, Education, and Welfare shall consult, as appropriate, with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of Civil Service Commission, and those officials shall provide him with such information and assistance as he may require. The Secretary shall also solicit the views of other appropriate officials and organizations.

(d) The Secretary of Health, Education, and Welfare shall submit to the President and the Congress, not later than 2 years after the date of the enactment of this Act, a report of the findings of the study required by subsection (a) together with his recommendations for any appropriate legislative changes.

COVERAGE OF NONPROFIT ORGANIZATIONS WHICH FAILED TO FILE WAIVER CERTIFICATES

Sec. 312. (a) (1) Section 3121 (k) (5) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where refund or credit has been made and new certificate is not filed) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph,” in subparagraph.

(B) and inserting in lieu thereof “prior to April 1, 1978”; and

(B) by striking out “the 181st day after the date of the enactment of this paragraph,” and “such 181st day” in the matter following subparagraph (B) and inserting in lieu thereof in each instance “April 1, 1978”.

(2) Section 3121 (k) (7) of such Code (relating to payment of both employee and employer taxes for retroactive period by organization in cases of constructive filing) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph” and inserting in lieu thereof “prior to April 1, 1978”; and

(B) by striking out “the 181st day after such date,” and inserting in lieu thereof “April 1, 1978”, and

(C) by striking out “prior to the first day of the calendar quarter in which such 181st day occurs” and inserting in lieu thereof “prior to that date”.

(3) Section 3121 (k) (8) of such Code (relating to extended period for payment of taxes for retroactive coverage) is amended—

(A) by striking out “by the end of the 180-day period following the date of the enactment of this paragraph” and inserting in lieu thereof “prior to April 1, 1978”; and

(B) by striking out “within that period” and inserting in lieu thereof “prior to April 1, 1978”; and

(C) by striking out “on the 181st day following that date” and inserting in lieu thereof “on that date”.


(b) (1) Section 3121(k)(4) of such Code (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by adding at the end thereof the following new subparagraph:

"(C) In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

"(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A)(ii)) terminated prior to October 1, 1976, or

"(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began,

which taxes under sections 3101 and 3111—

"(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

"(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals who became its employees after the close of the calendar quarter in which the period referred to in clause (i) began,

which remain unpaid on the date of the enactment of this subparagraph, or which were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph, shall not be due or payable (or, if paid, shall be refunded); and the certificate which such organization is deemed under this paragraph to have filed shall not apply to any service with respect to the remuneration for which the taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages subject to the taxes imposed by sections 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (A)(ii)) during which the taxes imposed by such sections were paid by such organization."

(2) Section 3121(k)(4)(A) of such Code is amended by inserting "(subject to subparagraph (C))" after "effective" in the matter following clause (ii).

(3) Section 3121(k)(6) of such Code (relating to application of certain provisions to cases of constructive filing) is amended by insert-
"(except as provided in paragraph (4) (C))" after "services involved" in the matter preceding subparagraph (A).

(4) Section 3121(k) (4) of such Code is amended by striking out "date" in subparagraph (B)(ii) and inserting in lieu thereof "first day of the calendar quarter".

(c) In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121(k) (4) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k) (1) of such Code, on or after the first day of the applicable period described in subparagraph (A) (ii) of such section 3121(k) (4) and before July 1, 1977; and

(2) the service so performed does not constitute employment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the waiver certificate which the organization is deemed to have filed is made inapplicable to such service by section 3121(k) (4) (C) of such Code, but would constitute employment (as so defined) in the absence of such section 3121(k) (4) (C),

the remuneration paid for such service shall, upon the request of such individual (filed on or before April 15, 1980 in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full payment of all of the taxes which would have been paid under section 3101 of such Code with respect to such remuneration but for such section 3121(k) (4) (C) (or by satisfactory evidence that appropriate arrangements have been made for the payment of such taxes in installments as provided in section 3121(k) (8) of such Code), be deemed to constitute remuneration for employment as so defined. In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for payment of the taxes which it would have been required to pay under section 3111 of such Code with respect to such remuneration in the absence of such section 3121 (k) (4) (C).

(d) Section 3121(k) (8) of the Internal Revenue Code of 1954 (relating to extended period for payment of taxes for retroactive coverage), as amended by subsection (a) (3) of this section, is amended to read as follows:

"(8) Extended period for payment of taxes for retroactive coverage.—Notwithstanding any other provision of this title, in any case where—

"(A) an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4) (A) (ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remains payable notwithstanding paragraph (4) (C), or

"(B) an organization described in paragraph (5) (A) files a valid waiver certificate under paragraph (1) by March 31,
1978, as described in paragraph (5) (B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on April 1, 1978, or

"(C) an individual files a request under section 3 of Public Law 94–563, or under section 312(c) of the Social Security Amendments of 1977, to have service treated as constituting remuneration for employment (as defined in section 3121(b) and in section 210(a) of the Social Security Act),

the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.".

(e) The first sentence of section 3 of Public Law 94–563 (in the matter following paragraph (3)) is amended—

(1) by inserting “on or before April 15, 1980,” after “filed”;

and

(2) by inserting “(or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code)” after “so refunded or credited”.

(f) Section 3121(k)(4)(A)(i) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by striking out “or any subsequent date” and inserting in lieu thereof “(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph)”.

(g) Section 3121(k)(4)(B) of such Code (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended—

(1) by striking out the period at the end of clause (ii) and inserting in lieu thereof “; or”; and

(2) by adding after clause (ii) the following new clause:

“(iii) the organization, prior to the end of the period referred to in clause (ii) of such subparagraph (and, in the case of an organization organized on or before October 9, 1968, prior to October 19, 1976), had applied for a ruling or determination letter acknowledging it to be exempt from income tax under section 501(c)(3), and it subsequently received such ruling or determination letter and did not pay any taxes under sections 3101 and 3111 with respect to any employee with respect to any quarter ending after the twelfth month following the date of mailing of such ruling or determination letter and did not pay any such taxes with respect to any quarter beginning after the later of (I) December 31, 1975 or (II) the date on which such ruling or determination letter was issued.”.

(h) The amendments made by subsections (a), (b), (d), (e), (f), and (g) of this section shall be effective as though they had been in-
cluded as a part of the amendments made to section 3121(k) of the Internal Revenue Code of 1954 by the first section of Public Law 91-563 (or, in the case of the amendments made by subsection (c), as a part of section 3 of such Public Law).

EXCLUSION FROM COVERAGE OF CERTAIN LIMITED PARTNERSHIP INCOME

Sec. 313. (a) Section 211(a) of the Social Security Act is amended—
(1) by striking out “and” at the end of paragraph (9);
(2) by striking out the period at the end of paragraph (10) and inserting in lieu thereof “; and”; and
(3) by inserting after paragraph (10) the following new paragraph:
“(11) There shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) of the Internal Revenue Code of 1954 to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.
(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—
(1) by striking out “and” at the end of paragraph (10);
(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof “; and”; and
(3) by inserting after paragraph (11) the following new paragraph:
“(12) there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.
(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1977.

EMPLOYEES OF MEMBERS OF RELATED GROUPS OF CORPORATIONS

Sec. 314. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:
“(s) Concurrent Employment by Two or More Employers.—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more related corporations concurrently employ the same individual and compensate such individual through a common paymaster which is one of such corporations, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.
(b) Section 3306 of such Code (relating to definitions in respect of unemployment tax) is amended by adding at the end thereof the following new subsection:
“(p) **Concurrent Employment by Two or More Employers.**—For purposes of sections 3301, 3302, and 3306(b)(1), if two or more related corporations concurrently employ the same individual and compensate such individual through a common paymaster which is one of such corporations, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1978.

**TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE INCOME FROM TIPS**

Sec. 315. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof (after the new subsection added by section 314(a) of this Act) the following new subsection:

“(t) **Special Rule for Determining Wages Subject to Employer Tax in Case of Certain Employers Whose Employees Receive Income From Tips.**—If the wages paid by an employer with respect to the employment during any month of an individual who (for services performed in connection with such employment) receives tips which constitute wages, and to which section 3102(a) applies, are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 6(a)(1) of the Fair Labor Standards Act of 1938 (determined without regard to section 3(m) of such Act), the wages so paid shall be deemed for purposes of section 3111 to be equal to such total amount.”.

(b) Section 3111 of such Code is amended by inserting “and (t)” after “3121(a)” in subsections (a) and (b).

(c) The amendments made by this section shall apply with respect to wages paid with respect to employment performed in months after December 1977.

**Revocation of Exemption from Coverage by Clergymen**

Sec. 316. (a) Notwithstanding section 1402(e)(3) of the Internal Revenue Code of 1954, any exemption which has been received under section 1402(e)(1) of such Code by a duly ordained, commissioned, or licensed minister of a church or a Christian Science practitioner, and which is effective for the taxable year in which this Act is enacted, may be revoked by filing an application therefor (in such form and manner, and with such official, as may be prescribed in regulations made under chapter 2 of such Code), if such application is filed—

(1) before the applicant becomes entitled to benefits under section 202(a) or 223 of the Social Security Act (without regard to section 202(j)(1) or 223(b) of such Act), and

(2) no later than the due date of the Federal income tax return (including any extension thereof) for the applicant’s first taxable year beginning after the date of the enactment of this Act.
Any such revocation shall be effective (for purposes of chapter 2 of the Internal Revenue Code of 1954 and title II of the Social Security Act), as specified in the application, either with respect to the applicant's first taxable year ending on or after the date of the enactment of this Act or with respect to the applicant's first taxable year beginning after such date, and for all succeeding taxable years; and the applicant for any such revocation may not thereafter again file application for an exemption under such section 1402(e)(1). If the application is filed on or after the due date of the applicant's first taxable year ending on or after the date of the enactment of this Act and is effective with respect to that taxable year, it shall include or be accompanied by payment in full of an amount equal to the total of the taxes that would have been imposed by section 1401 of the Internal Revenue Code of 1954 with respect to all of the applicant's income derived in that taxable year which would have constituted net earnings from self-employment for purposes of chapter 2 of such Code (notwithstanding section 1402(c)(4) or (c)(5) of such Code) except for the exemption under section 1402(e)(1) of such Code.

(b) Subsection (a) shall apply with respect to service performed (to the extent specified in such subsection) in taxable years ending on or after the date of the enactment of this Act, and with respect to monthly insurance benefits payable under title II of the Social Security Act on the basis of the wages and self-employment income of any individual for months in or after the calendar year in which such individual's application for revocation (as described in such subsection) is filed (and lump-sum death payments payable under such title on the basis of such wages and self-employment income in the case of deaths occurring in or after such calendar year).

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 317. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS

"Purpose of Agreement

"Sec. 233. (a) The President is authorized (subject to the succeeding provisions of this section) to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

"Definitions

"(b) For the purposes of this section—

"(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is
of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

"(2) the term 'period of coverage' means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

"Crediting Periods of Coverage; Conditions of Payment of Benefits"

"(c) (1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

"(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

"(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

"(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 208(a), receive such benefits while he resides in a foreign country which is a party to such agreement; and

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall, if less when added to the benefit paid by such foreign country than the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(i)(I) in the case of an individual becoming eligible for such benefit on or after that date, be increased so that the total of the two benefits is equal to the benefit amount which would be so payable.
"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

"(4) Any such agreement may contain other provisions which are not inconsistent with the other provisions of this title and which the President deems appropriate to carry out the purposes of this section.

"Regulations

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e) (1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.

"(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of the period (following the date on which the agreement is transmitted in accordance with paragraph (1)) during which each House of the Congress has been in session on each of 90 days; except that such agreement shall not become effective if, during such period, either House of the Congress adopts a resolution of disapproval of the agreement.

(b) (i) Section 1407 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

(2) Sections 3101 and 3111 of such Code are each amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

(3) Section 6051(a) of such Code is amended by adding at the end thereof the following new sentence: "The amounts required to be shown by paragraph (5) shall not include wages which are exempted
pursuant to sections 3101(c) and 3111(c) from the taxes imposed by section 3101 and 3111.

(4) Notwithstanding any other provision of law, taxes paid by any individual to any foreign country with respect to any period of employment or self-employment which is covered under the social security system of such foreign country in accordance with the terms of an agreement entered into pursuant to section 233 of the Social Security Act shall not, under the income tax laws of the United States, be deductible by, or creditable against the income tax of, any such individual.

MODIFICATION OF AGREEMENT WITH ILLINOIS TO PROVIDE COVERAGE FOR CERTAIN POLICEMEN AND FIREMEN

Sec. 318. (a) Notwithstanding the provisions of subsection (d)(5)(A) of section 218 of the Social Security Act and the references there- to in subsections (d)(1) and (d)(3) of such section 218, the agreement with the State of Illinois heretofore entered into pursuant to such section 218 may, at any time prior to January 1, 1979, be modified pursuant to subsection (c)(4) of such section 218 so as to apply to services performed in policemen's or firemen's positions covered by the Illinois Municipal Retirement Fund on the date of the enactment of this Act if the State of Illinois has at any time prior to the date of the enactment of this Act paid to the Secretary of the Treasury, with respect to any of the services performed in such positions, the sums prescribed pursuant to subsection (e)(1) of such section 218. For purposes of this section, a retirement system which covers positions of policemen or firemen shall, if the State of Illinois so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, as the case may be.

(b) Notwithstanding the provisions of subsection (f) of section 218 of the Social Security Act, any modification in the agreement with the State of Illinois under subsection (a) of this section, to the extent that it involves services performed by a policeman or fireman in positions covered under the Illinois Municipal Retirement Fund, shall be made effective with respect to—

(1) all services performed by policemen or firemen, in positions to which the modification relates, on or after the date of the enactment of this Act; and

(2) all services performed by such individuals in such positions before such date of enactment with respect to which the State of Illinois has paid to the Secretary of the Treasury the sums prescribed pursuant to subsection (e)(1) of such section 218 at the time or times established pursuant to such subsection (e)(1), if and to the extent that—

(A) no refund of the sums so paid has been obtained, or

(B) a refund of part or all of the sums so paid has been obtained but the State of Illinois repays to the Secretary of the Treasury the amount of such refund within 90 days after the date that the modification is agreed to by the State and the Secretary of Health, Education, and Welfare.
COVERAGE FOR POLICEMEN AND FIREFE"M IN MISSISSIPPI

SEC. 319. Section 218(p)(1) of the Social Security Act is amended by inserting "Mississippi," after "Maryland;".

COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR PUBLIC EMPLOYEES IN NEW JERSEY

SEC. 320. Section 218(d)(6)(C) of the Social Security Act is amended by inserting "New Jersey;" after "Nevada;".

COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT SYSTEM

SEC. 321. Section 218(m)(1) of the Social Security Act is amended by inserting after "Wisconsin retirement fund" the following: "or any successor system."

PART C—BENEFIT AMOUNTS AND ELIGIBILITY

ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

SEC. 331. (a) Section 202(q)(4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following:

"then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and after the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(b) Section 202(q) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(10) For purposes of applying paragraph (4), with respect to monthly benefits payable for any month after December 1977 to an individual who was entitled to a monthly benefit as reduced under paragraph (1) or (3) prior to January 1978, the amount of reduction in such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based and for all subsequent months (and similarly for all subsequent increases) shall be increased by a percentage equal to the percentage increase in such primary insurance amount (such increase being made in accordance with the provisions of paragraph (5)). In the case of an individual whose reduced benefit under this section is increased as a result of the use of an adjusted reduction period or an additional adjusted reduction period (in accordance with paragraphs (1) and (3) of this subsection), then for the first month for which such increase is effective, and for all subsequent months, the amount of such reduction (after the application of the previous sentence, if applicable) shall be determined—

"(A) in the case of old-age, wife's, and husband's insurance benefits, by multiplying such amount by the ratio of (i) the num-"
ber of months in the adjusted reduction period to (ii) the number of months in the reduction period.

"(B) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period beginning with age 62 multiplied by 1\%0 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 1\%0 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 4\%40 of 1 percent to (ii) the number of months in the reduction period multiplied by 1\%0 of 1 percent, plus the number of months in the additional reduction period multiplied by 4\%40 of 1 percent, and

"(C) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by 1\%0 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 4\%40 of 1 percent to (ii) the number of months in the reduction period beginning with age 62 multiplied by 1\%0 of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by 1\%0 of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by 4\%40 of 1 percent, such determination being made in accordance with the provisions of paragraph (8).

"(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, paragraph (10) shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3).

(c) (1) Section 202(q)(7)(C) of such Act is amended by striking out "because" and all that follows and inserting in lieu thereof "because of the occurrence of an event that terminated her or his entitlement to such benefits."

(2) Section 202(q)(3)(H) of such Act is amended by inserting "for that month or" after "first entitled".

(d) The amendments made by this section shall be effective with respect to monthly benefits payable for months after December 1977.

LIMITATION ON RETROACTIVE BENEFITS

Sec. 332. (a)(1) The first sentence of section 202(j)(1) of the Social Security Act is amended by striking out "An individual" and inserting in lieu thereof "Subject to the limitations contained in paragraph (4), an individual".

(2) Section 202(j) of such Act is further amended by adding at the end thereof the following new paragraph:
"(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to a monthly benefit under subsection (a), (b), (c), (e), or (f) for any month prior to the month in which he or she files an application for benefits under that subsection if the effect of entitlement to such benefit would be to reduce, pursuant to subsection (g), the amount of the monthly benefit to which such individual would otherwise be entitled for the month in which such application is filed.

"(B) (i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would (except for subparagraph (A)) be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (g), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

(ii) If the individual applying for retroactive benefits is a widow, surviving divorced wife, or widower and is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled widow or widower or disabled surviving divorced wife for any month before attaining the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.

(iv) As used in this subparagraph, the term 'retroactive benefits' means benefits to which an individual becomes entitled for a month prior to the month in which application for such benefits is filed."

"(3) Section 226(h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) For purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (2) (A), the entitlement of such individual to widow's or widower's insurance benefits under section 202 (e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j) (4).

(b) The amendments made by subsection (a) shall be effective with respect to monthly insurance benefits under title II of the Social Security Act to which an individual becomes entitled on the basis of an application filed on or after January 1, 1978.

DELIVERY OF BENEFIT CHECKS

Sec. 333. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:
"DELIVERY OF BENEFIT CHECKS"

"Sec. 708. (a) If the day regularly designated for the delivery of benefit checks under title II or title XVI falls on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code) in any month, the benefit checks which would otherwise be delivered on such day shall be mailed for delivery on the first day preceding such day which is not a Saturday, Sunday, or legal public holiday (as so defined), without regard to whether the delivery of such checks would as a result have to be made before the end of the month for which such checks are issued.

(b) If more than the correct amount of payment under title II or XVI is made to any individual as a result of the receipt of a benefit check pursuant to subsection (a) before the end of the month for which such check is issued, no action shall be taken (under section 204 or 1631(b) or otherwise) to recover such payment or the incorrect portion thereof."

(b) The amendment made by subsection (a) of this section shall apply with respect to benefit checks the regularly designated day for delivery of which occurs on or after the thirtieth day after the date of the enactment of this Act.

"REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS"

"Sec. 884. (a) (1) Section 202(b)(2) of the Social Security Act is amended by inserting after "subsection (q)" the following: "and paragraph (4) of this subsection."

(2) Section 202(b) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) (A) The amount of a wife's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such wife (or divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly basis (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

"(b) (1) Section 202(c)(1) of such Act is amended—

(A) by striking out subparagraph (C);

(B) by adding "and" at the end of subparagraph (B); and

(C) by redesignating subparagraph (D) as subparagraph (C)."
(2) Section 202(c) (2) of such Act is amended to read as follows:

"(2)(A) The amount of a husband's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such husband for such month which is based upon his earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(3) Section 202(c) (3) of such Act is amended by inserting after "subsection (q)" the following: "and paragraph (92) of this subsection."

(c) (1) Section 202(e) (2)(A) of such Act (as amended by section 204(a) of this Act) is amended by striking out "paragraph (4)" in the first sentence and inserting in lieu thereof "paragraphs (4) and (8)."

(2) Section 202(e) of such Act is further amended by adding at the end thereof the following new paragraph:

"(8) (A) The amount of a widow's insurance benefit for each month as determined (after application of the provisions of subsections (q) and (k), paragraph (8)(B), and paragraph (4)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such widow (or surviving divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(d) (1) Section 202(f)(1) of such Act is amended—

(A) by striking out subparagraph (D); and

(B) by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(2) Section 202(f)(2) of such Act is amended to read as follows:
"(2) (A) The amount of a widower's insurance benefit for each month (as determined after application of the provisions of subsections (k) and (g), paragraph (3) (B), and paragraph (5)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such widower for such month which is based upon his earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b) (2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

(3) Section 202(f) (3) (A) of such Act (as amended by section 204 (c) of this Act) is amended by striking out "paragraph (5)" in the first sentence and inserting in lieu thereof "paragraphs (2) and (5)".

(4) (A) Section 202(f) (7) of such Act is amended by striking out "paragraph (1) (G)" and inserting in lieu thereof "paragraph (1) (F)".

(B) Section 226(h) (1) (B) of such Act is amended by striking out "subsection (G) of section 202(f) (1)" and inserting in lieu thereof "subsection (F) of section 202(f) (1)".

(5) Section 202(g) (1) of such Act is amended by striking out "subsection (C) of subsection (c) (1), clause (i) or (ii) of subparagraph (D) of subsection (f) (1), or"

(6) Section 202(s) (3) of such Act is amended by striking out "Subsections" and all that follows down through "so much" and inserting in lieu thereof "So much.

(e) (1) Section 202(g) (2) of such Act is amended by striking out "Such" and inserting in lieu thereof "Except as provided in paragraph (4) of this subsection, such"

(2) Section 202(g) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) (A) The amount of a mother's insurance benefit for each month to which any individual is entitled under this subsection (as determined after application of subsection (k)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such individual for such month which is based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b) (2)) if, on the last day such individual was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equiva-
alent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term "periodic benefit" includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

(f) The amendments made by this section shall apply with respect to monthly insurance benefits payable under title II of the Social Security Act for months beginning with the month in which this Act is enacted, on the basis of applications filed in or after the month in which this Act is enacted.

(g) (1) The amendments made by the preceding provisions of this section shall not apply with respect to any monthly insurance benefit payable, under subsection (b), (c), (e), (f), or (g) (as the case may be) of section 202 of the Social Security Act, to an individual—

(A) to whom there is payable for any month within the 60-month period beginning with the month in which this Act is enacted (or who is eligible in any such month for) a monthly periodic benefit (within the meaning of such provisions) based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b) (2) of the Social Security Act); and

(B) who at time of application for or initial entitlement to such monthly insurance benefit under such subsection (b), (c), (e), (f), or (g) meets the requirements of that subsection as it was in effect and being administered in January 1977.

(2) For purposes of paragraph (1) (A), an individual is eligible for a monthly periodic benefit for any month if such benefit would be payable to such individual for that month if such individual were not employed during that month and had made proper application for such benefit.

(3) If any provision of this subsection, or the application thereof to any person or circumstance, is held invalid, the remainder of this section shall not be affected thereby, but the application of this subsection to any other persons or circumstances shall also be considered invalid.

SUBSTANTIAL GAINFUL ACTIVITY IN CASE OF BLIND INDIVIDUALS

Sec. 335. Section 223(d) (4) of the Social Security Act is amended by inserting after the first sentence the following new sentence: "No individual who is blind shall be regarded as having demonstrated an ability to engage in substantial gainful activity on the basis of earnings that do not exceed the exempt amount under section 203(f) (8) which is applicable to individuals described in subparagraph (D) thereof."

REMARriage OF WIDOWS AND WIDOWERS

Sec. 336. (a) (1) Section 202(e) (2) (A) of the Social Security Act (as amended by sections 201(a) and 334 (1)) of this Act is amended by striking out "paragraphs (4) and (8)" and inserting in lieu thereof "paragraph (8)".
(2) Section 202(e)(3) of such Act is amended by striking out "In the case of a widow or surviving divorced wife who marries" in the matter preceding subparagraph (A) and inserting in lieu thereof "If a widow, before attaining age 60, or a surviving divorced wife, marries".

(3) Section 202(e)(4) of such Act is amended to read as follows:

"(4) If a widow, after attaining age 60, marries, such marriage shall, for purposes of paragraph (1), be deemed not to have occurred."

(b) (1) Section 202(f)(3)(A) of such Act (as amended by sections 204(c) and 334(d)(3) of this Act) is further amended by striking out "paragraphs (2) and (5)" and inserting in lieu thereof "paragraph (2)".

(2) Section 202(f)(4) of such Act is amended by striking out "In the case of a widower who remarries" in the matter preceding subparagraph (A) and inserting in lieu thereof "If a widower, before attaining age 60, remarries".

(3) Section 202(f)(5) of such Act is amended to read as follows:

"(5) If a widower, after attaining age 60, marries, such marriage shall, for purposes of paragraph (1), be deemed not to have occurred."

(c) (1) The amendments made by this section shall apply only with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved for December 1978, only on the basis of applications filed on or after January 1, 1979.

(92) In the case of an individual who was entitled for the month of December 1978 to monthly insurance benefits under subsection (e) or (f) of section 920 of the Social Security Act to which the provisions of subsection (e)(4) or (f)(5) applied, the Secretary shall, if such benefits would be increased by the amendments made by this section, redetermine the amount of such benefits for months after December 1978 as if such amendments had been in effect for the first month for which the provisions of section 920(e)(4) or 920(f)(5) became applicable.

(d) Where—

(1) two or more persons are entitled to monthly benefits under section 202 of the Social Security Act for December 1978 on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is so entitled under subsection (e) or (f) of such section 202, and

(2) one or more of such persons is entitled on the basis of such wages and self-employment income to monthly benefits under subsection (e) or (f) of such section 202 (as amended by this section) for January 1979, and

(3) the total of benefits to which all persons are entitled under section 202 of such Act on the basis of such wages and self-employment income for January 1979 is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the first sentence of section 203(a)(4), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after December 1978 shall in no case be less after the application of this section and such section 203(a)
than the amount it would have been without the application of this section.

DURATION-OF-MARRIAGE REQUIREMENT

SEC. 337. (a) Section 216(d) of the Social Security Act is amended by striking out “20 years” in paragraphs (1) and (2) and inserting in lieu thereof in each instance “10 years”.

(b) Section 202(b)(1)(G) of such Act is amended by striking out “20 years” and inserting in lieu thereof “10 years”.

(c) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved for December 1978, only on the basis of applications filed on or after January 1, 1979.

PART D—STUDY WITH RESPECT TO GENDER-BASED DISTINCTIONS

STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX DISCRIMINATION UNDER THE SOCIAL SECURITY PROGRAM

SEC. 341. (a) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall make a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse’s benefits under the program established under title II of the Social Security Act, and of proposals to bring about equal treatment for men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women’s entitlement to such benefits) of factors such as—

(1) changes in the nature and extent of women’s participation in the labor force,
(2) the increasing divorce rate, and
(3) the economic value of women’s work in the home.

The study shall include appropriate cost analyses.

(b) The Secretary shall submit to the Congress within six months after the date of the enactment of this Act a full and complete report on the study carried out under subsection (a).

PART E—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

Subpart 1—Amendments to Title II of the Social Security Act

ANNUAL CREDITING OF QUARTERS OF COVERAGE

SEC. 351. (a) (1) Sections 209(g)(3), 209(j), 210(a)(17)(A), and 210(f)(4)(B) of the Social Security Act are each amended by striking out “quarter” wherever it appears and inserting in lieu thereof “year”.

(2) Sections 209(g)(3) and 209(j) of such Act are each further amended by striking out “$50” and inserting in lieu thereof “$100”.


(3) (A) Section 209 of such Act is amended by striking out "or" at the end of subsection (n), by striking out the period at the end of subsection (o) and inserting in lieu thereof "; or", and by inserting after subsection (o) the following new subsection:

"(p) Remuneration paid by an organization exempt from income tax under section 501 of the Internal Revenue Code of 1954 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than $100."

(B) Section 210(a)(10) of such Act is amended by striking out "(10)(A)" and all that follows down through "(B) Service" and inserting in lieu thereof "(10) Service", and by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(b) Section 212 of such Act is amended to read as follows:

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

"SEC. 212. (a) For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year which begins before 1978 shall—

"(1) in the case of a taxable year which is a calendar year, be credited equally to each quarter of such calendar year; and

"(2) in the case of any other taxable year, be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"(b) For the purposes of determining average indexed monthly earnings, average monthly wage, and quarters of coverage the amount of self-employment income derived during any taxable year which begins after 1977 shall—

"(1) in the case of a taxable year which is a calendar year or which begins with or during a calendar year and ends with or during such year, be credited to such calendar year; and

"(2) in the case of any other taxable year, be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the number of months in each such calendar year which are included completely within the taxable year.

For purposes of clause (2), the calendar month in which a taxable year ends shall be treated as included completely within that taxable year.

(c) Section 213(a)(2) of such Act is amended to read as follows:

"(2) (A) The term 'quarters of coverage' means—

"(i) for calendar years before 1978, and subject to the provisions of subparagraph (B), a quarter in which an individual has been paid $50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with $100 or more of self-employment income; and

"(ii) for calendar years after 1977, and subject to the provisions of subparagraph (B), each portion of the total of the wages paid
and the self-employment income credited (pursuant to section 212) to an individual in a calendar year which equals $250, with such quarter of coverage being assigned to a specific calendar quarter in such calendar year only if necessary in the case of any individual who has attained age 62 or died or is under disability and the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) would not otherwise be met.

(B) Notwithstanding the provisions of subparagraph (A)—

"(i) no quarter after the quarter in which an individual dies shall be a quarter of coverage, and no quarter any part of which is included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

"(ii) if the wages paid to an individual in any calendar year equal to $3,000 in the case of a calendar year before 1951, or $3,600 in the case of a calendar year after 1950 and before 1955, or $4,800 in the case of a calendar year after 1954 and before 1959, or $4,800 in the case of a calendar year after 1958 and before 1966, or $6,600 in the case of a calendar year after 1965 and before 1972, or $7,800 in the case of a calendar year after 1967 and before 1972, or $9,000 in the case of the calendar year 1972, or $10,800 in the case of the calendar year 1973, or $13,200 in the case of the calendar year 1974, an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 and before 1978 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or $4,200 in the case of a taxable year beginning after 1954 and before 1959, or $4,800 in the case of a taxable year beginning after 1958 and before 1966, or $4,800 in the case of a taxable year beginning after 1965 and before 1968, or $5,600 in the case of the calendar year 1972, or $10,800 in the case of the calendar year 1973, or $13,200 in the case of the calendar year 1974, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 and before 1978 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

"(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954 and before 1978, then, subject to clauses (i) and (v), (I) the last quarter of such year which can be but not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed $100 but are less than $200; (II) the last two quarters of such year which can be but are not otherwise
quarters of coverage shall be quarters of coverage if such wages equal or exceed $200 but are less than $300; (III) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed $300 but are less than $400; and (IV) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are $400 or more;

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

"(vi) not more than one quarter of coverage may be credited to a calendar quarter; and

"(vii) no more than four quarters of coverage may be credited to any calendar year after 1977.

If in the case of an individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954 and before 1978, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214(a)(3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned."

(d) The amendments made by subsection (a) shall apply with respect to remuneration paid and services rendered after December 31, 1977. The amendments made by subsections (b) and (c) shall be effective January 1, 1978.

ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF COVERAGE

Sec. 352. (a) Section 213(a)(2)(A)(ii) of the Social Security Act, as amended by section 351(c) of this Act, is amended by striking out "$250" and inserting in lieu thereof "the amount required for a quarter of coverage in that calendar year (as determined under subsection (d))".
(b) Section 213 of such Act is further amended by adding at the end thereof the following new subsection:

"Amount Required for a Quarter of Coverage

"(d) (1) The amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in any year under subsection (a) (2) (A) (ii) shall be $50 in the calendar year 1978 and the amount determined under paragraph (2) of this subsection for years after 1978.

"(2) The Secretary shall, on or before November 1 of 1978 and of every year thereafter, determine and publish in the Federal Register the amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in the succeeding calendar year. The amount required for a quarter of coverage shall be the larger of—

"(A) the amount in effect in the calendar year in which the determination under this subsection is made, or

"(B) the product of the amount prescribed in paragraph (1) which is required for a quarter of coverage in 1978 and the ratio of the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which the determination under this paragraph is made to the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for 1976 (as published in the Federal Register in accordance with section 15(a) (1) (D)), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such amount is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case."

(c) The amendments made by this section shall be effective January 1, 1978.

TECHNICAL AND CONFORMING AMENDMENTS

Sec. 353. (a) (1) Section 203(f) (8) (B) (i) of the Social Security Act is amended by striking out "wa" wherever it appears and inserting in lieu thereof "wa."

(2) Section 203(f) (8) (B) (ii) of such Act is amended to read as follows:

"(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subparagraph (A) is made to (II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting
in such an increase was made under subparagraph (A), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case.”

(b) (1) The first sentence of section 218(c)(8) of such Act is amended by striking out “quarter” wherever it appears and inserting in lieu thereof “year”, and by striking out “$50” and inserting in lieu thereof “$100”.

(2) Section 218(d)(1) of such Act is amended by striking out “quarter” and inserting in lieu thereof “year”.

(3) Section 218(d)(4)(B) of such Act is amended by striking out “any calendar quarters” and inserting in lieu thereof “a calendar year” and by striking out “such calendar quarters” and inserting in lieu thereof “such calendar year”.

(4) Section 218(d)(6)(B) of such Act is amended by striking out “calendar quarters designated by the State in such wage reports as the” and inserting in lieu thereof “period or periods designated by the State in such wage reports as the period or”.

(5) Section 218(r)(1) of such Act is amended—
   (A) by striking out “quarter” in the matter before clause (A) and inserting in lieu thereof “year”,
   (B) by striking out “in which occurred the calendar quarter” in clause (A), and
   (C) by striking out “quarter” in clause (B) and inserting in lieu thereof “year”.

(c) (1) Effective with respect to estimates for calendar years beginning after December 31, 1977, section 224(a) of such Act is amended by striking out the last sentence.

(2) Section 224(f)(2) of such Act is amended to read as follows:

“(2) In making the redetermination required by paragraph (1), the individual’s average current earnings (as defined in subsection (a)) shall be deemed to be the product of—

“(A) his average current earnings as initially determined under subsection (a);

“(B) the ratio of (i) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which such redetermination is made to (ii) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for calendar year 1977 or, if later, the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability); and

“(C) in any case in which the reduction was first computed before 1978, the ratio of (i) the average of the taxable wages reported to the Secretary for the first calendar quarter of 1977 to (ii) the average of the taxable wages reported to the Secretary for the first calendar quarter of the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).
Any amount determined under this paragraph which is not a multiple of $1 shall be reduced to the next lower multiple of $1.”.

(d) Section 229(a) of such Act is amended—

(1) by striking out “shall be deemed to have been paid, in each calendar quarter occurring after 1956 in which he” and inserting in lieu thereof “if he”, and

(2) by striking out “wages (in addition to the wages actually paid to him for such service) of $300.” at the end thereof and inserting in lieu thereof the following: “shall be deemed to have been paid—

“(1) in each calendar quarter occurring after 1956 and before 1978 in which he was paid such wages, additional wages of $300, and

“(2) in each calendar year occurring after 1977 in which he was paid such wages, additional wages of $100 for each $300 of such wages, up to a maximum of $1,200 of additional wages for any calendar year.”.

(e) (1) Section 230(b) of such Act is amended by striking out the last sentence.

(2) Section 230(b)(1) of such Act is amended to read as follows:

“(1) the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) is made, and”.

(3) Section 230(b)(2) of such Act is amended to read as follows:

“(2) the ratio of (A) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),”.

(f) (1) Effective with respect to convictions after December 31, 1977, section 205(c)(1)(C) of such Act is amended by striking out “quarter” wherever it appears and inserting in lieu thereof “year”.

(2) (A) Section 205(c)(1) of such Act is amended by striking out “(as defined in section 211(e))”.

(B) Section 205(c)(1) of such Act is further amended by adding at the end thereof the following new subparagraph:

“(D) The term ‘period’ when used with respect to self-employment income means a taxable year and when used with respect to wages means—

“(i) a quarter if wages were reported or should have been reported on a quarterly basis on tax returns filed with the Secretary of the Treasury or his delegate under section 6011 of the Internal Revenue Code of 1954 or regulations thereunder (or on reports filed by a State under section 218(e) or regulations thereunder),
“(ii) a year if wages were reported or should have been reported on a yearly basis on such tax returns or reports, or
“(iii) the half year beginning January 1 or July 1 in the case of wages which were reported or should have been reported for calendar year 1937.”.

(C) Section 205(o) of such Act is amended by inserting “before 1978” after “calendar year”.

(g) The amendments made by subsection (b) of this section shall apply with respect to remuneration paid after December 31, 1977, except that the amendment made by subsection (b)(2) shall apply with respect to notices submitted by the States to the Secretary after the date of the enactment of this Act. The amendments made by subsections (d) and (f)(2) shall be effective January 1, 1978. Except as otherwise specifically provided, the remaining amendments made by this section shall be effective January 1, 1979.

Subpart 2—Amendments to the Internal Revenue Code of 1954

DEDUCTION OF TAX FROM WAGES

SEC. 355. (a) Section 3102 (a) of the Internal Revenue Code of 1954 is amended by striking out “or (C) or (10)”, and by inserting after “is less than $50;” the following: “and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (7)(C) or (10) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than $100;”.

(b)(1) Paragraphs (1) and (2) of section 3102(c) of such Code are each amended by striking out “quarter” wherever it appears and by inserting in lieu thereof “year”.

(b) (2) Paragraph (3) of section 3102(c) of such Code is amended—
(A) by striking out “quarter of the” in subparagraph (A); and
(B) by striking out “quarter” wherever it appears in subparagraphs (B) and (C) and inserting in lieu thereof “year”.

(c) The amendments made by this section shall apply with respect to remuneration paid and to tips received after December 31, 1977.

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 356. (a) Sections 3121(a) (7)(C) and 3121(a)(10) of the Internal Revenue Code of 1954 are each amended by striking out “quarter” wherever it appears and inserting in lieu thereof “year”, and by striking out “$50” and inserting in lieu thereof “$100”.

(b) Section 3121(a) of such Code is amended by striking out “or” at the end of paragraph (14), by striking out the period at the end of paragraph (15) and inserting in lieu thereof “; or”, and by adding after paragraph (15) the following new paragraph:
“(16) remuneration paid by an organization exempt from income tax under section 501(a) (other than an organization de-
scribed in section 401(a) or under section 521 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than $100.”.

(c) Section 3121(b)(10) of such Code is amended by striking out “(10) (A)” and all that follows down through “(B) service” and inserting in lieu thereof “(10) service”, and redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(d) Sections 3121(b)(17)(A) and 3121(g)(4)(B) of such Code are each amended by striking out “quarter” and inserting in lieu thereof “year”.

(e) The amendments made by this section shall apply with respect to remuneration paid and services rendered after December 31, 1977.

Subpart 3—Conforming Amendment to the Railroad Retirement Act of 1974

COMPUTATION OF EMPLOYEE ANNUITIES

SEC. 358. (a) The last sentence of section 3(f)(1) of the Railroad Retirement Act of 1974 is amended—

(1) by inserting “paid before 1978” after “in the case of wages”, and

(2) by inserting “and in the case of wages paid after 1977” before the period at the end thereof.

(b) The amendments made by this section shall be effective January 1, 1978.

PART F—NATIONAL COMMISSION ON SOCIAL SECURITY

ESTABLISHMENT OF COMMISSION

SEC. 361. (a)(1) There is hereby established a commission to be known as the National Commission on Social Security (hereinafter referred to as the “Commission”).

(2) (A) The Commission shall consist of—

(i) five members to be appointed by the President, by and with the advice and consent of the Senate, one of whom shall, at the time of appointment, be designated as Chairman of the Commission;

(ii) two members to be appointed by the Speaker of the House of Representatives; and

(iii) two members to be appointed by the President pro tempore of the Senate.

(B) At no time shall more than three of the members appointed by the President, one of the members appointed by the Speaker of the House of Representatives, or one of the members appointed by the President pro tempore of the Senate be members of the same political party.

(C) The membership of the Commission shall consist of individuals who are of recognized standing and distinction and who possess the demonstrated capacity to discharge the duties imposed on the Com-
mission, and shall include representatives of the private insurance industry and of recipients and potential recipients of benefits under the programs involved as well as individuals whose capacity is based on a special knowledge or expertise in those programs. No individual who is otherwise an officer or full-time employee of the United States shall serve as a member of the Commission.

(D) The Chairman of the Commission shall designate a member of the Commission to act as Vice Chairman of the Commission.

(E) A majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(F) Members of the Commission shall be appointed for a term of two years.

(G) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as that herein provided for the appointment of the member first appointed to the vacant position.

(H) Members of the Commission shall receive $138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(I) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission; but meetings of the Commission shall be held not less frequently than once in each calendar month which begins after a majority of the authorized membership of the Commission has first been appointed.

(b) (1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds to meet the immediate and long-range financing needs of such programs;

(B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;

(C) the impact of such programs on, and their relation to, public assistance programs, nongovernmental retirement and annuity programs, medical service delivery systems, and national employment practices;

(D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured.
or otherwise eligible for benefits under such programs, including inequalities and inequalities arising out of marital status, sex, or similar classifications or categories;

(E) possible alternatives to the current Federal programs or particular aspects thereof, including but not limited to (i) a phasing out of the payroll tax with the financing of such programs being accomplished in some other manner (including general revenue funding and the retirement bond), (ii) the establishment of a system providing for mandatory participation in any or all of the Federal programs, (iii) the integration of such current Federal programs with private retirement programs, and (iv) the establishment of a system permitting covered individuals a choice of public or private programs or both;

(F) the need to develop a special Consumer Price Index for the elderly, including the financial impact that such an index would have on the costs of the programs established under the Social Security Act; and

(G) methods for effectively implementing the recommendations of the Commission.

(9) In order to provide an effective opportunity for the general public to participate fully in the study, investigation, and review under this section, the Commission, in conducting such study, investigation, and review, shall hold public hearings in as many different geographical areas of the country as possible. The residents of each area where such a hearing is to be held shall be given reasonable advance notice of the hearing and an adequate opportunity to appear and express their views on the matters under consideration.

(c)(1) No later than four months after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress a special report describing the Commission’s plans for conducting the study, investigation, and review under subsection (b), with particular reference to the scope of such study, investigation, and review and the methods proposed to be used in conducting it.

(2) At or before the close of each of the first two years after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress an annual report on the study, investigation, and review under subsection (b), together with its recommendations with respect to the programs involved. The second such report shall constitute the final report of the Commission on such study, investigation, and review, and shall include its final recommendations; and upon the submission of such final report the Commission shall cease to exist.

(d)(1) The Commission shall appoint an Executive Director of the Commission who shall be compensated at a rate fixed by the Commission, but which shall not exceed the rate established for level V of the Executive Schedule by title 5, United States Code.

(2) In addition to the Executive Director, the Commission shall have the power to appoint and for the compensation of such personnel as it deems advisable, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.
(e) In carrying out its duties under this section, the Commission, or any duly authorized committee thereof, is authorized to hold such hearings, sit and act at such times and places, and take such testimony, with respect to matters with respect to which it has a responsibility under this section, as the Commission or such committee may deem advisable. The Chairman of the Commission or any member authorized by him may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.

(f) The Commission may secure directly from any department or agency of the United States such data and information as may be necessary to enable it to carry out its duties under this section. Upon request of the Chairman of the Commission, any such department or agency shall furnish any such data or information to the Commission.

(g) The General Services Administration shall provide to the Commission, on a reimbursable basis such administrative support services as the Commission may request.

(h) There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.

(i) It shall be the duty of the Health Insurance Benefits Advisory Council (established by section 1867 of the Social Security Act) to provide timely notice to the Commission of any meeting, and the Chairman of the Commission (or his delegate) shall be entitled to attend any such meeting.

**PART G—Miscellaneous Provisions**

**Appointment of Hearing Examiners**

Sec. 371. The persons who were appointed to serve as hearing examiners under section 1631(d)(2) of the Social Security Act (as in effect prior to January 2, 1976), and who by section 3 of Public Law 94-202 were deemed to be appointed under section 3105 of title 5, United States Code (with such appointments terminating no later than at the close of the period ending December 31, 1978), shall be deemed appointed to career-absolute positions as hearing examiners under and in accordance with section 3105 of title 5, United States Code, with the same authority and tenure (without regard to the expiration of such period) as hearing examiners appointed directly under such section 3105, and shall receive compensation at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105. All of the provisions of title 5, United States Code, and the regulations promulgated pursuant thereto, which are applicable to hearing examiners appointed under such section 3105, shall apply to the persons described in the preceding sentence.

**Report of Advisory Council on Social Security**

Sec. 372. Notwithstanding the provisions of section 706(d) of the Social Security Act, the report of the Advisory Council on Social Security which is due not later than January 1, 1979, may be filed at any date prior to October 1, 1979.
Sec. 401. Section 403 of the Social Security Act is amended—

(i) in subsection (a), by adding at the end thereof the following new paragraph:

"In the case of calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount to be paid to each State (as determined under the preceding provisions of this subsection or section 1118, as the case may be) shall be increased in accordance with the provisions of subsection (i) of this section."; and

(ii) by adding at the end thereof the following new subsection:

"(i) (1) In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State which has a State plan approved under this part shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

"(A) an amount which bears the same ratio to $46,750,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

"(B) (i) in the case of Puerto Rico, Guam, and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

"(ii) in the case of any other State, an amount which bears the same ratio to $46,750,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State under section 106 of the State and Local Fiscal Assistance Act of 1972, for the most recent entitlement period for which allocations have been made under such section prior to the date of the enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period.

"(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 100 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

"(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this subsection for calendar quarters prior to April 1, 1978, shall be made in a
single installment, which shall be payable as shortly after October 1, 1977, as is administratively feasible."

**INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAMS**

Sec. 402. (a) Section 403 of the Social Security Act is amended by adding after subsection (i) (as added by section 401 of this Act) the following new subsection:

"(j) If the dollar error rate of aid furnished by a State under its State plan approved under this part with respect to any six-month period, as based on samples and evaluations thereof, is—

"(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

"(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

"(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

"(C) 30 per centum of the Federal share of such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,

"(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

"(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.

For purposes of this subsection (i) the term 'dollar error rate of aid' means the total of the dollar error rates of aid for (I) payments to ineligible families receiving assistance; (II) overpayments to eligible families receiving assistance; (III) underpayments to eligible families receiving assistance; and (IV) nonpayments to eligible families not receiving assistance due to erroneous terminations or denials, and (ii) the term 'erroneous excess payments,' means the total of (I) erroneous payments to ineligible families receiving assistance, and (II) overpayments to eligible families receiving assistance."

(b) Payments may be made under the amendment made by subsection (a) only in the case of periods commencing on or after January 1, 1978.

**ACCESS TO WAGE INFORMATION**

Sec. 403. (a) Part A of title IV of the Social Security Act is amended by adding after section 410 the following new section:
"ACCESS TO WAGE INFORMATION"

"Sec. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

"(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to ensure that information made available under the provisions of this section is used only for the purposes authorized by this section."

(b) Section 3304(a) of the Federal Unemployment Tax Act is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

"(16) (A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof when such information is specifically requested by such State or political subdivision for such purposes, and

"(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to ensure that such information is used only for the purposes authorized under subparagraph (A));"

(c) Section 102(a) of the Social Security Act is amended—

(1) by striking out the word "and" at the end of paragraph (27); and

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding at the end thereof the following new paragraph:

"(29) effective October 1, 1979, provided that wage information available from the Social Security Administration under the provisions of section 411 of this Act, and wage information available (under the provisions of section 3304(a)(16) of the Federal Unemployment Tax Act) from agencies administering State unemployment compensation laws, shall be requested and utilized to the extent permitted under the provisions of such sections; except that the State shall not be required to request such information from the Social Security Administration where such information is available from the agency administering the State unemployment compensation laws."

(d) The amendments made by this section shall be effective on the date of the enactment of this Act.
STATE DEMONSTRATION PROJECTS

Sec. 404. Section 1115 of the Social Security Act is amended—

(1) by inserting "(a)" after "Sec. 1115."

(2) by redesignating subsections (a) and (b) as paragraphs (1) and (2), respectively; and

(3) by adding at the end thereof the following new subsection:

"(b) (1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

"(A) provide that not more than one such project be conducted on a statewide basis;

"(B) provide that in making arrangements for public service employment—

"(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(ii) such project will not result in the displacement of employed workers,

"(iii) each participant in such project shall be compensated for work performed by him at an hourly rate equal to the prevailing hourly wage for similar work in the locality where the participant performs such work (and, for purposes of this clause, benefits payable under the State's plan approved under part A of title IV of the family of which such participant is a member shall be regarded as compensation for work performed by such participant),

"(iv) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

"(v) appropriate workmen's compensation protection is provided to all participants; and

"(C) provide that participation in such project by an individual receiving aid to families with dependent children be voluntary.

(2) Any State which establishes and conducts demonstration projects under this subsection may, subject to paragraph (3), with respect to any such project—

"(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program);
"(B) subject to paragraph (4), use to cover the costs of the project such funds as are appropriated for payment to such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such projects are conducted; and

"(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which the project is conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

"(3) (A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Whenever any State submits such an application to the Secretary, it shall at the same time issue public notice of that fact together with a general description of the project with respect to which the application is submitted, and shall invite comment thereon from interested parties and comments thereon may be submitted, within the 30-day period beginning with the date the application is submitted to the Secretary, to the State or the Secretary by such parties. The State shall also make copies of the application available for public inspection. The Secretary shall also immediately publish a summary of the proposed project, make copies of the application available for public inspection, and receive and consider comments submitted with respect to the application. A State shall be authorized to proceed with a project submitted under this subsection—

"(i) when such application has been approved by the Secretary (which shall be no earlier than 30 days following the date the application is submitted to him), or

"(ii) 60 days after the date on which such application is submitted to the Secretary unless, during such 60 day period, he denies the application.

"(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The project with respect to which any such disapproved waiver was made shall be terminated by such State not later than the last day of the month following the month in which such waiver was disapproved.

"(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

"(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.
“(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.”

REIMBURSEMENT FOR ERRONEOUS STATE SUPPLEMENTARY PAYMENTS

Sec. 405. (a) Notwithstanding any other provision of law, the Secretary of Health, Education, and Welfare is authorized and directed to pay to each State an amount equal to the amount expended by such State for erroneous supplementary payments to aged, blind, or disabled individuals whenever, and to the extent to which, the Secretary through an audit by the Department of Health, Education, and Welfare which has been reviewed and concurred in by the Inspector General of such department determines that—

(1) such amount was paid by such State as a supplementary payment during the calendar year 1974 pursuant to an agreement between the State and the Secretary required by section 212 of the Act entitled “An Act to extend the Renegotiation Act of 1951 for one year, and for other purposes”, approved July 7, 1973, or such amount was paid by such State as an optional State supplementation, as defined in section 1616 of the Social Security Act, during the calendar year 1974,

(2) the erroneous payments were the result of good faith reliance by such State upon erroneous or incomplete information supplied by the Department of Health, Education, and Welfare, through the State data exchange, or good faith reliance upon incorrect supplemental security income benefit payments made by such department, and

(3) recovery of the erroneous payments by such State would be impossible or unreasonable.

(b) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.

TITLE V—MISCELLANEOUS

COVERAGE UNDER MEDICARE OF CERTAIN POWER-OPERATED WHEELCHAIRS

Sec. 501. (a) Section 1861(s)(6) of the Social Security Act is amended by inserting after “wheelchair” the following: “(which may include a power-operated vehicle that may be appropriately used as a wheelchair, but only where the use of such a vehicle is determined to be necessary on the basis of the individual’s medical and physical condition and the vehicle meets such safety requirements as the Secretary may prescribe)”.  

(b) Section 1842(b)(3) of such Act is amended by inserting after the fourth sentence thereof the following new sentence: “With respect to power-operated wheelchairs for which payment may be made in accordance with section 1861(s)(6), charges determined to be reasonable may not exceed the lowest charge at which power-operated wheelchairs are available in the locality.”
(c) The amendments made by this section shall be effective in the case of items and services furnished after the date of the enactment of this Act.

FEDERAL ELECTION CAMPAIGN ACT AMENDMENTS

Sec. 50g. (a) Section 328 of the Federal Election Campaign Act of 1971 (2 U.S.C. 441i) is amended—

(1) by inserting "(a)" immediately after "Sec. 328.", and

(2) by adding at the end thereof the following new subsections:

"(b) If an honorarium payable to a person is paid instead at his request to a charitable organization selected by payor from a list of 5 or more charitable organizations provided by that person, that person shall not be treated, for purposes of subsection (a), as accepting that honorarium. For purposes of this subsection, the term 'charitable organization' means an organization described in section 170(c) of the Internal Revenue Code of 1954.

"(c) For purposes of determining the aggregate amount of honorariums received by a person during any calendar year, amounts returned to the person paying an honorarium before the close of the calendar year in which it was received shall be disregarded.

"(d) For purposes of paragraph (2) of subsection (a), an honorarium shall be treated as accepted only in the year in which that honorarium is received."

(b) The amendments made by subsection (a) shall apply with respect to any honorarium received after December 31, 1976.

And the Senate agree to the same.

Amend the title so as to read:

An Act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, and for other purposes.

And the Senate agree to the same.

RUSSELL B. LONG,
ABRAHAM RIBICOFF,
GAYLORD NELSON,
W. D. HATHAWAY,
DANIEL MOYNIHAN,
CARL T. CURTIS,
BILL ROTH,
JOHN C. DANFORTH,
Managers on the Part of the Senate.

AL ULLMAN,
JAMES A. BURKE,
DAN ROSENKOWSKI,
JOE D. WAGGONNER, Jr.,
WILLIAM R. COTTER,
ABNER J. MIKVA,
JIM GUY TUCKER,
Managers on the Part of the House.
The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for both the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are generally described below, except for technical, clerical, conforming, clarifying, and minor drafting changes.

**ADJUSTMENTS IN TAX RATES**

The House bill contained changes in the social security tax schedule necessary to finance the social security system as modified by the House bill, as shown in table 1.

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI</th>
<th>DI</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees and employers, each</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>0.575</td>
<td>4.95</td>
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<td>5.85</td>
</tr>
<tr>
<td>1978</td>
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<td>0.775</td>
<td>5.05</td>
<td>1.00</td>
<td>6.05</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.300</td>
<td>0.750</td>
<td>5.05</td>
<td>1.00</td>
<td>6.05</td>
</tr>
<tr>
<td>1981</td>
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<td>1.30</td>
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<tr>
<td>1982-84</td>
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<td>5.35</td>
<td>1.30</td>
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</tr>
<tr>
<td>1985</td>
<td>4.750</td>
<td>0.900</td>
<td>5.65</td>
<td>1.45</td>
<td>7.10</td>
</tr>
<tr>
<td>1986-89</td>
<td>4.750</td>
<td>0.900</td>
<td>5.65</td>
<td>1.45</td>
<td>7.10</td>
</tr>
<tr>
<td>1990 and after</td>
<td>5.100</td>
<td>1.100</td>
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</table>

Self-employed

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI</th>
<th>DI</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
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<td>0.815</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978</td>
<td>6.010</td>
<td>1.090</td>
<td>7.10</td>
<td>1.00</td>
<td>8.10</td>
</tr>
<tr>
<td>1979-80</td>
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<td>1.055</td>
<td>7.10</td>
<td>1.00</td>
<td>8.10</td>
</tr>
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<td>1981</td>
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<td>1.200</td>
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</tr>
<tr>
<td>1982-84</td>
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<td>9.50</td>
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<td>1985</td>
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<td>1.30</td>
<td>9.75</td>
</tr>
<tr>
<td>1986-89</td>
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<td>1.500</td>
<td>8.60</td>
<td>1.30</td>
<td>9.75</td>
</tr>
<tr>
<td>1990 and after</td>
<td>7.650</td>
<td>1.600</td>
<td>9.30</td>
<td>1.45</td>
<td>10.75</td>
</tr>
</tbody>
</table>

* By allocation in the law.
The Senate amendment changed these provisions to finance the social security system as modified by the Senate amendment. The tax rates in the Senate amendment are shown in table 2.

### TABLE 2—SOCIAL SECURITY TAX RATES—SENATE-PASSED BILL

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI 1</th>
<th>DI 1</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>4.275</td>
<td>0.575</td>
<td>4.59</td>
<td>0.90</td>
<td>5.85</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.275</td>
<td>0.775</td>
<td>5.25</td>
<td>1.00</td>
<td>6.25</td>
</tr>
<tr>
<td>1981</td>
<td>4.575</td>
<td>0.875</td>
<td>5.45</td>
<td>1.25</td>
<td>6.70</td>
</tr>
<tr>
<td>1982-84</td>
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<td>0.875</td>
<td>5.45</td>
<td>1.25</td>
<td>6.70</td>
</tr>
<tr>
<td>1985</td>
<td>4.575</td>
<td>0.875</td>
<td>5.45</td>
<td>1.25</td>
<td>6.70</td>
</tr>
<tr>
<td>1986-88</td>
<td>4.750</td>
<td>0.950</td>
<td>5.70</td>
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<td>7.10</td>
</tr>
<tr>
<td>1989-94</td>
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<td>1.000</td>
<td>6.10</td>
<td>1.60</td>
<td>7.70</td>
</tr>
<tr>
<td>1995-2000</td>
<td>5.500</td>
<td>1.000</td>
<td>6.50</td>
<td>1.80</td>
<td>8.30</td>
</tr>
<tr>
<td>2001-10</td>
<td>5.900</td>
<td>1.000</td>
<td>7.90</td>
<td>2.00</td>
<td>10.90</td>
</tr>
<tr>
<td>2011 and after</td>
<td>6.300</td>
<td>1.000</td>
<td>8.30</td>
<td>2.20</td>
<td>10.50</td>
</tr>
</tbody>
</table>

**Self-employed**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI 1</th>
<th>DI 1</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1977</td>
<td>6.185</td>
<td>0.815</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978</td>
<td>6.010</td>
<td>1.015</td>
<td>7.02</td>
<td>1.00</td>
<td>8.02</td>
</tr>
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<td>1979-80</td>
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<td>1.015</td>
<td>7.02</td>
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<td>8.02</td>
</tr>
<tr>
<td>1981</td>
<td>6.725</td>
<td>1.275</td>
<td>8.00</td>
<td>1.25</td>
<td>9.25</td>
</tr>
<tr>
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<td>9.25</td>
</tr>
<tr>
<td>1985</td>
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<td>1.40</td>
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</tr>
<tr>
<td>1986-88</td>
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<td>9.95</td>
</tr>
<tr>
<td>1995-2000</td>
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</tr>
<tr>
<td>2001-10</td>
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<td>12.35</td>
</tr>
<tr>
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<td>2.525</td>
<td>11.70</td>
<td>1.40</td>
<td>13.10</td>
</tr>
</tbody>
</table>

1 By allocation in law.

The House recedes with an amendment providing a new schedule of taxes to finance the system as modified by the conference agreement. The tax rates in the conference agreement are shown in table 3.

### TABLE 3—SOCIAL SECURITY TAX RATES

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI 1</th>
<th>DI 1</th>
<th>OASDI</th>
<th>HI</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>4.375</td>
<td>0.575</td>
<td>4.59</td>
<td>0.90</td>
<td>5.85</td>
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<td>1979-80</td>
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<td>5.25</td>
<td>1.00</td>
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<td>1981</td>
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<td>5.45</td>
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<td>6.70</td>
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<td>6.70</td>
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<td>0.875</td>
<td>5.45</td>
<td>1.25</td>
<td>6.70</td>
</tr>
<tr>
<td>1986-88</td>
<td>4.750</td>
<td>0.950</td>
<td>5.70</td>
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<td>7.10</td>
</tr>
<tr>
<td>1989-94</td>
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<td>1.000</td>
<td>6.10</td>
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<td>7.70</td>
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<td>1.000</td>
<td>6.50</td>
<td>1.80</td>
<td>8.30</td>
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<tr>
<td>2001-10</td>
<td>5.900</td>
<td>1.000</td>
<td>7.90</td>
<td>2.00</td>
<td>10.90</td>
</tr>
<tr>
<td>2011 and after</td>
<td>6.300</td>
<td>1.000</td>
<td>8.30</td>
<td>2.20</td>
<td>10.50</td>
</tr>
</tbody>
</table>

**Self-employed**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>OASI 1</th>
<th>DI 1</th>
<th>OASDI</th>
<th>HI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>6.185</td>
<td>0.815</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978</td>
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<td>7.02</td>
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<td>6.010</td>
<td>1.015</td>
<td>7.02</td>
<td>1.00</td>
<td>8.02</td>
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<tr>
<td>1981</td>
<td>6.725</td>
<td>1.275</td>
<td>8.00</td>
<td>1.25</td>
<td>9.25</td>
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<td>1982-84</td>
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<td>1.275</td>
<td>8.00</td>
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<td>7.125</td>
<td>1.425</td>
<td>8.55</td>
<td>1.40</td>
<td>9.95</td>
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<td>1986-88</td>
<td>7.125</td>
<td>1.425</td>
<td>8.55</td>
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<td>1995-2000</td>
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<td>9.925</td>
<td>2.525</td>
<td>11.70</td>
<td>1.40</td>
<td>13.10</td>
</tr>
</tbody>
</table>

1 By allocation in law.

**ALLOCATION TO DISABILITY INSURANCE TRUST FUND**

The House bill would increase allocation to the disability insurance trust fund beginning in 1978. (See table 1 above.)
The Senate amendment would also increase allocation to the disability insurance trust fund beginning in 1978. (See table 2 above.) The conference agreement modifies the allocation rates to finance the disability insurance program. (See table 3 above.)

CONTRIBUTION AND BENEFIT BASE

The House bill provided for 4 ad hoc increases in the contribution and benefit base for employees, employers, and the self-employed in 1978, 1979, 1980, and 1981. After 1981 the base would be automatically adjusted to keep up with average wage levels in the same way the present-law base is adjusted.

The Senate amendment provided for 4 ad hoc increases in the contribution and benefit base for employees and the self-employed of $600 each, above the level that would prevail under present law, in 1979, 1981, 1983, and 1985. After 1985, the base would be automatically adjusted to keep up with average wage levels.

The Senate amendment also provided for increasing the taxable earnings base for employers to $50,000 for 1979–84 and to $75,000 beginning in 1985. The base would remain at that level until the employee base reached that level, after which time both would be automatically adjusted.

The conference agreement follows the House bill except that no increase in the contribution and benefit base (over present law) is provided in 1978. Table 4 below shows the base for employers and employees under the House and Senate bills and the conference agreement. (Amounts shown under the Senate bill depend, in part, on automatic adjustments and are, therefore, estimates.)

<table>
<thead>
<tr>
<th>Calendar year</th>
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<th>Employer</th>
<th>Conference agreement</th>
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<td>$17,700</td>
<td>$17,700</td>
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<tr>
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<td>19,500</td>
<td>25,900</td>
<td>21,000</td>
</tr>
<tr>
<td>1980</td>
<td>25,900</td>
<td>21,000</td>
<td>29,700</td>
<td>23,100</td>
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<tr>
<td>1981</td>
<td>29,700</td>
<td>23,100</td>
<td>30,000</td>
<td>25,700</td>
</tr>
<tr>
<td>1982</td>
<td>(I)</td>
<td>(I)</td>
<td>(I)</td>
<td>(I)</td>
</tr>
</tbody>
</table>

1 Automatic thereafter.
2 Employee base, including $600 increases in 1983 and 1985, estimated to rise to $24,600 for 1982, $26,700 for 1983, $30,200 for 1984, $30,500 for 1985, with automatic increases (as under present law) thereafter.
3 Maintains at $25,000 through 1984; increases to $75,000 in 1985 and remains at $75,000 until employee base reaches $75,000.

Railroad Retirement tier-II.—Under the House bill, the tax base for tier-II of the Railroad Retirement Act for both benefits and tax purposes would be the same as under the automatic-increase provisions of the present law and would not be affected by increases in the social security taxable wage base contained in the bill. Under the Senate amendment the tax base for tier-II of the Railroad Retirement Act would not be affected but the amount of earnings used for computing the tier-II benefit would be the base used for social security benefits under the amended law.

The Senate recedes.
**Pension Benefit Guaranty Corporation (PBGC).—** The House bill provided that the pension insurance administered by PBGC would not be affected by the ad hoc increases in the wage base under social security. The insured pension amount would increase as it would under automatic-increase provisions of present law.

The Senate bill contained no similar provision.

The Senate recedes.

**STANDBY GUARANTEE OF TRUST FUND LEVELS**

The House bill provided standby authority for automatic loans to the OASDI trust funds from Federal general revenues whenever the assets of a cash benefits trust fund at the end of a calendar year amount to less than 25 percent of the outgo from the fund in the calendar year. The amount of the loan would be equal to the difference between the year-end balance in the fund and 27 1/2 percent of the year’s outgo.

Such loans would automatically be repaid with interest when assets at the end of a year exceeded 30 percent of the year’s outgo from the fund. To provide for automatic repayment, there would be temporary social security tax-rate increases of 0.1 percent for employees and employers, each, and 0.15 percent for the self-employed, if at the end of any year after the year the loan was made the reserve level is less than 35 percent and the loan debt exceeds $2 billion. This temporary tax rate increase would go into effect one year later.

The standby loan authority would not be applicable for the HI trust fund.

The Senate amendment contained no such provision.

The House recedes.

**REDUCTION IN TAXES FOR CERTAIN EMPLOYERS**

The Senate amendment would limit State and local governmental and 501 (c) (3) nonprofit employers’ social security liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer’s liability (in dollars) would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. In no case would the provision require an increase in liability as compared with the regular provisions applicable to other employers. An authorization for appropriations from general revenues is provided to make up the loss of social security revenue to the trust funds that would result from enactment of the provision.

The House bill contained no such provision.

The Senate recedes.

**MODIFICATION OF BENEFIT FORMULA**

Both the Senate amendment and the House bill provided for basic changes in the computation of social security benefits for workers reaching age 62 after 1978. Although the provisions of the two bills were very similar, there were differences, described below:
BENEFIT FORMULAS

The House bill provided for a benefit formula producing benefit amounts roughly 5 percent lower than estimated present-law benefits at implementation (January 1, 1979). The formula for relating maximum family benefits to primary insurance amounts (PIA’s) has a similar effect.

The Senate amendment benefit formula produced benefit amounts roughly equivalent to 1976 levels—about 2 1/2 percent lower than estimated present-law benefits at implementation. The formula for relating maximum family benefits to PIA’s had a similar effect.

The Senate recedes.

TRANSITIONAL PERIOD

The House bill provided a 10-year guarantee of benefit amounts based on the benefit table as of December 1978 in retirement cases.

The Senate amendment provided a 5-year guarantee in retirement cases.

The House recedes.

MINIMUM BENEFIT

Under the House bill, the December 1978 minimum benefit rounded to the next higher dollar (estimated to be about $121) would have been frozen for new beneficiaries. The minimum would have been increased in line with CPI increases only after a worker reached age 62, became disabled, or died.

The Senate amendment was similar except that it would have increased the minimum by CPI increases beginning with the year in which the individual (a worker, his widow, or child) actually became entitled to benefits, rather than from the point at which the worker reached age 62 became disabled, or died.

The House recedes with an amendment under which CPI increases for a worker or aged widow or widower generally would not begin to apply until the earlier of: (a) the first year the worker or aged widow (widower) was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; (b) the year of attainment of age 65.

SPECIAL MINIMUM

The House bill provided for an increase in the special minimum benefit up to a maximum of $230 a month for a worker ($345 for a couple) with 30 years of coverage under social security. The special minimum is calculated by multiplying $9 ($11.50 under the House bill) times the number of years of coverage (years in which earnings were at least 25% of the contribution and benefit base) in excess of 10 and up to 30—for a maximum multiplier of 20. Years of coverage would be based on the base as increased automatically by rises in average wages (without ad hoc increases as a result of H.R. 9346). Special minimum benefits would be increased automatically by CPI increases in the future.

The Senate amendment contained no such provision.

The Senate recedes.
DELAYED RETIREMENT CREDIT

The House bill provided for an increase in the delayed retirement credit to one-fourth of 1 percent for each month (3 percent per year) for which a worker does not receive a benefit between ages 65 and 72, for persons attaining age 62 after 1978.

The Senate amendment contained no such provision.

The Senate recedes.

DELAYED RETIREMENT CREDIT FOR WIDOWS AND WIDOWERS

The Senate amendment included a provision which would make the delayed retirement credit applicable to widow's and widower's insurance benefits, as well as to the worker's benefit.

The House bill contained no such provision.

The House recedes with an amendment making the change effective with June 1978.

LIBERALIZATION OF THE EARNINGS TEST

The House bill increased the exempt amount under the earnings test for beneficiaries age 65 and over to: $4,000 in 1978; $4,500 in 1979; $5,000 in 1980; and $5,500 in 1981.

The Senate amendment increased the exempt amount to $4,500 in 1978 and $6,000 in 1979 for all beneficiaries.

The Senate recedes adopting the exempt amounts in the House bill and increasing the exempt amount to $6,000 in 1982. These increases would apply only to beneficiaries age 65 and over.

AGE AT WHICH EARNINGS TEST NO LONGER APPLIES

The House bill lowered the age at which the retirement test no longer applies from age 72 to age 65 in 1982.

The Senate amendment lowered the age at which the retirement test no longer applies from age 72 to age 70 in 1982.

The House recedes.

LIBERALIZATION OF THE FOREIGN WORK TEST

The House bill provided for payment of benefits for any month in which a beneficiary engaged in noncovered work outside the United States worked 8 or fewer days in 1978, and 11 or fewer days in 1979 and thereafter.

The Senate amendment contained no such provision.

The House recedes.

STUDIES OF MANDATORY COVERAGE

The House bill required joint studies by the Office of Management and Budget, the Civil Service Commission, the Department of the Treasury, and the Department of Health, Education and Welfare of mandatory coverage for Federal and State and local employees with reports and recommendations to the President and Congress within 2 years of enactment.
The Senate amendment contained no such provision.
The Senate recedes with amendments which would combine the studies of mandatory coverage of employees of Federal, State, and local governments and nonprofit organizations; would require the Secretary of Health, Education, and Welfare to conduct the study with appropriate consultation with Treasury, the Office of Management and Budget, and the Civil Service Commission.

The managers anticipate that the study will include, in addition to the evaluation of alternative proposals, examination of the following specific items: (1) Analysis of any possible constitutional questions involved in extensions of coverage; (2) review of the extent of State, local and nonprofit coverage under existing law; (3) analysis of the economic impact on State and local governments of mandatory coverage extensions; and (4) an analysis of the feasibility of developing a method of covering Federal employees without increasing their contributions or adversely affecting their benefit rights (except to the extent that any windfall benefit situations may be eliminated).

Coverage of Nonprofit Organizations

The Senate amendment included provisions to: (1) forgive through June 30, 1977, the social security tax liability of nonprofit organizations that stopped paying social security taxes before October 19, 1976, because they had not filed the proper certificate with the Internal Revenue Service to cover their employees under social security; (2) extend the deadline for filing waiver certificates for organizations that obtained refunds prior to September 9, 1976; (3) permit nonprofit organizations that paid social security taxes while waiting for the Internal Revenue Service to approve their request for tax-exempt status to receive a refund of those taxes in spite of P.L. 94-563 under which the taxes and social security coverage that resulted were validated; and (4) not require nonprofit organizations that received a refund of social security taxes for April-June 1973, to bring their employees under social security coverage.

The House bill contained no such provisions. (The Ways and Means Committee had reported a bill, H.R. 8490, that contained similar provisions.)

The House recedes with technical clarifying amendments.

Limited Partnership Income

The House bill excluded from coverage the distributive share of income or loss received by a limited partner.

The Senate amendment contained no such provision.

The Senate recedes.

Employees of Members of Related Groups of Corporations

The Senate amendment provided that a group of corporations concurrently employing an individual would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would result in such corporations having to pay no more in social security and unemployment taxes than a single employer pays.
The House bill contains no such provision.
The House recedes with clarifying amendments.

The provision limits the aggregate amount of employment taxes due for any taxable year with respect to an individual concurrently employed by two or more related corporations and compensated through a common paymaster which is itself one of the corporations employing the individual and which would have the responsibility for making payment to the Internal Revenue Service of employment taxes due. The provision is intended to establish a maximum total liability for the related corporations (including the common paymaster) as a group but is not intended to relieve any corporation of ultimate liability for any portion of the total amount of employment taxes due. The provision is not intended to have any effect on the deductibility for Federal income tax purposes of employment taxes or wages payable by a corporation; accordingly, since the corporation for which services are performed is the only one eligible to deduct wages and employment taxes paid with respect to such services, such wages and taxes will not be deductible unless the corporation for which the services are performed reimburses the common paymaster for such payments. For purposes of determining income tax deductions allowable, the conferees expect the Secretary of the Treasury to establish procedures for allocating employment taxes among related corporations establishing a common paymaster.

**Employer Taxes on Tips**

The House bill included a provision to require employers to pay social security taxes on tips deemed to be wages under the Federal minimum wage law.

The Senate amendment contained no such provision.

The Senate recedes with the understanding that the employer will be liable for the employer social security tax on the tips that are deemed wages, regardless of the amount of the tips the employee reports under section 6053(a) of the Internal Revenue Code of 1954.

**Coverage for Clergymen**

The House bill permitted clergymen who filed application for exemption from coverage to revoke their exemption (but only during a limited period of time).

The Senate amendment contained no such provision.

The Senate recedes.

**Totalization Agreement**

The House bill authorized the President to enter into bilateral agreements with foreign countries to provide the limited coordination of social security systems. Each such agreement would have to be transmitted to the Congress and could not go into effect until 90 days after one House had been in session. During that period an agreement could be rejected by action of both Houses enacting legislation.

The Senate amendment included the same provision except that:

Each agreement must be transmitted to Congress with a report on estimated cost and number of individuals affected; an agreement must
not be inconsistent with the provisions of title II of the Social Security Act; an agreement could not go into effect until 90 days after both Houses of Congress had been in session during which period an agreement could be rejected by action of either House.

The House recedes.

ILLINOIS POLICEMEN AND FIREMEN

The House bill included a provision which would validate earnings erroneously reported for policemen and firemen covered under the Illinois Municipal Retirement Fund.

The Senate amendment contained no such provision.

The Senate recedes with an amendment that coverage for future periods would be provided for the policemen and firemen affected.

WISCONSIN RETIREMENT FUND

The House bill provided that a special coverage provision applicable to members of the Wisconsin Retirement Fund would be applicable to any successor system of that fund.

The Senate amendment contained no such provision.

The Senate recedes.

LIMITATION ON RETROACTIVE BENEFITS

The House bill provided that benefits would not be paid retroactively for months before an application is filed, when such payment results in a permanent reduction of future monthly benefits, effective January 1, 1978.

The Senate amendment was similar to the House provision except that it was effective upon enactment, rather than on January 1, 1978.

The Senate recedes.

DELIVERY OF BENEFIT CHECKS

The House bill required that whenever the delivery date for payment of either social security or supplemental security income checks falls on a Saturday, Sunday, or legal public holiday, the checks would be mailed "and delivered" on an earlier date. Any overpayment that occurs as a direct result of the earlier delivery of checks would be waived and would not be subjected to recovery.

The Senate amendment required in such circumstances that checks be "mailed for delivery" on the earlier date and did not include the waiver of overpayment provision of the House bill.

The Senate recedes with an amendment providing that checks be "mailed for delivery" by the earlier date.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

The Senate amendment provided that social security dependents' benefits payable to spouses and surviving spouses would be reduced by the amount of any public (Federal, State, or local) retirement benefit payable to the spouse based on the spouses' own work in noncovered
public employment. The provision would have been effective with respect to benefits payable for months beginning with the month of enactment, based on applications filed in or after the month of enactment.

The House bill contained no such provision.

The Senate amendment repealed the provision of existing law which provides for a reduction in social security disability benefits for persons simultaneously entitled to workmen's compensation payments where the combined payments would otherwise exceed 80 percent of recent predisability earnings.

The Senate amendment also excluded blind persons from the requirements of present law that disability benefits be suspended for any months during which a beneficiary refuses without good cause to accept vocational rehabilitation services.

The House bill contained no such provision.

The Senate amendment provided for paying disability insurance benefits for blind people who have at least six quarters of social security coverage. The benefits would be paid regardless of the amount of an individual's earnings both before and after age 65 or his ability to work. The Senate amendment also excluded blind persons from the requirements of present law that disability benefits be suspended for any months during which a beneficiary refuses without good cause to accept vocational rehabilitation services.

The House bill contained no such provision.

The Senate recedes.

REPEAL OF WORKMEN'S COMPENSATION OFFSET

The Senate amendment repealed the provision of existing law which provides for a reduction in social security disability benefits for persons simultaneously entitled to workmen's compensation payments where the combined payments would otherwise exceed 80 percent of recent predisability earnings.

The House bill contained no such provision.

The Senate recedes.

DISABILITY BENEFITS FOR BLIND PERSONS

The Senate amendment provided for paying disability insurance benefits for blind people who have at least six quarters of social security coverage. The benefits would be paid regardless of the amount of an individual's earnings both before and after age 65 or his ability to work. The Senate amendment also excluded blind persons from the requirements of present law that disability benefits be suspended for any months during which a beneficiary refuses without good cause to accept vocational rehabilitation services.

The House bill contained no such provision.

The Senate recedes.

The House recedes with an amendment which strikes the provisions of the Senate amendment but provides that the amount of earn-
ings under the test of substantial gainful activity (SGA) which would terminate (or suspend for those age 55 or over) a blind individual's benefits would be increased to the monthly exempt amounts for persons 65 and over under the retirement test. The conferees are aware that this establishes a different test of SGA for blind persons than is applied administratively for persons with other disabilities. The conferees do not intend that the new SGA level established for the blind should be applied to other types of disability.

**Elimination of Marriage or Remarriage as a Factor in Entitlement to, or Termination or Reduction of, Benefits**

The House bill provided that marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse (including those caring for an entitled child), parent, or child, and remarriage would not cause any reduction in aged widow's or widower's insurance benefits.

The Senate amendment did not include such a provision.

The Senate recedes, with an amendment that would retain only that part of the House-passed provisions that would prevent reduction in benefits for widows and widowers who remarry after age 60.

**Duration-of-Marriage Requirement**

The House bill provided that the length of time a person must have been married to a worker in order for benefits to be payable to the person as an aged divorced spouse or surviving divorced spouse would be reduced from 20 years to 5 years.

The Senate amendment did not include such a provision.

The Senate recedes, with an amendment which establishes a 10-year duration-of-marriage requirement.

**Equalization of Treatment of Men and Women Under the Program**

The House bill contained a number of amendments that were designed to eliminate certain gender-based distinctions from the social security program.

The Senate amendment did not include any such provisions.

The House recedes. It is the understanding of the managers that the entire question of such gender-based distinctions will be included in the 6-month study of proposals to eliminate dependency and sex discrimination provided by this legislation.

**Annual Reporting**

The House bill included provisions to simplify implementation of annual wage reporting.

The House provision changes the provisions of the Social Security Act that require the use of quarterly wage data so that only annual data would be needed—employers would no longer have to check off quarters of coverage or report quarterly wages on the forms W-2.
It excludes from the definition of wages certain employment wherein the remuneration is less than $100 in a calendar year. State and local employers will continue to report on a quarterly basis but wages will be converted to annual figures. The provision also changes "quarter of coverage" definition so that after 1977 all workers would receive a quarter of coverage for each $250 of wages paid in a year (to a maximum of four quarters of coverage in a year). The amounts measuring a quarter of coverage would increase automatically each year as wages increase.

The Senate amendment contained no such provisions.

The Senate recedes.

National Commission on Social Security

The House bill provided for a nine-member National Commission on the Social Security Program, appointed by the executive and legislative branches, to conduct a 2-year study including: The fiscal status and adequacy of the trust funds; the scope of coverage, adequacy of benefits, conditions of qualification for benefits (including inequities arising out of marital status, sex, or similar classifications or categories), and quality of administration; the impact of the programs on and relation to public assistance programs, nongovernmental pension insurance programs, other governmental retirement and annuity programs, medical service delivery systems and national employment practices; and alternatives to current programs including, phasing out payroll tax, using general revenues or other financing, mandatory participation in private insurance programs and choice of public or private programs or both.

The Senate amendment did not include a provision comparable to the House provision.

The Senate recedes with an amendment which requires the National Commission to study the need to develop a special CPI for the elderly for purposes of social security cost-of-living increases.

Administrative Law Judges (Hearing Examiners)

The Senate amendment converted the temporary administrative law judges established by Public Law 94-202 to permanent status under the Administrative Procedure Act.

The House bill contained no such provision, but the Ways and Means Committee has reported H.R. 5723 which contains identical language.

The House recedes.

Advisory Council on Social Security

The Senate amendment provided that the Advisory Council on Social Security to be appointed by December 31, 1977, would have an additional 9 months in which to submit its reports. The reports would be due October 1, 1979, rather than January 1, 1979.

The House bill contained no such provision.

The House recedes.
SEMIANNUAL COST-OF-LIVING INCREASES

The Senate amendment provided for semiannual cost-of-living increases in social security and SSI benefits whenever the CPI increased by at least 4 percent over a specified 6-month measuring period (an annual rate of over 8 percent per year).

The House bill contains no such provision.

The Senate recedes.

FISCAL RELIEF FOR WELFARE COSTS

The Senate amendment provided for a one-time payment to the States of $374 million as fiscal relief for State and local welfare costs for fiscal year 1978. Half of such funds would be distributed to each State in proportion to its share of total expenditures under the AFDC program for December 1976, and half would be distributed under the general revenue sharing formula. In those States in which local units of Government are responsible for meeting part of the costs of the AFDC program the fiscal relief payments would have to be passed through to local governments. States would not be required to pass through an amount in excess of 90 percent of the amount of AFDC costs for which the local government was otherwise responsible.

The House bill contained no such provision.

The House recedes with the following amendments. The amount of the one-time payment would be one-half of the amount in the Senate bill, that is, $187 million. Also States would be required to pass through to local jurisdictions the full amount of the payment but not more than 100 percent of the amount of the AFDC costs for which the local government was otherwise responsible.

FISCAL INCENTIVES FOR LOWERING AFDC ERROR RATES

The Senate amendment established a system of fiscal incentives for States which have low dollar error rates (below 4 percent) as measured by the AFDC quality control findings of excess payments.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs of 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Incentive Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 3.5 percent but less than 4 percent</td>
<td>10</td>
</tr>
<tr>
<td>At least 3 percent but less than 3.5 percent</td>
<td>20</td>
</tr>
<tr>
<td>At least 2.5 percent but less than 3 percent</td>
<td>30</td>
</tr>
<tr>
<td>At least 2 percent but less than 2.5 percent</td>
<td>40</td>
</tr>
<tr>
<td>Less than 2 percent</td>
<td>50</td>
</tr>
</tbody>
</table>

The State will retain this percent of the imputed Federal savings.

The House bill contained no such provision.

The House recedes with an amendment which provides that the dollar error rate of aid will include the payments to ineligibles plus overpayments plus underpayments plus the amount which would have
been paid as benefits if the case had not been erroneously terminated or the application erroneously denied. The incentive would be based on Federal savings as compared with a 4-percent rate of excessive payments—that is, erroneous payments for ineligibles and overpayments.

**Access by AFDC Agencies to Wage Records**

The Senate amendment specifically authorized State AFDC agencies to obtain wage information from the wage records maintained by the Social Security Administration and the wage records maintained by State unemployment compensation agencies for purposes of determining eligibility for (or amount of) AFDC. The Secretary of HEW would establish the necessary safeguards to prevent the improper use of such information. Effective October 1, 1979, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

The House recedes.

**State Welfare Demonstration Projects**

The Senate amendment would authorize certain types of State demonstration projects related to the AFDC program to be implemented if the Secretary did not specifically disapprove the implementation of such projects within forty-five days after the State applies to have the projects approved. In other words, a State could proceed with such projects either when the Secretary approved them, or forty-five days after submitting them to the Secretary if no decision had been reached by HEW within that period.

Under this authority, States would be permitted to conduct not more than three demonstration projects but not more than one on a Statewide basis. Projects involving public service employment would have to meet reasonable standards related to health, safety and other conditions, could not displace employed workers, would have to be reasonable for the individuals participating, and would have to provide appropriate workmen's compensation protection. Participation in any project by any AFDC recipient would have to be on a voluntary basis.

States would be permitted to waive ordinary statutory rules requiring statewide uniformity, administration by a single agency, and regarding participation in the work incentive program and the disregard of certain amounts of earned income. (Not more than half of all income could be disregarded under the waiver authority, however.)

AFDC matching for these demonstration projects would be limited to the amount the State would have received through AFDC if it had not implemented the demonstration project. In addition the State's general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC matching.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary took action to disapprove a State waiver
of statutory rules before the end of the 2-year period. The provision would not apply after September 30, 1980.

The House bill contained no such provisions.

The House recedes with an amendment. The conference agreement provides that when a State submits an application it would be required to make a public announcement that such application has been made, make copies of the application available and receive public comments for at least 30 days. The Secretary would also be required to publish a summary of the proposed demonstration project and make copies of the application available. He would receive public comments for at least 30 days after publication of a summary of the proposed project (even if the application is approved prior to the 30-day period).

The Secretary of HEW could deny applications by a State under this provision any time after receipt of the application, but could not approve an application until 30 days after it has been submitted.

A State would be authorized to proceed with projects submitted under this new authority 60 days, instead of 45 days under the Senate amendment, after the project application is submitted to HEW unless there is a specific disapproval by HEW.

The conference agreement also requires that when AFDC funds are used to pay wages of participants in such projects that the prevailing wage must be paid.

**AFDC Earned Income Disregard**

The Senate amendment changed the earned income disregard so as to require States to disregard the first $60 earned monthly by an individual working full-time ($30 in the case of an individual working part-time), plus one-third of the next $300 earned, plus one-fifth of the remainder. Child care expenses would be subject to limitations by the Secretary and would be deducted before computing an individual's earned income. Other work expenses would not be deducted.

The House bill contained no such provisions.

The Senate recedes.

**Erroneous State Supplementary Payments**

The Senate amendment provided authorization and direction for the Secretary of Health, Education, and Welfare to reimburse a State for erroneous State supplementary payments administered by them and paid during 1974 to the extent that an HEW audit determines is appropriate on the basis that the incorrect payments for the aged, blind, and disabled resulted from a State's good faith reliance upon erroneous or incomplete information furnished to the States by the Department or from a State's good faith reliance on incorrect supplemental security income payments made by the Department.

The House bill contains no such provision.

The House recedes with an amendment. The conference agreement provides that the Secretary of HEW would rely on findings of an audit by HEW which has been reviewed and concurred in by the Inspector General of the Department to determine the extent of payments under this provision.
VETERANS' PENSION AND COMPENSATION

The Senate amendment provided that the amount of any social security benefits resulting from a cost-of-living increase will not be used to reduce veterans' pension and compensation.

The House bill contained no such provision.

The Senate recedes.

MEDICARE COVERAGE OF DEVICES SERVING THE SAME PURPOSE AS A WHEELCHAIR

The Senate amendment expands the definition of durable medical equipment under the medicare supplementary medical insurance program to include specialized transportation vehicles (such as the Amigo wheelchair) designed to "serve the same or similar purpose as that performed by a wheelchair."

The House bill contains no such provision.

The House recedes with an amendment which expands the definition of durable medical equipment to include a power-operated vehicle that may be appropriately used as a wheelchair where such vehicle is determined to be medically necessary and meets safety requirements prescribed by the Secretary.

FEDERAL ELECTION CAMPAIGN ACT AMENDMENT

The Senate amendment provided that a contribution to a tax-exempt organization selected by the payor from a list of five or more organizations named by the government officer or employee would not be treated as an honorarium. It also provided that amounts returned to a payor before the end of the calendar year would not be treated as honorariums. The amendment further provided that honorariums would be treated as accepted in the year of receipt.

The House bill contained no such provision.

The House recedes.

COLLEGE TUITION TAX RELIEF

The Senate amendment modified the Internal Revenue Code to provide an income tax credit for educational expenses (tuition, fees, books, and equipment, but not meals, lodging, nor other living expenses) paid by the taxpayer for the taxpayer or the taxpayer's spouse or dependents to an institution of higher education or a vocational school. The amount of the credit would be limited each year to not more than $250 per student. The credit would apply to expenses paid in taxable years beginning after December 31, 1977; for 1978 only, it would be refundable. The student must be a full-time student working toward a baccalaureate degree or a certificate of required course work at a vocational school. Expenses eligible for the credit would be reduced
by tax-exempt scholarship or fellowship grants and by certain educational assistance allowances and education and training allowances. The House bill contained no such provision. The Senate recedes.

Russell B. Long,
Abraham Ribicoff,
Gaylord Nelson,
W. D. Hathaway,
Daniel Moynihan,
Carl T. Curtis,
Bill Roth,
John C. Danforth,

Managers on the Part of the Senate.

Al Ullman,
James A. Burke,
Dan Rostenkowski,
Joe D. Waggonner, Jr.,
William R. Cotter,
Abner J. Mikva,
Jim Guy Tucker,

Managers on the Part of the House.
dependancy and sex discrimination from the social security program, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend their respective Houses this report, signed by a majority of the conference.

The ACTING PRESIDENT pro tempore. Without objection the Senate will proceed to the consideration of the conference report.

Mr. LONG. Mr. President, the conference on the social security bill has reached an agreement which makes significant improvements in the financial soundness of the social security program.

In dealing with the social security provisions of the bill the conference reached a reasonable compromise between the Senate and House provisions. The main objective of both Senate and House bills was to restore the program to a condition where there will be adequate funding to cover benefit costs for many years into the future, and the bill agreed to by the conference accomplishes this objective. Both Senate and House bills also included a number of changes in the benefit structure in the program, some of which saved money and some of which would have resulted in increased expenditures. Here, too, the conference agreement represents a compromise between the two positions which has preserved most of the savings and which also includes those benefit improvements which were of highest priority. In particular, the conference agreement will substantially increase the amount of earnings and will reduce to age 70 starting in 1982 the age at which unlimited earnings are permitted.

The Senate bill also included a few provisions designed to improve the operation of our welfare programs and to provide a measure of fiscal relief for State and local welfare costs. Most of these provisions were agreed to with some changes by the House conference. In the case of the fiscal relief provision, however, the House conference was unwilling to accept the full amount of $374 million proposed by the Senate at this time, but did agree to a provision which provides half of that amount. The House conference also adamantly refused to accept a provision which the Senate has passed on several occasions relating to the earned income disregard under the aid to families with dependent children program. This provision, as well as the full amount of the fiscal relief provision, is included in the bill H.R. 7200, which is on the Senate calendar. It is my hope that we will be able to have the Senate act on that bill early next year so that these issues, together with the other items in that bill, can be brought to conference again in the very near future.

The Senate social security bill also included another major provision which the Senate has passed on other occasions providing for a college tuition tax credit. As has happened in the past, the House conference was completely adamant in their refusal to even consider this proposal. In order to obtain agreement on the social security bill the sponsor of that amendment and the other conference finally had to agree to drop it from the bill. I would like to make clear, however, that this issue is going to be added upon the House in very near future and that we will be in conference with the House on it once more to discuss it.

Mr. President, I ask unanimous consent that there be printed at the end of my statement a more detailed summary of the provisions of the social security bill as agreed to by the conference.

There being no objection, the summary was ordered to be printed in the Record, as follows:

Summary of the Conference Agreement on H.R. 9346, the Social Security Amendments of 1977

Financing.—The bill includes a schedule of social security tax rates increases over present law in 1979, 1981, 1982 and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the old-age and survivors and disability portion of the tax, effective in 1981. This would be a reallocation of income to the disability trust fund which would have been exhausted in about a year under present law. The tax rate schedule is as follows:

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS (in percent)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Present law</th>
<th>Conference report on H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASI</td>
<td>DI</td>
</tr>
<tr>
<td>EMPLOYERS AND EMPLOYEES, EACH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1978</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1981</td>
<td>4.195</td>
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<tr>
<td>1982-83</td>
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<td>1984-85</td>
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<td>0.815</td>
</tr>
<tr>
<td>1986-87</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1988-89</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1990-91</td>
<td>4.195</td>
<td>0.815</td>
</tr>
<tr>
<td>2011 and later</td>
<td>5.100</td>
<td>1.100</td>
</tr>
</tbody>
</table>

SELF-EMPLOYED PERSONS

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Present law</th>
<th>Conference report on H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1978</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1979-80</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1981</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1982-83</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1984-85</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1986-87</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1988-89</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>1990-91</td>
<td>6.195</td>
<td>0.815</td>
</tr>
<tr>
<td>2010 and later</td>
<td>6.000</td>
<td>1.100</td>
</tr>
</tbody>
</table>
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There also would be increases in the taxable wage base above present law in 1979, 1980, and 1981. After 1981, the base would be increased annually in line with wage levels under present law. Under the Conference agreement, as under present law, the tax base would be the same for employment and self-employed; the new taxable base schedule for employers, employees and the self-employed:

**Contribution and benefit base**

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Under present law</th>
<th>Under conference law agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$16,000</td>
<td>$18,500</td>
</tr>
<tr>
<td>1978</td>
<td>17,700</td>
<td>19,200</td>
</tr>
<tr>
<td>1979</td>
<td>19,400</td>
<td>21,000</td>
</tr>
<tr>
<td>1980</td>
<td>20,900</td>
<td>22,700</td>
</tr>
<tr>
<td>1981</td>
<td>22,400</td>
<td>24,300</td>
</tr>
<tr>
<td>1982</td>
<td>23,900</td>
<td>25,900</td>
</tr>
<tr>
<td>1983</td>
<td>25,400</td>
<td>27,300</td>
</tr>
<tr>
<td>1984</td>
<td>26,900</td>
<td>28,800</td>
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<tr>
<td>1985</td>
<td>28,400</td>
<td>30,300</td>
</tr>
<tr>
<td>1986</td>
<td>30,900</td>
<td>32,800</td>
</tr>
<tr>
<td>1987</td>
<td>32,400</td>
<td>34,300</td>
</tr>
</tbody>
</table>

1 Estimated amount under automatic provisions.

Decoupling and new indexed formula.—The conference agreement provides that the automatic cost-of-living increase provisions will in the future apply only to those already on the benefit rolls at the time of each increase. (Under present law, the increases raise the benefit formula for future retirees as well as those on the rolls.) For future retirees, the agreement adopts a new benefit formula, under which benefit amounts would be related to the earnings each individual had under social security with an adjustment to reflect changing levels during his working years. The new system would index a worker's earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death, or disability). The benefit level adopted for the long-term is 5 percent above the 1978 levels under present law. Included in the bill is a 5-year guarantee that retirement benefits will not be less than 1978 levels provided a gradual transition to the new system for workers who will retire from 1979 through 1983. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased annually in line with wage levels under present law. The cost-of-living after a person reaches age 62 or becomes disabled, or in the case of survivor's benefits, after the time of the worker's death.

Minimum.—The present minimum benefit for future beneficiaries would be frozen at its 1978 dollar amount (about $121 for an individual). The minimum benefit would be adjusted for annual cost-of-living increases only if the cost-of-living amount exceeds 5 percent.

Special minimum.—This benefit, provided for long-term, low-paid workers, would be increased. Under present law this benefit is equal to $9 for each year of coverage; a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would increase the $9 to $11.50, which would provide a maximum payment of $230 a month to such a worker who retires at the exempt age, which fixes the point at which elderly individuals may receive full benefits without regard to their earnings, would be reduced from 72 to 70 beginning in 1982.

Retirement tests.—The bill would raise $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, and $6,000 in 1982. The annual amount of earnings a beneficiary age 65 to 72, may have without having any benefits withheld. Any amount which would be automatically indexed on the basis of earnings levels as under present law. The retirement test is based on $3,000 this year to $3,240 in 1978, would continue to apply to beneficiaries under age 65.

Survivors benefits.—The bill contains a provision under which social security dependency benefits would be available to the spouse. The reduction would be applied in all cases.
by an agreement, and would enable individuals who work for periods in each of the covered States to be covered under the program to qualify for coordinated benefits in situations where they now are not eligible for benefits in one of the States involved. The Federal Government has already negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be approved by both Houses of Congress for 90 days while it is in session before it could take effect; during that period either House could veto the agreement by majority vote.

Disability benefits for the blind.—Blind persons who have been determined by the Social Security Administration as not being eligible for regular social security disability benefits up to a certain level of earnings may be eligible for benefits above that level. Under present regulations, substantial gainful activity (SGA) is defined as earnings of $3,000 a month ($3,600 a year) and earnings over this amount would lead to termination of benefits. Under the bill, earnings level under SGA for blindness would be the same as the retirement test for persons age 65 and over—that is, $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, $6,000 in 1982, and increased annually by increases in average wages. The SGA level for other disabled persons is not changed.

Employee Retirement Income Security Act.—In recent years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage for their own employees and for the independent contractors working for them. The bill excludes from social security coverage the disaster insurance policies or the incidental business which is received by a limited partner in a limited partnership. Public Law 94—202 enacted in 1976 provided that employers would report their employees' wages for social security and income tax purposes annually. The statement of income tax purposes was dropped in 1978. But the law also required employers to report quarterly on forms W—2, which were designed to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change this so that annual data would be used instead of quarterly data. Under the bill, employers no longer would have to report quarterly. Under present law a worker generally receives credit for a quarter of coverage for a calendar quarter in which he receives at least $250 (or amount of) in wages. Under the bill, a worker would receive one quarter of coverage if he was idle in the quarter in which he received more than $250 (or amount of) in wages. The bill would change this so that annual data would be used instead of quarterly data. Under the bill, employers no longer would have to report quarterly. Under present law a worker generally receives credit for a quarter of coverage for a calendar quarter in which he receives at least $250 (or amount of) in wages. Under the bill, a worker would receive one quarter of coverage if he was idle in the quarter in which he received more than $250 (or amount of) in wages. After January 1, 1979, the $250 would be automatically increased every year to take account of increases in average wages.

Employee nonprofit organizations.—The bill contains provisions designed to correct some unintended effects of Public Law 94—563 enacted in 1976 to deal with problems of nonprofit organizations that had been paying social security taxes incorrectly because they had not filed the necessary waivers with the Internal Revenue Service to make the payments legal. One provision in the bill would forgive the back taxes due on June 30, 1977, on behalf of nonprofit organizations which ceased paying social security taxes after they were made, but did not receive a refund of these taxes. Another provision would extend to March 31, 1978 the period during which nonprofit organizations that had received the benefit of social security taxes could file a waiver request and list only those employees who had wanted to be covered under social security. Under this waiver, they would owe back taxes only on the listed employees. The right to file such a waiver would be under Public Law 94—563 expired April 18, 1977.

Taxation of corporations.—The bill provides that a group of related corporations concurrently employing a worker would be considered as a single entity if one or more of them is a single paymaster for the entire group. This would mean that the group of corporations would have to pay no more than the single paymaster to cover the wages of a single worker, than a single employer.

Advisory Council on Social Security.—The bill would change the reporting date for the Advisory Council to be appointed in 1977 from January 1, 1978, to October 1, 1978. It would provide that the Secretary of HEW would establish a temporary administrative law judge position to hear social security, Medicare, and income security insurance appeals cases. The bill would convert these appointments to permanent status.

Benefits.—The bill provides that social security and supplemental security income benefit checks would be delivered on the preceding Friday if the regular payment was not in the mail by the last day of the month. Under present regulations, checks are delivered on a Friday if the regular payment was not in the mail by the previous Friday.

Coverage of fees.—Under social security, tip income (if over $20 a month) is taxed on the employee alone. Under the bill, employer would report employee income upward to $20 a month that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Clergymen.—The bill would permit clergymen who previously did not elect social security coverage to elect social security coverage under the system as self-employed persons.

Mississippi policemen and firemen.—The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin.—The bill would authorize a consolidated public employee group in Wisconsin to continue under social security and increase its annual contribution limits by $100. The bill would apply to three groups before they were merged into the consolidated organization.

New Jersey public employees.—The bill would add New Jersey to the list of States which are permitted to hold referendums among public employees for divided coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain under the system.

Illinois police and fire chiefs.—The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments in the retirement system (any future coverage) even though the applicable law did not permit such payments when they were made.

Railroad retirement system and Pension Benefit Guaranty Corporation.—The bill contains a provision to guarantee that the new social security financing provisions that increase the taxable earnings base would not increase the employer tax liability to finance tier II benefits nor would it increase the amount of the tax paid to the railroad retirement system. Tier II benefits are those paid to supplement the tier I payments which correspond to basic social security benefits. Similarly, the bill provides that the wage base increases in the earnings base would pay into the railroad retirement system of pension insured by the Pension Benefit Guaranty Corporation established under the Employee Retirement Income Security Act of 1974.

Wheelchairs.—The bill would permit payment for power-operated wheelchairs under Medicare Part B, and would authorize a one-time payment to the States of $287. The bill includes relief for the Social and local welfare costs for fiscal year 1978. Half of such funds will be distributed to each State in proportion to its share of the Federal AFDC program for December 1976, and half will be distributed under the general revenue sharing formula. In those States in which local government was responsible for meeting part of the costs of the AFDC program the fiscal relief payments would have to be approved by the Governor. States would not be required to pass through an amount in excess of 100 percent of the amount of AFDC costs for which the local government was otherwise responsible.

Fiscal incentives for lowering AFDC error rates.—The bill would establish a system of incentives to encourage States who have low dollar error rates (below 4 percent) as measured by the AFDC quality control findings on reported payments.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs of 4 percent payment error rate. This percentage would increase proportionately as shown in the following table:

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Incentive percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3.5%</td>
<td>10%</td>
</tr>
<tr>
<td>3.5%&lt;x&lt;4%</td>
<td>20%</td>
</tr>
<tr>
<td>4%&lt;x&lt;5%</td>
<td>30%</td>
</tr>
<tr>
<td>5%&lt;x&lt;6%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt;6%</td>
<td>Less than 2%</td>
</tr>
</tbody>
</table>

*The State will retain this percent of the imputed Federal savings.

The dollar error rate of aid will include the percentage of payments involving over payments and underpayments as well as the amount which would have been paid as benefits if the case had not been erroneously terminated or the application erroneously denied. The incentive would be based on Federal savings as compared with a 4 percent rate of excessive payments—that is, erroneous payments for ineligible and overpayments.

Access by AFDC agencies to wage records.—The bill would specify that AFDC agencies are entitled to obtain wage information from the wage records maintained by the Social Security Administration for purposes of determining eligibility for (or amount of) AFDC. The Secretary of Health, Education, and Welfare may establish necessary safeguards to prevent the improper use of such information. Effective October 1, 1978, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

State welfare demonstration projects.—The bill would authorize certain types of State demonstration projects related to AFDC and AFDC-UP programs. The Secretary of HEW would be required to implement the demonstration projects. In those States in which local government was responsible for meeting part of the costs of the AFDC program the fiscal relief payments would have to be approved by the Governor. The State would apply to have the projects approved. In other words, a State could proceed with such projects either when the Secretary of HEW approved them, or six months after submitting them to the Secretary if no decision had been reached by HEW within that period.

This authority to be permitted to conduct not more than three demonstration projects but not more than one on a State-wide basis. Projects involving public service employment would have to pay prevailing wages and meet reasonable standards related to health, safety and other conditions on a State-wide basis. Projects involving public service employment would have to pay prevailing wages and meet reasonable standards related to health, safety and other conditions on a State-wide basis. Projects involving public service employment would have to pay prevailing wages and meet reasonable standards related to health, safety and other conditions on a State-wide basis.
appropriate workmen’s compensation protec-
tion. In any project by any AFDC recipient, would have to be on a volun-
tary basis.

States would be permitted to waive ordi-

AFDC matching for these demonstration projects, added to the amount State would have received through AFDC if it had not implemented the demonstration project. In addition, the State’s general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary—on the basis of information furnished by the State—determines that the project is not feasible. The Secretary is required to publish a summary of the project in the Federal Register and make copies of the application available.

The Secretary of HEW could deny applica-
tions by a State under this provision any time after receipt of the application, but could not deny an application for a period of more than 30 days after it has been submitted.

Erroneous State supplementary pay-
ments. A conference agreement provides that the Secretary of HEW or the Commissioner of Internal Revenue, in determining the amount of error, may consider the information furnished to the States by the Department of HEW, and that the amount of error is to be reduced by the administrative costs of HEW.

Federal Election Campaign Act amend-
ments. The conference agreement provides that a contribution to a tax-exempt organi-
sation selected by the payor from a list of five or more organisations named by the Govern-
ment officer or employee would not be treated as an honorarium. It also provides that amounts returned to a payor before the end of the calendar year would not be treated as honoraria. The bill further provides that honoraria would be treated as accepted in the year in which they were received.

Several Senators addressed the Chair. The PRESIDING OFFICER (Mr. CRAINSTON). The Senator from Arizona.
Mr. GOLDWATER. Mr. President, I ask for the yeas and nays on final pas-
sage of this conference report.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

Yeas and nays were ordered.

(Mr. METCALF assumed the chair.)

Mr. CURTIS. Mr. President, I am pleased to rise in support of the dis-
tinguished chairman of the Committee on Finance (Mr. Long) as we consider the report of the committee on confer-

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ence on the Social Security Amend-
ten of 1977.

Mr. President, may I say first of all that we all owe a debt of gratitude to the chairmen for their outstanding leadership and regard in regard to participation in the work in-

Before the House next session—has ac-
ceded to deletion of this particular amend-
ment from H.R. 9346.

And next year, I hope he is successful. Next year, I hope the House committee will follow through on its promise to set the full House—which I feel confident supports tuition tax credits just as we do—vote on this matter which is of such critical importance to so many millions of the American people. I trust the Sen-
ate will agree to give its colleague from Del-
aware its full measure of support. He de-
serves it, and he is eminently correct when he says that the concept of tuition tax credits for the hard-pressed middle-
class—or, for that matter, for members of all taxpayer classes in America—is an idea whose time has come. We should act forthwith, and that is why I urge my most able Senator from Delaware on this critical issue, for his thoughtful partic-
ipation on the conference committee, and for his genuine statesmanship and clear thinking, in which he was deeply and correctly believes.

We have, then, Mr. President, reached agreement on the fundamental principl-
es and details of legislation to reform the financing of the social security sys-

Mr. President, please note that we are having to pay the piper for the excessive and often somewhat mindless generosity of past Congresses in times of the nation’s affluence, of which I might add, I opposed on the floor of the U.S. Senate in one election year after another. But the fact is, however, that bill must be paid if we are not to break faith with all of those Americans who either now, or will at some time in the future, de-
pend upon the social security system. The disability trust fund, under current projections, is scheduled to run dry in 1983. The health insurance trust fund, which will be scheduled to exhaust its additional reserves, is still scheduled to be depleted in 1987 or 1988. We must act; we must restore the viability of the trust funds; we must assure the integrity of the social security system for decades to come.

The legislation which is before this body today, therefore, takes several deci-
sive steps, many of which should have been taken a long time ago. First of all, and perhaps most critical from a fiscal point of view, we undertake decoupling; correction of the deficit in-

(Excerpts from Mr. Metcalf's speech.)

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sive steps, many of which should have been taken a long time ago. First of all, and perhaps most critical from a fiscal point of view, we undertake decoupling; correction of the deficit in-
Of the current long-range deficit of approximately 8 percent, we can save one-half—approximately 4 percent—simply through the device of decoupling. I would have preferred a new methodology that is based upon price indexing rather than wage indexing, but it is commendable, in my opinion, that we finally have moved to correct this problem that has had so many long-range implications since it was created.

I am pleased and gratified, as well, that the committee of conference has restored the fundamental principle of parity, in the costs of social security by employer and employee—which is central to the integrity of this program. Equal funding for social security insures that responsibility will be maintained that the costs of social security will not be masked; and that the most regressive tax of all—higher prices—will not ensue. It also means that the burden of social security financing will not fall inexcusably on some employees and happen to those who are already bearing an disproportionate share of employees at higher wage bracket levels.

By retaining parity, we have protected the many universities, and local governments, in the United States who would have incurred a massive tax increase under the bill which originally passed the Senate. We also have protected the working men and women of America from reduced job opportunities, lost benefits, and other economic effects that inevitably would have followed destruction of parity. Retention of this principle is important, and the most desirable, of all the provisions of this historic legislation.

The bill before you today also carries the sound principle of trust fund financing, not one which either raids or borrows from the general fund. The current and future beneficiaries of this program want to make sure that their dollars are real dollars, are sound dollars—not ones that emanate from the Bureau of Engraving to meet a constantly expanding Federal deficit. To depend upon, or borrow from, the general fund to meet the costs of social security is to depend upon a cupboard that already is bare: the deficit in the general fund for the current fiscal year is estimated to be $61 billion. By retaining trust fund financing, we have kept a promise to the people of America that this program will not be a welfare program; it will not be one that is subject to ever greater temptations to raise benefits without raising taxes; and it will not be one that imposes yet another hidden tax: the cruel tax of inflation, through deficit spending. We have met the funding responsibility head on, and it is an historic and long overdue moment for the Congress to say "We are going to solve this problem and we are going to do so in a way that is direct, aboveboard, and free of gimickry."

We have undertaken this kind of fiscal responsibility long ago. There are other excellent features of the bill before this body today, Mr. President; the conference has reached accord on numerous additional features which have long been sought and which measurably will assist the integrity of the respective funds and numerous American citizens. I commend to this body the provisions of H.R. 9346 which:

- Revises the earnings limitation, so that persons between the ages of 65 and 69 will have it liberalized and those over age 70 will have it eliminated.
- Make similar adjustments for the blind;
- Increase the delayed retirement bonus;
- Mandate the consideration of an important question of universal coverage, to be submitted no later than two years from now;
- Also review—pursuant to recent Supreme Court decisions—a number of issue relative to age and gender-based distinctions, to reexamine our premises, rather than either simply providing for men what we historically have provided to women, or depriving both groups of needed benefits in an indiscriminate fashion; and
- Reduce the duration of marriage requirement, so that a person must have been married to a worker only 10 years, not twenty, to be eligible for delayed retirement.

In particular, I am pleased that the conference adopted three amendments which I felt had particular merit: exempting persons who had already retired, or could have retired at the final quarter (within five years of retirement), from the dependency offset; making widows and widowers eligible for the delayed retirement bonus earned by their respective spouses; and permitting related corporations, of which one serves as a common paymaster and which employ a single individual, to pay the same social security tax that a single employer would pay, and to bring a substantial added measure of equity to the social security program.

Finally, there are certain public assistance provisions, such as the work demonstration project and the wage base access authority, that should literally save millions of tax dollars in the more efficient design and operation of our welfare program. These are most desirable accompaniments of our revisions to the Social Security Act.

In sum, Mr. President, the bill achieves a great deal, perhaps far more than we would have hoped when we began our deliberations.

At the same time, Mr. President, there are some areas in which the bill takes an approach which I would prefer that it not take, or it is deficient in addressing some other pending issues, as well. I want to bring them to the attention of this body. First, while it makes—under current projections—the disability insurance trust fund sound for the next 30 years, it does not sound it for the next 50 years, it still does not have a long-range actuarial balance. It still carries a deficit over the next 75 years of approximately 1.46 percent of payroll (compared with the current deficit of approximately 8 percent).

Next spring, we could again be greeted by headlines, when the trustees file their report, that the "social security fund remains in long-range actuarial deficit." There is no reason, in my opinion, why we could not have proceeded to adopt the small additional tax rate increases for the years 1985 and beyond that were in the Senate bill when it was sent to the House. We could have made it actuarially sound. The House refused to do so; and this only means that future Congresses will be forced to finish the job.

Second, there is much too heavy a reliance, in my opinion, on the wage base, rather than the tax rate, as a means of solving the financing problems of the trust funds. Under the bill before you, the maximum wage base will go up to $42,600 in 1987—compared with the level of $16,500 now. Combined with the tax rate increases, that means someone at the maximum wage base, paying 5.46 in social security taxes, compared with $965 now. Reliance on the wage base, rather than the tax rate, has two defects: First, it creates its own further financing problems, because benefit increases are triggered by increases in the wage base; and second, and more importantly, it places a massive additional burden on middle-class taxpayers already struggling with the annual mental onslaughts—when that burden could be spread out much more equitably, much more evenly, and with less overall harmful effect.

I ask the President to build six houses, and ask the resident only of the sixth to meet almost all of the costs of rescuing the social security system. As the Members of this body well know, an alternative approach which would have relied upon an additional tax of one-half to 1 percent, applied across the board, with no increases in the wage base schedule, I think we will find in the future that that materially would have been a better approach.

Third, there were a number of critical public assistance provisions—most notably, the earned income disregard reform—which could have and should have been accepted by the House as a part of this legislation. We should move decisively on H.R. 7200 early in the next session to make sure that these provisions are enacted, so that Americans who can taxpayers deserve, and demand, the kind of real welfare reform that is typified by many of these provisions.

And finally, of course—while I do applaud the fact that we have buckled down and met our responsibility to make this system whole—there is still the fact that we have done almost nothing to examine the system itself, to determine where its eligibility and benefit structures, as well as its mandatory portions, may contain inappropriate liberalizations, or may carry defects or loopholes which need to be corrected. All we have done is to raise taxes—not to revise and revamp the programs themselves. I refer not only to the disability insurance program, which everyone acknowledges is out of control. I refer also to the basic OASDI program, and the HI program, which continue to confer benefits where persons in an indiscriminate and sometimes inordinately expensive fashion. What sense does it make, for example, for the age of the children for which a woman automatically qualifies for caretaker benefits in social security is 18, when in public assistance it is age 6, and under the President's welfare reform program it is age 1? What sense does it make for
Suppose that one is a landlord who has six houses, has to have more money to operate, and gets all of the increase on one tenant, one house. It would be an unbearable load. That is exactly what we do in social security.

A modest tax increase applied to everyone is the right way to raise money for social security. The taxes on the upper brackets are going to be unconscionably high.

Mr. President, someone might say, "Well, if you raise the tax rate, aren't you unfair to the poor?" Not at all. If the tax rate is 6 percent—it is a little over that—and someone makes $4,000, they pay a lot less than someone that pays 6 percent on $20,000. That is one way in which we meet our responsibility to the American people. It is their program. If they pay a lot less, then they have a part in the self-employed. It is their program.

This is a far better bill than it was before the Finance Committee, and Mr. President, I am glad that we kept the wage base approach. Mr. President, it does make a difference.

Mr. President, I am glad that we kept the wage base approach. Mr. President, do you realize, Mr. President, that we have imposed an excessive burden on the middle class, particularly, and they will feel it in just a few years. Mr. President, it does make a difference whether we meet problems fairly or excessively.

Mr. President, it is also my understanding that the intent of the Senate when we passed this bill has not in fact been realized and that there will be an imbalance actuarially sometime after the year 2000. Mr. Curtis. That is correct. Mr. Danforth. It is also my understanding that the rates that have been adopted are significantly higher than the rates that were adopted by either the Senate or the House during the 1980's. For example, if the Senator will look at table 3 on page 66, it is my understanding that for the year 1981, the tax rate is higher than the House bill; that for 1982, 1983, and 1984, it is a tax rate that is higher than both the House bill and the Senate bill; that for 1985, it is a rate that is higher than the House bill. In 1986, 1987, 1988, and 1989, it is higher than the rate that was in either the House bill or the Senate bill; and that in 1990 and thereafter, the rate is higher than the rate that was in the Senate bill.

Mr. Curtis. Yes. I think it calls for some explanation.

I would be opposed to the conference going beyond their scope. Social security tax is in two parts—the OASDI and the HI, the health insurance. Usually, it is quoted as the combined rate. The conference did was to take the highest rate of any of the components in some instances, from either House, and it came up with a combined rate that is higher.

Mr. Danforth. However, my point is that what we are doing here is adopting a rate structure which is generally higher than that adopted by the Senate and which, for a number of years, is higher than that adopted by the House; that despite the fact that we have higher rates, we have not achieved actuarial soundness for the next 75 years, as we set out to do.
the reason why the combined rate in the Senate was not as high as that agreed to by the conference was that under the Senate bill, they would have collected more money from the employers.

Mr. DANFORTH. Certainly, it is true that for as far as the working people of this country are concerned, they are going to be paying higher rates than under either the House or the Senate bill for the high-income earners, and still they are not going to have the assurance of actuarial soundness when at least some of them get to 65 or are of retirement age.

Mr. CURTIS. I think that is a valid criticism, yes.

Mr. DANFORTH. I am sorry that the chairman is no longer in the Chamber, but I should like to ask some questions and make some observations about a couple of amendments that were adopted by the Senate by overwhelming margins.

One is the amendment that was offered by Senator RorH, providing a $250 tuition tax credit for college students. That was adopted by the Senate by a margin of 61 to 11. Only 11 Senators voted against it.

I wonder whether Senator Long would be willing to give me his views on the prospects of either that amendment or the so-called Packwood-Moynihan tuition tax credit proposal, as to whether there is any significant likelihood that these things—I think that the Roth amendment has been adopted by the Senate on three occasions—ever are going to become law or whether we are going to be wasting our time in the Senate by voting for this amendment.

Mr. LONG. Mr. President, from the point of view of the conference report, the administration did not prevail on two major items that the administration was recommending.

One item was the approach that the Senate did agree to accept by a margin of one vote, with the Vice President breaking the tie, that there be a heavier tax on the employer than on the employee. That was an initiative by the administration— an innovation, one might say, of major dimensions—which the administration did not sustain. The conference agreed to the position of the House and provided for parity of taxation between the employer and the employee.

In addition, the administration had fought very hard for a provision that the funds to pay the benefits be borrowed out of the general fund. The point of view of the Senate was that there was not any generation gap to borrow from; that the borrowing just amounted to having a printing press to print money; that you should not finance social security benefits by printing-press money because that was an unsound approach. The House conference went along with the Senate on this. That represented another major setback in those innovations that were being recommended by the administration.

When we got to this big item of tax credits for education, it was a rider not relevant to the bill itself, but there certainly is precedent for offering a measure of that sort on a social security bill.

The administration and those who supported its position were dug in to the point that they just were not going to yield on this other item where some of us wished to compel them to see it our way. If we were to listen to the House of Representatives to see it our way we would have done it, but this is something that we could not do at this point. I am satisfied that before this Congress is over the Senate will again pass something along the line of the Roth amendment, that it will go to the President having been agreed to by the House of Representatives, and that the President will either sign it or veto it. I think that the probabilities are that by the time we get through debating this issue and having expressions on both sides, it is going to become law. If it does not become law, it will be because the President has vetoed it and the veto has been sustained.

But we were not able to enact it on this bill. That does not mean that it will not happen. It just did not happen on this particular bill there were to be other bills and, frankly, there will be other legislative situations where those who favor this tax credit approach will have more leverage in conference than they have here. I think that if the administration had won on the two items that I mentioned, here would have been a little more leverage for the position taken by Senator RorH and those who voted for it. But there was the administration had failed to prevail on some very big items that it hoped to see added to the social security program.

Mr. DANFORTH. I am encouraged by the Senator's optimism. I wish now to ask the Senator about an amendment which I offered.

Mr. LONG. I think that we could have reached an agreement, that we take something like this is the bill we just passed and send that over to the House of Representatives with the tax credit on it. There was willingness on the part of the conference to cooperate in letting that bill pass in this session. If that were the case, we would have every reason to think that under the existing circumstances the bill would have been vetoed, and Senator RorH decided that it would be better to renew the struggle on a measure that had a better chance of becoming law.

Mr. DANFORTH. It is certainly difficult to pass legislation over the opposition of the administration. It is not just the veto power. It is the leverage that the administration has in Congress.

Let me ask you, then, about the amendment that I offered along with a number of other Senators both in the Finance Committee and on the floor. As the Senator will remember, in the Finance Committee the amendment lost by a tie vote, and then on the floor it was adopted by a vote of 57 to 28, and it was an amendment to provide to 10 percent of social security taxes for State and local governments and for nonprofit employers.

I am very concerned about what happened in the conference to that amendment. I am sorry I was not present on the day that it happened.

But the theory behind this particular amendment was that between now and 10 years from now the social security tax liability for local governments, State governments, and nonprofit employers would amount to $15 billion. That is just too much money to take out of the local school districts, the local hospitals, the Salvation Army, and the Boy Scouts, and we should have offered some relief for them.

That amendment was washed out in conference. The Senate has been here I think 29 years and has a great reputation for knowing how to get things done efficiently. I wish that we were better in Congress and have no reputation for knowing how to get things done in Congress. I wonder if the Senator could offer me his thoughts as to whether or not this conference agreement was an unsound approach.

Mr. LONG. Of course it can, I say to the Senator, and that there was more compelling logic to the Senator's amendment when we were looking at a bill to put a heavier tax on the employer than it did on the employee.

Mr. DANFORTH. I am encouraged by the Senator's strongly supported the argument that these State and local governments and nonprofit institutions should be given at least some relief because of very high initial burden placed on them.

When the tax goes on a parity basis rather than on the basis of putting it on the employer but not on the employee, it is something that is going to be a lesser burden on the employer, and it reduces the need for the type of relief the Senator has suggested.

Of course, the Senator—

Mr. DANFORTH. Mr. President, will the Senator yield?

Mr. LONG. If I might say, of course the Senator's amendment had much to recommend it even if you do have parity of approach between those two.

Mr. DANFORTH. Let me interject one point just at this point.

The fact of the matter is that, when you ran the figures when you compared the actual tax burden created by the parity approach versus the disproportionate approach, the tax effect on this group of employers turned out to be almost identical; that is, it was a difference, as I recall, between a $15 billion annual increase by 10 years from now and a $15.2 billion annual increase. So, even under this version of the bill the consequences insofar as the Salvation Army, the hospitals, and the local governments are concerned, are almost exactly the same as they were under the administration's proposal.

Mr. LONG. Yes. I urge the Senator to keep in mind that his proposal was a relatively new legislative proposal which has merit to recommend it, and sometimes we have to pass something of that sort more times than one before it becomes law.

I am sure the Senator will bring his proposal back again and the Senate will back him on future occasions and in due course I anticipate the Senator will have
the success that we hope to achieve with his amendment.

One of the problems we were compelled to face was that we had between the Senate and the House some very expensive proposals—so much so that the administration as well as some of those from both Houses were concerned about the potential of a very high additional cost if we took the high-cost amendments of the two bills, and the cost in additional taxes of the relief that the Senator from New York undertook to include.

But, may I say to the Senator, he has a worthwhile proposal. It does have a lot of merit to it, and I would urge the Senator that he should continue to pursue it because, I think, the better understands it, as I believe the Senate does, he will find there will be more support for it.

Social security is not something that is dealt with once and for all by just one bill. We will be voting on social security bills around here as long as we are Members of this body, I think. We will probably have another significant social security bill at least once every Congress. I do appreciate the comments of the chairman, and I certainly would on my amendment appreciate any help he could provide in the future when this comes up again. I think it is a very important point.

I would add one thing that really concerns me, and that is the vehemence of the administration's opposition both to Senator Rorn's amendment and to my amendment. I think the nature of the vehemence is more than a dollars-and-cents question. I think it goes to a basic conceptual matter; that is, when I met with Hale Champion, the Under Secretary of HEW, to describe my amendment to him, he said to me point-blank—and I appreciated his candor—that, "We"—I took it as an expression of the administration—"have no problem in offering financial help to State and local governments and to colleges and universities, and so on, but we would like to do it in a targeted way."—

I think that use of the word "targeted" has become a real byword in Washington. I take it "targeted" means that we at the Federal level are willing to help local governments and organizations throughout the country provided we can keep strings on that money, and that the problem with the approach in the amendment that I offered was that it was string-free resources; that it allowed discretion and responsibility to be exercised at the local level and in the local school district. Maybe that is just what we in Washington do not want to happen.

Similarly I noticed an article in the Washington Post in which Secretary Califano criticized the Roth amendment, and he said:

"The most important point is that it is an absolutely incoherent way to make educational policy in this country."

Perhaps the nature of the administration's opposition to Senator Rorn's amendment is that the effect of it was to provide assistance to people who wanted to send their children to college in a way which did not allow the Federal Government to make educational policy through the leverage power of the Federal dollar.

That to me is a very important philosophical question that I think was raised by Senator Rorn's amendment, was raised by my amendment, and which really got us into a horns' nest insofar as the administration was concerned, including heavy lobbying by very, very high levels of the administration against these two amendments, I think not on the dollars-and-cents effect but on the basis that these approaches are ones which reduce the potential of manipulation by the Federal Government and that, perhaps, the desire, not just with this administration but with almost every administration, regardless of party, is to increase the amount of manipulation that comes from Washington.

(Mr. MELCHER assumed the Chair.)

Mr. LONG. I like the approach the Senator advocated, and also that Mr. Rorn advocated, that you would provide the tax relief but would have the effect of letting the individual decide for himself what he wants to do with his money—rather than to have him go to some Federal office and fill out an application. I think the administration sent the application into Washington, and after while have somebody come back to see him and talk to him about his situation, and eventually tell him that he either did get relief or did not. In either event they will tell him there are strings attached to it, that he will have to do things somebody in Washington wants him to do, contrary to his convictions, in order for him to get the relief proposed.

I personally think it is a good idea to have a tax credit to allow individuals to decide for themselves, just as I think there is a great deal of merit in what the Senator was proposing, in saying that if we are going to pass a big tax increase which is going to impose a burden on the States, that we should do it in a fashion which eases the burden on the States and local governments and on the nonprofit organizations.

If the Senator will continue to pursue his proposal, as it gets to be better known across the country, he will have more support in the House, as he now has in the Senate.

As the Senator has discovered, when one convinces the body of which he is a part that something ought to be done, and then it finally goes to conference, and especially when, to make the administration fighting him, the Senator cannot prevail on the other House. This is something which I have been familiar all through the years. I think I have had more familiarity with it than the Senator from Missouri.

However, I think if he will continue to pursue it, continue to pursue the type of suggestion he has generated, since there is a lot of merit to it and it has a lot of support, it will in time come to pass.

Mr. DANFORTH. I thank the Senator. Mr. MOYNIHAN. Mr. President, will the Senator yield?

Mr. LONG. I yield to the distinguished Senator from New York.

Mr. MOYNIHAN. I would like to call attention to the fact that in this social security package there is also included $7 million in fiscal relief for costs of welfare to the individual States, such as the States of Wisconsin, Maine, Louisana, New York, each of the States, and this is the first instance that the President's proposal for a reform of the welfare system which involves fiscal relief to the States.

The Senator originally proposed, in accordance with an agreement with the administration, that there be $374 million.

The House proposed to put agreed to the total sum in principle—but proposed that half be put it in the H.R. 7200 bill which they expect to receive back from the Senate sometime in the second session, and we agreed to that.

This is an important event. It is the first such relief of its kind in the history of the federal system. The fact that it is here very much attests to the fidelity to this purpose and the shared concern of distinguished chairman, and I would like to stand in tribute to him in expressing the gratitude that I have and, I think, that the States governments and local governments throughout the country have and can appropriately share.

This is not the first time that you have been a good friend of this cause, and I would like so to state and state it at this time.

Mr. LONG. I thank the distinguished Senator from New York.

As he knows, the idea of the House in reducing the figure was that this would take care of us throughout the next three years, and they would expect to go along with something of this sort to continue the fiscal relief thereafter.

So while there is a reduction from the amount of money that the Senate approved we would anticipate that in future legislation the House would go along with continuing it at about the rate that we had agreed to in our bill when we passed it through the Senate.

This is, of course, a credit to the Senator from New York for the fine work he has done in this area. He has been the one who has pressed for this idea.

I hope to pursue it in the administration made, and a promise that the Senate from New York undertook to see that the administration kept, to provide fiscal relief to the States in the welfare area.

I hope the Senator will continue to push for it. I look forward to supporting him in this because I think he is right about it. I just hope the administration will continue to remember that commitments were made along this line. I think the States are entitled to the relief, and that is especially true of the State of New York. The Senator has very ably represented the State of New York, and I think the entire United States has
benefited when the Senator proposed the amendment and pursued it thereafter.

I am grateful to the Senator, and I am one of the supporters of his fiscal relief suggestion.

Mr. GOLDBATER, Mr. President, I now stand against this conference report measure, but I do not want that to seem a reflection of my feelings toward the chairman, who has been so instrumental in getting a decision on the social security matter.

Mr. President, while this may be a temporary solution, I do not think it is anything like a solution, and I think we will be going through the same rigors and efforts again within the next 10 years.

My personal opinion is that social security has failed, and we would be better off in this country if we pledged to every person who can earn and pay the social security tax that money would be returned, and then forget about the whole thing. There does not seem to me to be any way to have what we call social security and hold the labor force together.

I have been hearing from people who work in social protection programs for every 2 years, of having the House feel that it must make additions to the social security payments regardless of whether the money is there.

This is going to work a terrific burden on the small- and middle-class businessman. It is going to become a burden so great that it will cause the closing of many businesses. In many instances, social security payments will be more than the annual internal revenue bill. So, Mr. President, I want to explain my position.

I have tried for years to call to the attention of this country and to the attention of Congress that the social security fund was getting into increasing trouble. My personal opinion is that it is bankrupt.

I am grateful to the Senator, and I think he has made a difference in this country with radios, Singer sewing machines, and the other things that have been called Social Security. But it's not Social Security, it's Social Insecurity. It's not Social Security that's going on here. It's just a charade, a fraud on the people.

Mr. President, having explained that, I shall vote against the bill, but I ask unanimous consent to have printed in the Record an article published in this evening's Washington Star in the form of a question and answer. It was printed in the Record at this point.

There being no objection, the interview with Mr. Irwin Schiff, a Mr. Irwin Schiff of New Haven, Conn. I do not know the gentleman; I have never heard of him before, but what he has said in answer to questions put to him by a Star reporter does make sense, so I ask unanimous consent that it be printed in the Record at this point.

Q: You've criticized the Social Security system as being bankrupt. Is the new law in any way going to help salvage the system?

A: No. The Social Security system is over. It's a chain letter that's run out of chain. It's a scheme that has been going on basically since the idea of the trust fund was gotten into it. The idea that Congress could demonstrate how generous it was going to be over two years; Congress simply voted increased benefits with no thought of the Social Security fund. The trust fund was getting into increasing trouble.

Q: If there were no politics involved, if you had actuarial there looking at the Social Security system and they didn't have to worry about getting re-elected, would they come up with a plan to modify and make Social Security work?

A: No, because if Social Security was an insured plan I would have been presented to the country, it would have to have a fund of over $4 trillion. That almost equals all of the above-ground wealth in this country. There is no way that the system can deliver the benefits that these irresponsible rascals keep saying they can deliver.

Q: Would the system caves in on those already in Congress could demonstrate how generous it was going to be over two years; Congress simply voted increased benefits with no thought of the cost. They simply voted more benefits than those people who are working can deliver. Now they are saying that the Social Security system is bankrupt. Roughly 15 percent of the population is on Social Security and there's no trust fund. Suppose in 1957, when the Social Security system was adopted, it was suggested that 15 percent of our population immediately would begin receiving benefits. Would the system have passed? Of course not.

Q: How was it sold?

A: It was sold on the basis that it was going to be an insurance scheme, as a matter of fact, it was sold on the basis that this trust fund would increase so that by the year 1980 the trust fund would reach its full maturity. It was sold on the basis that it was going to be actuarially funded. Now, it is not funded. We now have 16 percent of our population drawing benefits, and there is no trust fund.

Q: For example?

A: Social Security today was it was declared constitutional on the basis that it was a funded plan. It's the same nonsense that is being done in the field of taxes. It's unconstitutional, and since it's unconstitutional, nobody has to take any notice of it or the law.

Q: All politicians from the left to the right have endorsed the concept of Social Security.
the Federal Trade Commission, the Consumer Product Safety Commission. They're anti-
business. Where's your support?
A: I believe 10,000 of what are known as public information officers in Washington writing every day. These are people trying to do what these people are doing: they've created an illusion. The vast majority of Americans are being deluded by government.
Q: Now I'm not relying on the Dallas surveys. I'm talking about the nationwide surveys. I know that more than 5,10, 15 million Americans who know that government is destroying this country, as government goes bankrupt. It's the standing, patriotic American who will react by refusing to pay government taxes that are not legally required. And the message will start to get across to more and more people.
A: The only thing that knowledgeable Americans can do is not give aid and comfort to the enemy and educate other Americans. And that's what I'm doing. I'm going around the country putting on seminars. Now you've got to realize the American Revolution was won because one-third of our population was willing to risk a revolution. They didn't wait to convey their disillusionment to the government. It's too late.
Q: And how do you figure these people will come to believe this?
A: Many Americans realize that we're getting a lot more inflation. What I want to point out to the people is that government is totally useless in maintaining the level of living. They may realize that when they see Social Security go bankrupt—because now they suspect government. See, the government can make promises for years.
The original hearings when Social Security was considered in 1935-36, there were people who pointed out that this would not work. And for years these people were maligned and made fun of. And now they're going to be proved right. It took twenty years to prove that this charac-
ter wasn't going to work. And when this col-
lapses—and people are going to see that the government is the Wizard of Oz. That when the screen falls down there's a little funny old man there who doesn't do anything.
Mr. DOLE. Mr. President, last Tuesday Vice President Mondale declared that it would be a major victory if the social security bill were passed this year. As a spokesman for an administration that has proposed more taxes in its first year than any other administration in our history, I imagine that the imposi-
tion of any new tax bill would be classified as a victory.
ECONOMIC TURMOIL
The Senator from Kansas, however, is concerned over the economic impact of this bill. The fiscal drag on the economy resulting from this bill will be serious. The bill before the Senate today will triple the tax bite for middle-income workers. Workers will sharply pay increased taxes for only a promise of increased spending from now on.
There is no question that the social security trust fund needs an infusion of new money. However, there is consider-
able risk that economic incentive and trade patterns will be dis-
aged from this enormous income trans-
fer from the working to the nonworking population.
Increases in payroll taxes of this magni-
tude can expect to have significant macroeconomic effect. In general, payroll tax increases, like personal income tax increases tend to have a restrictive effect on the economy. However, unlike personal income taxes, payroll tax in-
creases are inflationary. The employer portion of payroll taxes tend to be treated as a cost of production by the firms. Increases in payroll taxes on the, firm, like other cost increases, place an upward pressure on prices.
BUSINESS CONFIDENCE
A: A Gallup poll recently released shows that businessmen are nervous and gloomy about our economic future. A whopping 50 percent of those surveyed expect a recession within the next 2 years. Most businessmen expect the Government to do a poor job of man-
aging the economy and fear that rising taxes will cause serious problems.
In light of the new social security tax increases, and the possibility that the useless and onerous energy taxes will be enacted, the country can ill afford to wait for the administration to decide on the composition of a tax reform package.
Mr. President, having said that, the conference committee wisely re-
moved the horrible double indexing Of the social security—the Medicare and the Social Security—tax liability rates and placed the burden of supporting those two programs on the working people. Unfortunately, neither the House nor the Senate addressed the real problems of the social security system. In fail-
ing to address these issues, Congress in writing this bill will be doing a dis-
service to not only the present benefici-
aries but also to the future ones. I fully support corrective action to make the social security system fiscally sound. However, I question whether those who now must bear the burden of financing social security—the working class—should be asked to assume such massive burdens that this legislation work-un-
less. Constantly raising taxes, either through the tax rate or the wage base, is not the only answer to preserve the vitality of social security. The Senator from Kansas believes that we should look to the beneficiary composition, the benefit structure, and the relationship between social security and other pension programs.

The passage of this bill does not mean that the Congress can disarm, or do their duty to improve and refine the social security system. The Senator from Kansas hopes that the Congress and particularly the Senate Finance Com-
mittee begin to initiate programs and initiatives to relieve the tax burden while preserving the integrity of the social security system.

Mr. NELSON. Mr. President, I regret that the conference did not agree with the Senate version of the fund. Congress was a better approach which would not have had such a severe impact upon the vast majority of small businessmen in this country, and all or almost all of the self-employed in this country.
I also regret that we did not accept the House provision which would have used the general funds to guarantee the social security trust fund, because I think it was a better approach which would not have had such a severe impact upon the working people, because that would have made it possible to have a lower reserve ratio in the fund, and thus allow lower tax burdens on both individ-
uals and businesses.
Mr. DOLE. Mr. President, I regret that neither House moved to start transferring the responsibility for paying for the hospital insurance or the disability insurance from the social security trust fund over to the general fund in a phased-in way over a period of years, because, in my judgment, neither of those programs—disability in-
surance or hospital insurance—should be in the social security program.

If we had done that, we would have been able to have had lower social security tax liability rates and placed the burden of supporting those programs with general revenues where they belonged.
There is not any doubt in my mind that we will be compelled out of equity, fairness, and common sense to shift the burden of supporting hospital insurance and disability insurance from the social security trust fund to the general fund, and very soon. I would hope that we are considering that in the next year or so.
I was rather interested—I do not have the rollcalls in front of me—in some of the comments of those who are attacking the social security system here in the Chamber because of the high cost. I believe we will find that those who voted against the benefits which are in there, and this year proposed additional benefits which I voted against, which would have increased the burden on the social security fund include, for example, the elimination of the earnings limitation that was proposed by the distinguished Senator from Arizona, which would have cost another $1.1 billion a year. Yet he stands on attacking the high cost of the system while taking the credit for voting benefit increases, of $1 billion or $2 billion more than under present law, and thus requiring higher social security taxes. Fortunately that particular provision did not prevail in the conference.

I think sometimes the rhetoric we hear here is not justified coming from the sources who produce it when we remember the history, the source of income is defined as at least 50 percent of all annual income. The Social Security Administration has been in a position to develop these retirement benefits. It has been agreed to accept the House approach in which employers and employees will contribute equal amounts of taxes to the social security trust funds. The approach does not adequately fund social security benefits in the future, but in my judgment the unequal employer/employee wage base would have been preferable.

In social security, the wage bases redress an imbalance in the present law. Many people believe that employers and employees have been treated the same insofar as social security payroll taxes are concerned, that there is a "parity" concept that must be preserved. In fact, employers have always enjoyed an advantage not available to employees, and that is that profit-making employers can treat employee contributions as a cost of doing business when they calculate their income taxes. Employees cannot. In effect, this means that employees have been asked to bear a greater share of the cost of the social security program. By raising the wage base for employers higher than for employees, employers and employees after tax situations would be more nearly equal.

Furthermore, since future benefits are tied to the employee wage base, raising the employee wage base has cost implications for the future. In social security, today's decisions must be considered in view of their future effect. Since benefits are tied to the wage base on which employees pay into the system, raising employee contributions would mean that higher benefit payments will have to be paid in the future to these high-paid employees. Somewhere down the line workers and employers will have to have their social security taxes raised to provide for these retirement benefits. It has been calculated, for example, that with the House approach benefit payments in the future will cost 0.27 percent of payroll more than the Senate bill over the next 75 years. This additional cost is equivalent to $2.16 billion per year if based on total taxable payroll this year, and it will increase substantially in the future.

Perhaps most importantly, disparity in the employer/employee wage bases avoids increasing the wage base upon which workers contribute social security taxes thereby increasing the percentage rates for all employers and employees.

Right now, employers already pay taxes nationally on 87 percent of all workers earnings. Since the present law taxes such earnings at the rate of 15 percent, the additional earnings taxed does not represent a major new expense for the vast majority of employers. In many small businesses, 100 percent of the wage base is already covered because their employees earn less than $10,000, the amount of earnings subject to social security taxes in 1977.

When the Senate considered the wage...
base disparity, Senator Cranston offered a proposal that would have preserved equal employer and employee wage bases by raising tax rates. I opposed that proposal because it would have increased social security tax liability for low- and middle-income workers by a substantial amount, thus further increasing the regressivity of the present payroll tax. A tax rate increase also would impact on small businesses more significantly than increasing the wage base for employers only. This is because a small business would have its entire payroll affected by a tax rate increase, while it would only have to pay additional payroll taxes on workers earning high wages under the unequal employer/employee wage base proposal. Small businesses primarily do not have high-paid workers. The Senate did not accept the tax rate increase plan.

The House bill raises the employee wage base to a greater extent than does the Senate bill. The effect of these wage base increases, imposed by the House and the Senate, as well as the conferees—of that high-paid workers and high-income self-employed workers will have much larger increases in their social security tax liability when compared to the Senate bill.

To illustrate the impact that the House and Senate bills and the bill reported by the House-Senate conference committee will have on workers earning the average wage, as well as upon workers earning a maximum amount of wages subject to social security, the following two tables have been prepared:

### IMPACT ON ANNUAL TAX PAYMENTS OF WORKER EARNING AVERAGE WAGE

<table>
<thead>
<tr>
<th>Wage under present law</th>
<th>Senate House bill report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income increase over present law</td>
<td></td>
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<tr>
<td>1977</td>
<td>$10,001</td>
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<tr>
<td>1978</td>
<td>16,912</td>
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<tr>
<td>1979</td>
<td>18,082</td>
</tr>
<tr>
<td>1980</td>
<td>26,172</td>
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<tr>
<td>1981</td>
<td>40,787</td>
</tr>
<tr>
<td>1982</td>
<td>65,700</td>
</tr>
<tr>
<td>1983</td>
<td>96,544</td>
</tr>
<tr>
<td>1984</td>
<td>121,600</td>
</tr>
<tr>
<td>1985</td>
<td>165,200</td>
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<tr>
<td>1986</td>
<td>222,900</td>
</tr>
<tr>
<td>1987</td>
<td>29,700</td>
</tr>
</tbody>
</table>

### IMPACT ON ANNUAL TAX PAYMENTS OF WORKER EARNING THE MAXIMUM

<table>
<thead>
<tr>
<th>Wage under present law</th>
<th>Senate House bill report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income increase over present law</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>$19,585</td>
</tr>
<tr>
<td>1978</td>
<td>26,542</td>
</tr>
<tr>
<td>1979</td>
<td>30,149</td>
</tr>
<tr>
<td>1980</td>
<td>42,334</td>
</tr>
<tr>
<td>1981</td>
<td>65,490</td>
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<tr>
<td>1982</td>
<td>96,558</td>
</tr>
<tr>
<td>1983</td>
<td>125,108</td>
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<tr>
<td>1984</td>
<td>169,123</td>
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<tr>
<td>1985</td>
<td>221,313</td>
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<tr>
<td>1986</td>
<td>29,700</td>
</tr>
<tr>
<td>1987</td>
<td>42,600</td>
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Mr. President, no matter what proposal or combination of proposals was being adopted to finance social security, this financing legislation would be controversial. The fact is that no one wants to pay more taxes. At the same time, no one wants social security benefits cut back. While I do not agree that the conferences adopted the most and advantageous method to finance future social security benefits, the conferences did take the action necessary to insure the future integrity of the social security system.

Mr. President, I ask unanimous consent that charts comparing present law tax rates, wage base, and reserve ratios in the HI and OASDI funds with the Senate bill, the House bill, and the conference report be printed at this point in the Record.

There being no objection, the charts were ordered to be printed in the Record, as follows:

### COMPARISON OF FINANCING PROPOSALS

<table>
<thead>
<tr>
<th>Present law</th>
<th>Senate bill</th>
<th>House Conference report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (OASDI) tax rate (employer and employee, each in percent)</td>
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<td></td>
</tr>
<tr>
<td>1977</td>
<td>5.85</td>
<td>5.85</td>
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<td>1978</td>
<td>6.05</td>
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<td>1980</td>
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<td>1987</td>
<td>6.05</td>
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<tr>
<td>1988-90</td>
<td>6.05</td>
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<tr>
<td>1990-94</td>
<td>6.05</td>
<td>6.05</td>
</tr>
<tr>
<td>1995-2000</td>
<td>6.05</td>
<td>6.05</td>
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</tbody>
</table>

### OASDI reserve ratio (start of year; in percent)

| 1977 | 4.95 | 4.95 | 4.95 |
| 1978 | 5.00 | 5.00 | 5.00 |
| 1979 | 5.00 | 5.00 | 5.00 |
| 1980 | 5.00 | 5.00 | 5.00 |
| 1981 | 5.00 | 5.00 | 5.00 |
| 1982 | 5.00 | 5.00 | 5.00 |
| 1983 | 5.00 | 5.00 | 5.00 |
| 1984 | 5.00 | 5.00 | 5.00 |
| 1985 | 5.00 | 5.00 | 5.00 |
| 1986 | 5.00 | 5.00 | 5.00 |
| 1987 | 5.00 | 5.00 | 5.00 |
| 1988-90 | 5.00 | 5.00 | 5.00 |
| 1990-94 | 5.00 | 5.00 | 5.00 |
| 1995-2000 | 5.00 | 5.00 | 5.00 |

### HI reserve ratio (start of year; in percent)

| 1977 | 66 | 66 | 66 |
| 1978 | 55 | 55 | 55 |
| 1979 | 48 | 48 | 48 |
| 1980 | 46 | 46 | 46 |
| 1981 | 44 | 44 | 44 |
| 1982 | 42 | 42 | 42 |
| 1983 | 40 | 40 | 40 |
| 1984 | 38 | 38 | 38 |
| 1985 | 36 | 36 | 36 |
| 1986 | 34 | 34 | 34 |
| 1987 | 32 | 32 | 32 |

The automatic “cost-of-living” benefit increase mechanism incorporated into the social security program by the 1972 amendments operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The social security financing bill proposes no change in this concept. The “cost-of-living” adjustment mechanism, however, has a peculiar effect on benefits. The percentages increases in the Consumer Price Index increase the percentages in the formula for determining initial benefits in the future. Pu-
tuue benefits, however, are based on earnings which rise, in part, as the result of increases in prices. Thus, wages which were increased to take account of rising prices are multiplied by a benefit formula that was also increased to take account of the same increase in prices.

For an example of how benefits are increased under present procedures, assume a program with a benefit equal to 50 percent of wages. In such a program, wages of $100 would produce a benefit of $50. If wages and prices both rise by 10 percent, the individual who is on the benefit rolls will have his benefit increased to $50 and the person who is still working will have his $100 wage increased to $110. If the benefit formula is left unchanged, both individuals would qualify for a $55 benefit. But under present law, the wage ceiling will increase to $50 and the person who will retire in the future with wages increased from $100 to $110 will get a benefit of $60.50 (55 percent of wages increased from $100 to $110). If the benefit formula is increased to $55 and the person who is under age 72 have their benefits reduced iZ their earnings exceed a certain percentage, the social security retirement cost. It is adjusted under present law to reflect changes in average wage levels.

In 1977, the amount which may be earned with no reduction in benefits is $5,000; it will increase to $3,240 in 1978 and is expected to increase to $6,480 in 1979.

Under provisions of the Senate bill, the retirement test levels would have been increased to $4,000 in 1978 and to $6,000 in 1979. After 1979, the $6,000 level would have increased automatically as wage levels rise. The Senate bill also reduced the age at which a retired worker may have unlimited earnings. The House bill, on the other hand, gradually phased out the retirement test for workers over 65. Under its provisions, the House legislation would have increased the earnings limitation between 1978 and 1981, and seven percent during fiscal year 1982. Thereafter, the earnings limitation would be reduced annually under present law to reflect changes in average wage levels.

For these reasons, I believe that Federal general revenues should be used in the future to support the financing of the hospital and disability insurance programs.

WELFARE PROVISIONS

Mr. President, the Senate-passed version relating to the aid to families with dependent children (AFDC) program. At least one of these provisions—the earned income disregard provisions—have made a significant substantive change in current Federal AFDC law, specifically concerning the treatment of earned income for AFDC recipients. This change would have had a substantial negative impact on working AFDC recipients.

During the Finance Committee deliberations I opposed the inclusion of any welfare-related provisions with the social security bill. I did this for three reasons: First, while welfare is not in any way related to the financing questions the Congress is attempting to deal with in social security, it should not be labeled as "germane" second, because an appropriate vehicle for the welfare provisions existed—H.R. 7200, a bill dealing with SSI, AFDC, and child welfare services, and third, because the Senate should deal with welfare-related matters in and of themselves, not as minor parts of other major legislation which deals with a different subject matter.

The Finance Committee did hold a vote on the question of merging the various welfare provisions found in H.R. 19510 with the social security bill. The committee decided to report two separate bills—one, a social security financing bill; the other a welfare reform bill. The administration supported this approach.

Just before the Finance Committee completed action on social security financing legislation, however, Senator Hruska and Senator Long and Senator Moynihan together with HEW Secretary Califano developed a compromise package of AFDC provisions, including: Fiscal relief, access to earnings records, quality control incentive payments, annual assessment projects. Recognizing the need for the States to have some fiscal relief to offset their AFDC costs, the members of the committee accepted this package as part of the social security amendments.

One other welfare provision, which was not part of the compromise, was also attached to the social security bill in committee—earned income disregard.

The House and Senate conferences spent a significant amount of time debating on the Senate's AFDC provisions. The House bill contained no such welfare items, and therefore, the House conferences felt strongly that any AFDC items should not be considered. The Members of the House, however, did show themselves to be eminent in regard to working out a compromise. I believe the agreements reached by the Senate and House conferences are the best possible, and I believe the conferees took two very important actions. They retained fiscal relief in a modified form and dropped the earned income disregard.

Under provisions of the Senate bill, the retirement test levels would have been increased to $4,000 in 1978 and to $6,000 in 1979. After 1979, the $6,000 level would have increased automatically as wage levels rise. The Senate bill also reduced the age at which a retired worker may have unlimited earnings. The Senate bill, on the other hand, gradually phased out the retirement test for workers over 65. Under its provisions, the Senate legislation would have increased the earnings limitation between 1978 and 1981, and seven percent during fiscal year 1982. Thereafter, the earnings limitation would be reduced annually under present law to reflect changes in average wage levels.

For these reasons, I believe that Federal general revenues should be used in the future to support the financing of the hospital and disability insurance programs.
FISCAL RELIEF

The conferees agreed to provide $187 million in fiscal relief to the States. This relief to the States will be based on a formula which takes into account each State’s relative proportion of AFDC costs for December 1976 and each State’s proportionate share of general revenue sharing. This formula is designed to recognize the tax and fiscal burdens imposed upon the States by welfare costs. In Wisconsin, for example, the State will receive 2.3 percent of all funds appropriated under this fiscal relief provision. The 6-month total to be received by Wisconsin will be $4,301,000. This is $374,000 more than the State would have received if the formula had been based solely on population totals.

The Senate bill originally contained $374 million in fiscal relief. In accepting one-half of this fiscal relief, the conferees felt that the remaining one-half—$187 million—should be considered with H.R. 7200, early next year.

EARNED INCOME DISREGARD

The conferees also agreed to eliminate the earned income disregard provision. I did not support this provision in committee, because the treatment of earned income under the AFDC program is a very important issue, an issue that deserves public hearings and thorough review by the Senate.

The rate at which AFDC benefits are reduced for each dollar earned has a very great bearing on the incentive to work. The Public Assistance Subcommittee in the House found this to be a very complicated and controversial issue. Consequently, the subcommittee has not yet been able to design a proposal that would not adversely affect the working poor, that would have a reasonable work incentive, and that would effectively remove any “high income” workers from the rolls.

The administration’s new welfare reform proposals place special emphasis on the need for the treatment of earned income to be on the work incentive and to focus on this issue in a responsible way in order to make sure that our welfare programs do provide an incentive to work, while not having unintended detrimental side effects.

The House also agreed to accept a noncontroversial component of the Senate bill, the provision enabling the States to have access to earnings records.

ADDITIONAL IMPROVEMENTS: QUALITY CONTROL INCENTIVE PAYMENTS AND STATE DEMONSTRATION PROJECTS

Quality control incentive payments. The conferees agreed to modifications to the Senate provisions concerning quality control incentive payments and State demonstration projects.

Both the House and Senate conferees decided that the Senate provision, which required the States to conduct quality control activities on a reimbursable basis and reimbursed the States for reducing error rates on excess payments to 4 percent or less, had to be modified so as to insure a balanced approach to error rate reduction. The conferees felt that the States should be encouraged to reduce their error rates on all errors—including overpayments, payments to ineligible recipients, and erroneous denials and terminations of aid.

Under the provision agreed to by the conferees, the Federal Government will make incentive payments based only on all error rates. The States should take this as a clear signal that underpayment errors and incorrect denials or terminations are considered equally as important and of concern as overpayment errors.

State demonstration projects. The conferees made several improvements in this provision to expedite State demonstration projects. Under the conference agreement any State submitting an application to operate such a project would have to, at the time of application, first, make an effective public announcement of their application; second, make copies available to any person requesting a copy of the State’s application; and third, receive public comment for at least 30 days.

The Department of Health, Education, and Welfare would be required to immediately, first, publish a notice in the Federal Register of an application with a summary of the application; second, make copies available to any person requesting a copy of a State’s application; and third, receive public comments for at least 30 days. HEW would have a total of 60 days from the time of submission to approve or disapprove the application.

The conferees also specified that any work demonstration project conducted by a State must pay the prevailing wage rates where applicable.

I believe the Senate approach to funding social security was better than the House approach. I regret that we did not accept the House provision for a general fund guarantee of the reserve ratio. I also regret that neither the Senate or House made any attempt to associate the proposed law with the economy. The President’s message said that economic recovery would not only be inflationary but also certainly hurt the economy.

For that reason, I was particularly glad to hear the President indicate to the business council last night that he intended to confer, I believe today, with the distinguished chairman of the Finance Committee, Senator Long, about a number of matters.

The President took a position last night at the business council which I was de- cided to accept a permanent, across-the-board tax cut next year. I hope we can have that just as expeditiously as possible. I hope we do not clutter it up with a lot of debate about the question of whether we should have a social security bill in the 11 years I have been In the Senate. I am sure that the distinguished chairman of the Finance Committee, Senator Long, will not be penalized for doing so.

I am also pleased that the bill takes an action which I have long advocated, which is decoupling. Decoupling correctly addresses the problem of the present law which would penalized some individuals to two cost-of-living increases—one as a contributor to the social security system and one later as a beneficiary. Decoupling increases half the projected deficits of the system and makes benefits more equitable.

I commend Senator Roth for offering the amendment to provide for a $250 college tuition tax credit. I introduced similar legislation during the 94th Congress and wholeheartedly support this idea. I am satisfied with the conference agreement on this issue, because of my firm belief that Congress should provide, help pay for the expense of a better educated American public asаП to the fact that someone will have to pay for it. That is why I think the equity, the 50–50 split, is a good idea. The taxpayers in the
Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent for the record that I may extend the period hereby granted Senator from Missouri (Mr. EAGLETON), and the material attached thereto.

STATEMENT BY SENATOR EAGLETON

In 1971, I first became aware of what I considered to be an injustice in the Social Security law when it came to widows. A woman must have been married for at least twenty years in order to receive a widow's benefit. In my opinion, this is a serious injustice because a woman who has been married less than twenty years may have spent most of her prime working years in the home taking care of the family, and as a result would be left with either no Social Security protection or a very meager benefit based on her own earnings. The law seems especially inequitable in view of the fact that a married woman may become entitled to a widow's benefit only after a one year of marriage or to a widow's benefit at her death after being married for a minimum of nine months.

Therefore, in the 81st, 82d, 83d, 84th, and 85th Congresses I have introduced legislation that would reduce from twenty to ten years the period of time that a divorced woman's marriage had to an individual in order for her to qualify for wife's or widow's benefits. Unfortunately, none of my bills were enacted into law by Congress, but I'm happy to note that the aim or intent of my legislation is included in the Social Security Financing Bill that we are presently considering. Therefore, I want to commend both House and Senate conference on the inclusion in this important provision in the compromise agreement.

Having said that, I want to publicly state my overall displeasure with the high tax increases contained in this compromise bill. I am afraid that this bill raises Social Security taxes beyond the breaking point for the average American worker and employer. In addition, I am also very concerned as to what effect this legislation will have on our nation's unemployment and inflation rates.

Mr. President, as I have indicated, some of the objections which I have previously raised concerning this bill have been addressed in conference. Unfortunately, the bill as reported still represents largely a "hasty" fix for social security financing problems. It does not adequately address the economic and em-

PAYROLL TAX—Up, Up, Up. (By Tom Wicker)

President Carter seems eager for House-Senate conference to break their deadlock on the major issue of a payroll tax credit so they can send him a finished Social Security bill. Mr. President, I urge the Conference Committee to give serious attention to the issues which I have raised.

...
Security bill in this calendar year. But the American wallet prudently put off the first payroll tax increases are regressive and severe. Under current law, a worker paying the maximum tax in 1979 would be hit for 6.0 percent of the first $18,900 of his earnings, or $1,131.45, which is bad enough; under the new bill, a worker at the maximum would pay 6.13 percent on $19,900, or $1,230.77, in 1979. How does a new one-year tax bite of $200.35 grab you?

By 1979, workers and employers will be taxed at 7.15 percent on the first $42,600 of income—$3,054.50 at the maximum. Thus, over the life of the bill, the payroll tax paid by the male worker will be nearly tripled, as will the matching taxes of their employers. These increases are inflationary, since it is an established economic fact that most employers pass on payroll tax increases to the consumer. Thus, the tax, which has had strong upward pressure on the price level in each of the years from 1979 that I have been here.

Despite the general inflationary effect, in some cases the bill might also work against employment. Some employers might either not hire or reduce their hiring efforts as a hedge against increasing employment costs. In addition to these effects on inflation and employment, the payroll tax increases will cut heavily into workers' buying power. At this time, Congress has managed a bill that will depress the economy and fuel inflation.

President Carter's plan to cut income taxes to compensate for these increases, even if passed, won't necessarily help that much. Annual income tax reduction will certainly not stop employers from passing weekly and monthly payroll tax increases to consumers; and whether payroll deductions for income taxes are more easy or difficult to manage, the buying power remains to be seen. Remember that Social Security comes "of the top" of the worker's income, an income that may be a refund at the end of the year won't put food on the table day by day.

Some may ask, "What can Congress do to keep the social security system going?" Well, it could have "saved" Social Security by doing what other industrialized countries do—feeding general fund revenues into a tripartite system supported by employers, employees and the general revenues for 24 to 48 percent of their social insurance funding; West Germany has been using 15 to 38 percent general funding since 1945 (I am informed by the Academy of the University of Maryland at Baltimore).

Most of the planners of the American Social Security Act (42 U.S.C. 401), including the workmen's compensation from 1930, that sometime in the 1900's it would become necessary to provide a social insurance program into the system. What's more, the Federal Government has been matching all medical insurance contributions, to the Medicare system since 1966. When the situation deteriorates in principle? Yet, Congress remains wedged to the myth that to support Social Security with general revenues would convert it to "welfare." Mr. Carter must know that's poppycock. He proposed unsuccessfully that in years when unemployment exceeds 6 percent, the Treasury should contribute the difference between Social Security taxes actually collected and what they would have totaled at 6 percent unemployment. His later proposal to lower payroll taxes in compensation for higher payroll taxes would indirectly divert general funds to Social Security financing. However, the Treasury would be provided for automatic Treasury loans to the Social Security trust funds if they fell below 25 percent of assets as the only sensible beginning step toward general funding did not survive.

Mr. Carter nevertheless is eager to claim the "rescue" of Social Security as a legislative achievement. Since the system is in no immediate danger (whatever alarmists say), this rescue will not substitute for a veto of this huge, inflationary tax increase and a new start next year.

Mr. THURMOND. Mr. President, I rise today as a strong supporter of the Social Security system. In these past months we have been faced with the difficult task of determining the best and most lasting way to sustain the retirement program on which millions of Americans depend.

After numerous hearings and extensive debate we have come to realize that we all have a tremendous responsibility to retain the current financing mechanism, which has proved inadequate in the face of inflation, unemployment, and growing retirement rolls; or we can vote to maintain a financially stable retirement fund through substantial tax increases on many hard-working, over-tax American. After considerable thought, I have decided to vote for the social security financing bill, as it stands now.

In the past a vote for social security legislation has come much easier for many members of this body. This is the first social security bill which has not been centered on increasing benefits for retirees. However, I consider my vote on this social security bill to be one of the most important I have cast on this subject.

The financial condition of the Social Security system demands immediate and substantive action. If the Senate rejects this reform proposal in order to retain the status quo, it will indicate to all Americans that, while we recognize the urgency of the social security problem, we are not willing to take the necessary steps and make the difficult decisions involved in providing an adequate remedy. Both the social security system and the economy in general would feel the damaging effects.

Mr. ROTH. Mr. President, there is no question that action must be taken to restore financial stability to the social security system. Social security is the first and major insurance for social security for most of our senior citizens, and it is absolutely necessary for steps to be taken to restore solvency to the system.

However, I am seriously concerned that this legislation is not the right answer to our social security problem.

It is important to recognize that the solvency of the social security system will not be threatened until at least 1982—5 years from now. A more orderly consideration of this legislation will have no impact on the stability of the social security system and will not affect the benefits of any social security recipients.

I do not believe the Congress spent enough time on this legislation to adequately consider this bill or to explore the whole range of alternatives. For example, I proposed an amendment to use a portion of any new tax revenues to help the social security system. This amendment would have located billions of dollars to the social security trust fund, and reduced the need for social security taxes proportionately.

There are more than 100 million people paying taxes to support the social security system, and my amendment would have provided some tax relief to all of them while still restoring financial stability to the trust fund.

Of course, it is getting for a quick-fix of social security by imposing billions of dollars of tax increases on the working men and women of this country. This bill imposes an additional $227 billion in tax increases this year, tripling the taxes imposed on the average middle-income worker.

These increased taxes on workers will reduce consumer purchasing power and create an enormous additional burden on the economy.

In addition, the increased taxes on employers will be passed along to consumers in the form of higher prices. These increased energy taxes will have less money to pay for higher-priced consumer goods.

I am seriously concerned that the increased social security taxes, combined with the increased energy taxes, will have a devastating impact on the economy.

This increased tax burden will slow economic growth, resulting in increased inflation and higher levels of unemployment.

I believe Congress must live up to its commitment to our senior citizens. The added burden will not be an economic burden. This increased tax burden will erode the public's support for the social security system.

Mr. WALLOP. Mr. President, the Senate and House conference of the social security bill has not agreed to a "compromise". The conference will be an effort to cut the cost of the social security bill, the conference deleted an amendment which would correct a gross inequity in the treatment of a minority of disabled workers. Under present law, a worker's monthly social security benefits must be reduced if he is also receiving workmen's compensation. Although their hard work is to be commended, I must voice my disagreement with their decision to delete amendment 1088 from the bill. This amendment would have added section 224, the workmen's compensation offset provision of the Social Security Act (42 U.S.C. 42a).

In their effort to cut the cost of the social security bill, the conference deleted an amendment which would correct a gross inequity in the treatment of a minority of disabled workers. Under present law, a worker's monthly social security benefits must be reduced if he is also receiving workmen's compensation. Disabled workers and their families under workmen's compensation are the only category of social security beneficiaries whose benefits are reduced, because of the receipt of nonwork income.

The Finance Committee agreed to accept this amendment, indicating that the committee recognizes the injustice of section 224 and the need to change this law. In the coming year, the Finance Committee intends to examine various aspects of the social security dis-
ability programs. I request that the Finance Committee hold special hearings on section 294 and the unintended inequities of this provision. Their efforts to investigate this problem and draft corrective legislation will benefit thousands of disabled workers and end the distortion of the workmen's compensation offset provision.

Mr. HATHAWAY. Mr. President, I urge my colleagues to support the social security conference report. No one likes to tax people, particularly when this bill has been labeled "the largest peacetime tax increase." I know that it is not popular. However, those entrusted with national office must make the difficult decisions. We must look beyond the next election to the next generation.

The social security trust funds are seriously depleted. If this Congress takes no action, the Old Age and Survivor's Fund will be bankrupt by 1983. The Disability Fund will be bankrupt by 1979.

There is no question that there are huge additional taxes imposed by this bill. The trust funds are now in surplus until at least 2030.

We cannot renege on the promises and commitments which have been made to those who are retired and those who will retire.

Acceptance of the conference report will keep faith with the American people.

In a Louis Harris poll which was recently released, 55 percent of the American people felt that "Congress is showing real courage in asking that taxes for social security be raised sharply to save the system." Thirty-one percent opposed the taxes, particularly the lower and middle income worker and insulates the small businessman from the steep wage and rate increases which are necessary as we retain parity. The Senate supported this improvement in the social security financing system. But the armies of big business and the legions of the high income employees convinced the House to strike the House-approved provision.

Either general revenue financing or disparity in wage base would have been preferable to the bill before us.

Another point needs to be made. There are some who will vote for the bill because, for example, repealing the retirement earnings test; yet refuse to vote the taxes to cover that benefit. These are the politicians with an eye on the reelection. I believe the Members of the Senate have greater vision.

I believe the American people support the social security system. I believe that they will accept the taxes necessary to pay for that system. I believe that my colleagues will vote to support that system through the conference report now before us.

Mr. MORGAN. Mr. President, I do not rise in opposition to the conference report on the social security bill, because I do not feel that such an approach would be constructive at this time. The provisions of the bill itself has been a hotly debated in both Houses of Congress and elsewhere, and it would serve little purpose to go over them again. But I do not want to reiterate my objection to our entire approach to social security financing, because I believe it has led to a stop gap bill, which will not do the job. I believe we will be back in 5 years or so to consider more social security financing amendments, despite the fact that the bill we have passed is being sold, nationwide, as a long-term solution to the system's problems.

The biggest step forward that we can take is to start treating social security as a political football and stop engaging in misleading rhetoric as to the purposes and problems of social security. Many people believe social security to be a supplementary pension, while in reality it is more of an insurance plan, the purpose of which is to provide some basic security for the elderly and disabled. This is a significant difference, leading to different policy decisions regarding benefit levels and eligibility, mandatory coverage and financing.

Two aspects of our approach to the social security problem especially trouble me. One is our acceptance of the idea that any cut in the inflation rate is rising at almost double the rate of inflation even after the enactment of this bill. This I will return to later.

Another serious problem is the economic and demographic assumptions used for the bill. The following assumptions were used by the Senate: A birth rate of 2.1 children per woman, and a rapidly improving economy reducing the rate of unemployment, 5 percent unemployment, 4 percent annual inflation, and a 1.75-percent increase in real wages by 1983. I ask unanimous consent that the following chart, drawn from the Finance Committee's background material relating to social security, which sets forth these assumptions in detail be entered in the Record at this point.

There being no objection, the chart was ordered to be printed in the Record, as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Percentage increase in average annual—</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wages in covered employment1</td>
</tr>
<tr>
<td></td>
<td>CPI</td>
</tr>
<tr>
<td>1977</td>
<td>8.4</td>
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<td>1978</td>
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<td>1981</td>
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<td>1982</td>
<td>6.0</td>
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<tr>
<td>1983</td>
<td>5.75</td>
</tr>
<tr>
<td>1984 and later</td>
<td>5.75</td>
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</tbody>
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1Expressed as the difference between percentage increases in average annual wages and average annual CPI.
2Average number of children born per 1,000 women in their lifetime.
3This ultimate total fertility rate is not reached until after 1984.


Mr. MORGAN. If the Nation holds to these goals, I will be pleased. It certainly would be a big improvement over what we have now. But I am not at all sure we will. We are betting on the success of the economic policies we certainly cannot count on as being effective, and we ignore factors beyond our control, such as the increase in the price of oil we have experienced. At stake is the solvency of the social security system. If any of our economic assumptions are...
just a little too optimistic, the result, will be both increased costs and lower revenues for social security. If we take a slightly less optimistic estimate of 5.5 percent inflation over the next 5 years, and a 1.5 percent annual inflation in 5 years, an estimate that is well within the range of possibility, the social security system will be about $50 billion poorer than what we now project in 10 years. So much for our optimism.

The past history of such economic projections as those we have used show a discouraging record. Beginning in 1973, the projections have been revised downward every year, which is not necessarily more pessimistic, until this year. But this year, when Congress was finally deciding what to make some action, all of a sudden the projections became more optimistic. By using more optimistic projections we understate the problem we are dealing with, thus making it easier to find solutions. I might have been able to accept these optimistic estimates, if we had a safety factor incorporated. Such a safety factor used to exist; it was about equal to 0.375 percent of taxable payroll. But in 1974 it was dropped. Why? The absence of such a basic precaution disturbs me. When we couplated with clearly optimistic projections, it is very, very worrying.

Unjustified optimism stands out clearly when one examines the birth rate figures. Last year, an estimate of 1.9 children per woman was used. This year the figure was revised to 2.1. Why? The birth rate in this country has been declining for more than 100 years, and now stands at 1.7. I understand that the provisions of our safety factor incorporated. Such a safety factor used to exist; it was about equal to 0.375 percent of taxable payroll. But in 1974 it was dropped. Why? The absence of such a basic precaution disturbs me. When we coupled with clearly optimistic projections, it is very, very worrying.

Unjustified optimism stands out clearly when one examines the birth rate figures. Last year, an estimate of 1.9 children per woman was used. This year the figure was revised to 2.1. Why? The birth rate in this country has been declining for more than 100 years, and now stands at 1.7. I understand that the provision for the current level an aberration, and believe it will begin to rise in the near future. But will it rise by 25 percent?

If the assumption that our birth rate will suddenly soar proves false, there simply will not be the work force we are counting on to support the social security system.

We also have to begin to worry about controlling costs. We not only have to worry about current cost projections, but the only way that this can be done is by reducing the number of functions the social security system itself is supposed to fulfill.

Another approach the Senate should examine is to expand coverage under the system. Social security is a program that serves the same purpose as the justice excluding large groups of people? Can the system survive if everyone is not included?

If 9.2 of all the exemptions from social security, the one that stands out is our. This must be immediately rectified, and I have introduced a bill that would bring the legislative branch into the system. It is not right that those who set the policy of the system, that those who have created it, do not take part. If we are not prepared to join social security, how can we force our constituents to?

In conclusion, I would like to stress how important it is that the Senate take the clear and essential need to take the immediate problem of the system up front and center. Social security is a program that serves the general welfare; can we justify excluding large groups of people? Can the system survive if everyone is not included?

We have to come to explicit conclusions concerning the purpose of social security and how we expect it to develop. We have to face and deal with the problems of the system besetting social security. If we act in our own interest, the problems of social security will be back with us.

Mr. STENNIS. Mr. President, while I, and I have grave reservations about the social security financing bill when it passed the Senate. I still have serious questions about this matter but I will vote to adopt the conference report which is now before the Senate.

My vote in favor of this legislation was and is dictated by my concern for the immediate solvency and financial integrity of the system. While the long term prospects of the system under existing law are very pessimistic, we are now confronted by the immediate problem that under current financing provisions and circumstances the social security trust funds almost certainly will be exhausted in the early 1980's. The pending legislation is primarily directed to this immediate problem.

The bleak financing difficulty which social security faces primarily arises from two important factors. In the first place, the number of active workers who are paying taxes to support the social security system is steadily declining in proportion to the number of beneficiaries. There are now 31 retirees per one hundred taxpaying workers and, shortly after the turn of the century, this will rise to 37. Since social security benefits are now being paid from current contributions, it is apparent that the increase in the ratio of beneficiaries to contributors necessarily calls for a prompt increase in employer and employee contributions if we are to prevent the system from collapsing of its own weight.

The second factor which contributes to the financial problem is the feature of the 1972 law which results in a double adjustment to or double indexing of increases in determining the cost of new benefits or general Increase in benefits to be paid. This indexing problem is being eliminated as far as future retirees are concerned by the pending legislation. I am glad that this necessary corrective action is being taken.

Nevertheless the problems which have accumulated in the past have brought us to the point that we must vote heavy new taxes on both employers and employees to prevent the collapse of the system in the near future. It is on this basis alone that I will vote for the conference report. My support rests solely on the clear and essential need to take immediate action to shore up the system financially.

When the social security bill was before the Senate, I voted against all proposals to add new benefits or to increase existing benefits. I continue to oppose any increase of the burden of the employee and employer on the cost of the program. The conferees also acted very wisely and I am also gratified that the conference report. My support rests solely on the clear and essential need to take immediate action to shore up the system financially.

I am also gratified that the conference agreed to stick with the traditional parity between employer and employee contributions. I believe it would be a serious mistake to depart from the traditional concept that the burden of financing social security benefits should fell equally on employer and employee. While provisions to require the employer to contribute more than the employee might seem attractive on the surface, I believe that it would have negative, unpleasant, and undesirable results in the long run.

I am also gratified that the conference also acted very wisely in ruling out any resort to the general fund of the Treasury to bolster or bail out the system. If we should ever authorize such resort to the general fund of the Treasury would almost certainly haunt us. We can be certain that once the precedent of raiding the Treasury to finance social security benefits was established, that precedent could be invoked, with the result that it would not be too long before we have a welfare rather than a retirement system.
I sincerely regret the necessity of imposing this new and heavy burden on the working people of this country. I voted for the bill only because of the imperative necessity to infuse the system with new financing or see it collapse. The alternative is too painful but it is the one course which will keep the system afloat.

There is one matter that I would emphasize very strongly as we consider this conference bill. I believe that the effect of the social security program is now on a pay-as-you-go basis. From this should arise the recognition that the added taxes which we are in the process of imposing are in the nature of a quick fix; all the clear need is for revenue benefits provided by existing law. They are not adequate to pay for new or expanded benefits that may be voted in the future. It is imperative that this be fully understood.

When we recognize this, Mr. President, I believe that we will also recognize the great need for present and future restraint in this area. If this is not done then the system, the system most certainly be again placed in jeopardy in the future. This must not happen.

I say with great emphasis that it is my hope that it will be fully understood that the increase in funding we are now considering will finance only the benefits the law now provides. There is absolutely no room to add or increase benefits without additional funding. It inevitably follows from this that any increase in benefits, expansion of coverage, or new benefits that the Congress may vote in the future must be funded by increases in contributions adopted at the time the new or additional benefits or coverage is provided. In short, Mr. President, all future legislation providing new or added benefits should contain the revenue increases which are necessary to instill that it will.

Voting future increased or added benefits without at the same time financing them adequately would be counter-productive at best. At worst, it would sow the seed for the system's destruction. I hope that this will be clearly understood by this and future Congresses.

Mr. RIEGLE. Mr. President, it is with the greatest reluctance that I feel I must vote today against the conference report on the Social Security Amendments of 1977.

This bill amounts to the largest peacetime tax increase in U.S. history in the single year it has. Under the conference bill, social security payroll taxes will increase by $227 billion over the next decade. This tax increase will retard our country's economic recovery, increase unemployment and inflation, reduce the income of wage earners, and hurt many small businesses. Contrary to some people's belief, the conference bill will not restore the long run financial solvency of our social system. Finally, there are other alternatives that can solve the long-term and short-term financing problems of our social security without hurting lower and middle income persons and our Nation's economy.

I am first concerned about the unfairness of the increases in a payroll tax that violates the basic principles of tax equity. Taxation should vary according to ability to pay, yet the social security tax is set at a flat percentage rate, up to a maximum wage base. Individuals making more than the wage base are subject to being taxed on the wage base, and so end up actually paying less as a percentage in social security taxes than lower income persons. Under the conference bill, for example an income tax of $100,000 in 1987 will pay only 3 percent in social security taxes, while someone earning $10,000 would pay over 7 percent. Furthermore, the payroll tax does not consider how many dependents a wage earner has, or any special medical or economic problems—the tax is set at the same percentage rate regardless.

Because it uses an unfair tax, this conference bill lays a greater than needed added tax burden on low and middle income persons. A wage earner making $10,000 now, for example—and who, with inflation, would be making about $18,000 in 1987—would pay 7 percent in social security taxes go from $585 this year to $3,331 in 1987—almost a 150 percent tax increase. If the Government is asking for tax sacrifices from middle-income Americans to keep their social security systems solven, the Government must at least ease the tax burden for lower and middle income persons by using a fair, progressive tax, and not the payroll tax.

I am also deeply concerned about the impact of this $227 billion tax hike on our sluggish economic recovery. Unemployment has not dropped over the past 8 months, remaining at the high rate of 7 percent. The rate of growth of our Nation's economy declined from 6.3 percent in the second quarter of this year to 4.7 percent in the third quarter. And yet at this time, with energy taxes and prices sure to increase, with the President's energy bill, we are proposing an increase in payroll taxes in 1979 and beyond by over $200 billion. This is hardly likely to stimulate the confidence—and spending—by the employers and businesses that we need to get our economic recovery moving, and get more people back to work.

By increasing payroll taxes for both employers and employees, the conference bill directly increases employers' labor costs by a vast degree. This amounts to an "Anti-Employment Tax," encouraging businesses to substitute machines for people whenever possible and discouraging businesses from hiring additional employees. Large corporations with enough demand for their products will try to increase their prices to cover their higher labor costs, leading to a higher rate of inflation. On the other hand, many labor-intensive businesses—often small, marginal businesses operating in economically depressed communities—will be unable to meet these increased labor costs. Some will go out of business, increasing unemployment in many economically depressed larger cities and smaller communities.

Mr. President, maintaining a financially sound social security system paying adequate benefits is of the highest priority for me. The current bill, however, is simply a stop-gap measure for the next 75 years for a long-range financial problem. Under the conference bill, our social security system will still be short over the next 75 years by about 1.5 percent of taxable payroll. This means that we may have to cut social security benefits. Furthermore, the bill achieves this much only by cutting back on future benefit increases. Under this bill, senior citizens will receive about $1,100 in added benefits in 1987, and some $3 billion less in 1982 than they otherwise would have, a total net increase of $5 billion less than they would under current law.

If we want only a short-range solution for the social security financing problem, there are many better alternatives that could be transferred from the old age and survivors' fund to the disability fund, which faces the most severe short-term needs. One possible alternative is President Carter's proposal to put enough general revenues to make up for the revenue short-fall when unemployment is high and payrolls are low, 10 percent now. I strongly support this move to begin the process of making the general fund to finance shortfalls in social security revenues. All of these alternatives would help keep the funds solvent for several years into the future, giving us ample time to develop and sounder and fairer long-term financing solutions.

Over the long run, we should be moving to finance a portion of social security out of general tax revenues. Although our general tax system has many shortcomings and loopholes, and desperately needs reform, it is still much more productive than the social security tax. Furthermore, with the general tax system we have the advantage of not being forced to artificially encourage, regardless of economic efficiency, the use of social security by businesses in lieu of the payment of real labor, as we are with social security taxes.

Finally, by funding a portion of social security out of general revenues we can alleviate an unnecessary conflict between needy senior citizens and hard-pressed middle and lower income wage earners—both of whom have pressing needs that we should recognize. There will always be conflicts between different national goals, and we will always face the constraints of limited resources. But the present system artificially forces us to choose between increasing our present inadequate social security benefits and preventing further increases in an unfair tax on lower and middle income wage earners. Both senior citizens and middle-income persons would be better served if a portion of social security is paid for out of general revenues.

Mr. President, I fully realize that in all likelihood the conference report will pass this week, and I will vote for it by the American people. But in all good conscience, I could not vote for an unfair tax increase that hurts our economy without resolving the basic problems of financing our social security system. The present bill serves neither the interests of senior citizens nor the needs of our Nation's economy.
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December 15, 1977

nor the public as a whole. We need to make many reforms in our present system of financing social security, and I hope the Congress will look more favorably in the future on the changes I have suggested here today.

Mr. BARTLETT. Today we have passed a revision to the social security financing provisions which will have a heavy impact on the system in order to treat men and women equally under the Social Security Act.

Third. The expansion of the earnings limitation provision. Although we have completely removed this provision, and I still feel that there is absolutely no necessity to penalize the senior citizen for attempting to earn additional money, the provision to ultimately increase the earnings limitation to $6,000 is a step in the right direction.

The social security system has become the resting place of many programs, which are related to the original intention of assisting senior citizens after retirement. There are many programs which are more related to our social welfare system than they are under the social security program. It is my belief that we should remove these future benefits from the social security program. Only then will we be able to address the whole array of benefits programs under social security.

Before we raise the taxes on employers and employees, we should have considered whether or not we were going to make the citizens of this country aware of what we are actually paying for, and who is receiving the benefits.

With this full and complete identification, a substantive debate could have gone on, both in the appropriate committees as well as on the floor of the Senate, and determinations could have been made as to whether or not the certain programs which should have been removed from the social security program, or whether or not some benefits should be available at all.

From an economic standpoint, increasing payroll taxes is the worst way to fight inflation and unemployment which continue to plague our economy. Employers will pass forward increased payroll taxes to the consuming public and will have even less incentive to hire workers, especially at lower economic levels where the government's most needed workers are needed.

Unemployment is now at a level of 10 percent for black youth. First the Congress failed to pass a youth differential paid to long term unemployed. Second. The provisions to analyze the discriminatory measures which are paid by the private sector. So that is paying into the private sector. That is the only explanation for the haste with which this legislation has been approved, and it is not satisfactory. Next time, and it will not be far off, the Congress should act more deliberately to fund social security in part from general revenues, or by other means that are not damaging to the economy and American workers.

Mr. HATCH. Mr. President, I realize that many of my colleagues today will vote for this massive increase in social security taxes thinking that they will be saving the system. I would like to make one point. The harm we do follows from good intentions that are not thought out. We are simply sitting here thinking that the social security system needs more money, and in reality the taxes there will be more money for social security. Unfortunately for the American people, this line of reasoning is wrong. The amount of money available for social security 1978 is a function of the only tax rates, but also a function of the number of jobs in the private sector that are paying into the system. We cannot increase the social security tax on earnings by $27 billion over the next decade, as we are about to do today, without substantially reducing the number of new jobs that will be created over the next decade. The result of this massive new tax on employment will be fewer people paying in. We are going to have a system of high rates paid by few people. Instead of low rates paid by many people. Instead of breathing new life into social security, we are taxing it to death.

Joint Economic Committee staffs have computed that this $27 billion increase in taxes will force wages to grow over the next decade by $345 billion less. What are doing here today means a loss of $345 billion in GNP over the next decade. This means in terms of jobs and wages to lose $345 billion in GNP if all of the lost GNP comes out of Jobs it means that the next decade will see 15 million fewer new jobs. That means 19 million fewer people paying into social security. On the other hand, if all of the lost GNP comes out of wages, it means that the average worker will pay $2,765 less than otherwise. Obviously, some of the lost GNP that this tax increase will cause will come out of new jobs and part out of higher wages. If the burden of this tax falls half on new jobs and half on existing job, about 10 million lost jobs and $1,380 less pay jobs per.

Mr. President, you cannot increase social security taxes without having to expect to have the same amount of employment and wages. If factors of production responded to taxes in this way, the Government could raise an infinite amount of tax revenues without reducing the two most significant economic measures we have passed this year—the minimum wage and social security bills.

In the next few years, the public will resist this crushing tax burden that this bill imposes, and the subject will be back. It is a shortsighted Congress that acts irresponsibly this year in order to avoid responsibly the action next year, an action which is the only explanation for the haste with which this legislation has been approved, and it is not satisfactory. Next time, and it will not be far off, the Congress should act more deliberately to fund social security in part from general revenues, or by other means that are not damaging to the economy and American workers.
the production of anything. It would be utopia.

Existing social security tax rate increases already scheduled will raise the tax on employment by $2.5 billion a year starting in 1978. On top of this we are piling an average of $25 billion more a year for a decade. For many people, social security taxes will triple in the next ten years. Even people who face more modest increases will be badly hurt, because, for many families, social security taxes are already higher than their income taxes, property taxes, or sales taxes.

These enormous tax rate increases will drive an even larger tax wedge between what a firm must pay to hire a worker, and what that worker gets to take home. This tax wedge increase will discourage both hiring and work effort. It will discourage hiring by raising labor costs. It will discourage work effort by reducing the amount of any overtime pay or wage increase that a worker will be allowed to keep.

The combined effect of these impacts will be to reduce jobs and GNP. Less output means higher prices. And higher prices will mean higher taxes, less investment, less job formation, and so on. The whole process that we are setting off today will produce a high rate of unemployment that will further undermine the social security system.

I am in favor of social security. But I am also in favor of unemployment. We cannot strengthen social security by increasing unemployment.

The Senate is going to make a bad mistake today, and there is no reason to make it. If instead of raising taxes on employment, we reduced taxes on employment, we would generate enough new growth in GNP that we would not need to raise the social security tax rates. We would be doing anything but raising taxes, and the ceilings on the income to which the tax is applied at the same rate that the economy grew. We would not, as we are doing today, have to increase social security taxes on a percent of wages.

The way to save the social security system is to make it more profitable to hire and to work, not less. This Congress has got to learn that when we raise taxes, we also generate disincentives throughout the system. These disincentives reduce the base on which the tax is levied, so we do not get the revenues we expect. On the other hand, when we reduce tax rates, we produce new incentives throughout the system. These incentives make the tax base grow, so we get more revenues than we expect.

Mr. President, I have to vote against this measure to raise the tax on employment by $227 billion, because I believe this measure will seriously damage employment, the economy, and the social security system.

Mr. President, no one who understands the disincentive effects of tax increases, and who also believes in the social security system, can possibly vote in favor of this measure. It is because I am a strong supporter of social security that I am forced to vote against this measure that will reduce greatly the number of working people paying into the system.

The PRESIDING OFFICER. The question is on agreeing to the conference report. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

(Senator HODGES assumed the chair.)

Mr. STEVENSON. Mr. President, on this vote, I have a pair with the Senator from Washington (Mr. MAGNUSON). If he were present and voting, he would vote "aye." If I were at liberty to vote, I would vote "nay." Therefore, I will withhold my vote.

Mr. CRANSTON. I announce that the Senator from Alabama (Mr. ALLEN), the Senator from Minnesota (Mr. ANDE- rson), the Senator from Florida (Mr. CHILES), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Ken- tucky (Mr. HUBBOLD), the Senator from Washing- ton (Mr. MAGNUSON), the Senator from New Hampshire (Mr. Mc- INTYRE), the Senator from Alabama (Mr. SPARKMAN), the Senator from New Jer- sey (Mr. WILLIAMS), the Senator from Idaho (Mr. HUMPHREY), and the Senator from Minnesota (Mr. HUMPHREY) are necessarily absent.

I further announce that the Senator from Arizona (Mr. DECONCINI), the Sen- ator from Colorado (Mr. CAVALASSI), and the Senator from South Dakota (Mr. Mc- GOVERN) are absent on official business.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "aye."

On this vote, the Senator from Ken- tucky (Mr. HUBBOLD) is paired with the Senator from Idaho (Mr. CHURCH).

If present and voting, the Senator from Kentucky would vote "nay" and the Senator from Idaho would vote "nay."

On this vote, the Senator from Alaska (Mr. GRAVEL) is paired with the Senator from Mississippi (Mr. ANDERSON). If present and voting, the Senator from Alaska would vote "aye" and the Senator from Minnesota would vote "nay."

Mr. STEVENS. I announce that the Senator for Rhode Island (Mr. CHAFEE), the Senator from New Mexico (Mr. DOMENICI), the Senator from Michigan (Mr. GIFFIN), the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HAY), the Senator from New York (Mr. JAVITS), and the Senator from Maryland (Mr. MATHIAS) are necessarily absent.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD) and the Senator from New York (Mr. JAVITS) would each vote "aye."

The result was announced—yeas 56, nays 21, as follows:

[Roll Call Vote No. 636 Leg.]

YEAS—56

Baker
Boggs
Byrd
Byrd, Sr.
Durbin
Ford
Baker, L.
Boggs, L.
Bentsen
Bentsen, L.
Bentson
Boling
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Byrd, F. J.
Crimea
Cannon
Canfield
Carolyn
Carson
Claiborne
Clark
Clark, P.
Clarkson
Clay
Cleaver
Cleaves
Coakley
Coates
Collins
Collins, H.
Collins, J.
Collins, L.
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Conn, H.
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Courlander
Cranston
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Davis, J.
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Davis, W.
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money, on a dollar-for-dollar basis, so that people's purchasing power will be maintained after the increased social security contribution as it was before.

I thank the Chair for permission to make these remarks.

Mr. ROBERT C. BYRD. Mr. President, when the social security financing amendments were considered earlier this year on the Senate floor, I stressed the need for us to act in this session to protect the financial soundness of the social security system. The Senate by its favorable action this afternoon on the conference report on social security has insured that benefits under the system will continue to be secure for the current and next generation of beneficiaries. It is no exaggeration to say that some 33 million retirees, dependents, and disabled persons who are currently receiving benefits under the system owe a debt of gratitude to the distinguished chairman of the Finance Committee who managed the bill on the part of the Senate at the recently completed conference. It is through the dint of his efforts, his untiring efforts, that the conference was brought to a successful completion.

I would be remiss if I were not also to point to the major contribution on every step along the way which has been made by Senator Nelson. On all matters relating to social security he serves the committee, as well as the Senate, as the respected expert. Last, I am pleased to be able to say that there would have been no social security bill this year without the diligent service of Senator Curtis.

Mr. President, social security is one of the most important pieces of social legislation ever passed by Congress, with almost every American intimately connected with the system in one way or the other. I believe that by our action today to place the social security system on a firm financial footing we have met our collective responsibility to the American people.

I do not underestimate the impact on the American economy of the tax increases the bill will provide. They are expected to be substantial. Tax stimulative measures which will be taken up next year by Congress will certainly need to take these increases into account.
The Speaker pro tempore. The gentleman from Florida (Mr. Pepper) is recognized for 1 hour.

Mr. Pepper. Mr. Speaker, this resolution provides for the consideration of a conference report on the Social Security Amendments of 1977 (H.R. 9346). This rule will waive all points of order so that this most important conference report might be considered by the House of Representatives.

Mr. Speaker, I need not remind my colleagues that this is one of the most important measures which has ever been before this House because it sustains and insures the hope of millions of Americans, who have no other source of income in their later years except what they derive from social security, that this fund is going to be a solvent fund and what we promised them is going to be delivered to them. This special feature will strengthen the social security system, not just for the immediate future, but far into the next century. While this may entail increases in the tax rates commencing in the coming year and thereafter in the coming century and even beyond, the benefits afforded to our citizens dating back to my first years in the Senate during the New Deal era will be guaranteed. Among important provisions of the bill are the increase in earnings allowed for beneficiaries who are 65 years of age and older. This amount will be increased to $4,000 in 1976, and by yearly progressions, to $5,000 in 1982.

Additionally, the retirement income test will be lowered from age 72 to age 70 in the year 1982. Mr. Speaker, I need not hesitate to disclose that my own sentiments are that it would have been far better had we written a more generous provision for the recipients of social security without any diminution in social security benefits, but that is the time. We shall keep fighting until we do assure that elderly people who are in retirement and who are the recipients of social security will be able to earn all they can without the restriction of the low-income brackets of our country.

The bill also includes welfare provisions and miscellaneous provisions, such as the duration-of-marriage requirements, which would reduce the period of time to 10 years from the present 20 years. That is a very meaningful provision to many of the people in many parts of the country. Now, under this provision in the conference report, if a lady has been married to Husband A for as much as 10 years and then he passes away and she is deriving social security benefits through the husband, if she marries again and is married to Husband B, she will be able to continue to enjoy fully the social security benefits she derived previously under Husband A. That makes it possible for many people who are lonely to find by marriage with another person of the opposite sex and insure that they will have a substantial increase in their joint income by their happy union. This will be more fully detailed, I am sure, by the distinguished chairman of the Committee on Ways and Means in further discussions of the conference report.

Mr. Speaker, I know that every Member of this House wishes to pay deserved tribute to the distinguished chairman of the Committee on Ways and Means, the gentleman from Oregon (Mr. Ullman), for the masterful manner in which he represented the House which presented the House and represented the people of this country in the confirmation of this conference report. This legislation is vitally important to the long-term soundness of the social security system.

I have been asked by citizens, as I am sure many other Members of the House have, is the social security fund dependable and sound? My answer to that has been this: that if a Government bond or a dollar of the U.S. currency is good, then the social security commitments made by the Government of our country are going to be explicitly discharged according to the obligation. This bill assures that for many years into the future.

There is an increase in the social security tax, and that is graduated over a period of years. Equity is retained at the 50-50 level of contributions by employers and employees. I think all of us look forward to the time when we may be able to devise a better system of supporting and providing the funds for the social security program than the one in which the burden is put upon the payrolls of employers and upon the employees of this country.

But this is a necessary step in the direction of solvency and the soundness of the fund. These improvements can and will, I am assured, come in due course.

Moreover, it is, more or less, the contribution relating to the benefits base that is phased in over 3 years, with no change for 1978 and with automatic ad
djustments after 1981.

In addition to the provisions I have mentioned, there are three studies authorized by this legislation. We are familiar, of course, with the study required by the Fisher amendment adopted by the House which will look at the feasibility of incorporating Federal employees into the social security system. Another study will be made which will determine precisely what legislation would be necessary to eliminate gender-based discrimi
nation from the social security system. This study should take approximately 6 months, and additional legislation will certainly be recommended on this basis. Mr. Speaker, it is my understanding that this legislation will commence a 25-year surplus for the Social Security Trust Fund, followed by a gradual decline in the reserves-to-benefits ratio. The able chairman of the Committee on Ways and Means has stated that the 75 year outlook is for a deficit of 1.46 percent, and that is well within correctable limits as demographic changes may develop.

So, Mr. Speaker, we are offering to the American people, so many of whom depend upon social security for either all or part of their sustenance and support, an economy of the Nation, to American business, some of which are controversial and that is legislation ill commence a 25-

years aid Means has stated that the
dine In the reserves-to-benefits ratio.

Mr. Speaker, I yield back the balance of my time.

Mr. ROUSSELOT. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Illinois (Mr. ANDERSON).

Does the gentleman from Illinois wish to yield time?

Mr. ANDERSON of Illinois. Mr. Speaker, I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Speaker, I thank my colleague for yielding.

I make the point of order that a quorum is not present.

The SPEAKER pro tempore. Does the gentleman from California (Mr. ROUSSELOT) move a call of the House?

Mr. ROUSSELOT. Mr. Speaker, I will be glad to move a call of the House.

CALL OF THE HOUSE

Mr. ROUSSELOT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 779]

[Members listed]

By unanimous consent, further proceedings under the call were dispensed with.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate agrees to 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. 9346, entitled "An act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wages and price fluctuations on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination in the social security program, and for other purposes."

CONFERENCE REPORT ON H.R. 9346, SOCIAL SECURITY AMENDMENTS OF 1977

The SPEAKER pro tempore. The Chair recognizes the gentleman from Illinois (Mr. ANDERSON).

Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON. Mr. Speaker, I yield myself 11 minutes.

Mr. Speaker, I rise in opposition to the rule. This rule, which was approved just before noon today, provides that the conference report shall be considered as having been read and waived all points of order against the conference report.

I oppose this rule for several reasons. First, we are moving too quickly on this important matter which affects nearly every American. We are being asked to consider a conference report that was filed just this morning. Indeed, the explanation of the conference agreement was made available only late yesterday afternoon. We are taking an unusual step, one which usually requires an extraordinary majority for passage, of considering a rule on the same day as reported from Rules Committee. Like lemmings in their annual rush to the sea, we are being asked to plunge into a new wave of taxes without giving more than 24 hours of thought to the consequences. To move more cautiously would, I think, be prudent.

Second, I object to the indiscriminate waiver of all points or order on the conference report. Let me detail what this covers. Not only is this a violation of the 3-day layover rule on conference reports, but it prevents points of order on two important substantive areas. First, in somewhat typical fashion, the other body attached five amendments dealing with welfare programs to the House bill. These are not minor amendments—one provides a $187 million payment to States for fiscal relief. Each of these
amendments were, in some form, adopted by House conferees. I would typically object to any amendment by nonGerman Senate riders, but in this case, I recognize that the amendment was a refinement of the Social Security Act, the Social Security Administration, and AFDC welfare programs. Have they chosen to act on this bill? Did they consider adding their desired welfare changes to our bill dealing with welfare? No, they have not, and I think we need to consider the changes to our social security bill, a virtually unrelated matter. The House Members having jurisdiction over welfare were not able to consider changes—they were not conferees on the social security bill. I respect the rules of this body. This type of action strengthens my convictions that our rules requiring germaneness are important. Too important to be waived in this case.

A second proper point of order could be raised against this conference report. This concerns a Senate amendment converting temporary law judges to permanent status. The conference report agreed to the Senate amendment, but an explanation was raised this morning in Rules Committee by the chairman of the Subcommittee on Employee, Ethics and Independence for a temporary court. This matter falls outside the subcommittee's jurisdiction, yet she is not allowed, under the rule now before us, to seek to delete it. The provision is an unusual one. I do not think it makes an end run around the merit system, allowing temporary employees to be given a permanent job without proving their competence.

We are being asked to consider the immediate passage of a conference report that will raise $227 billion in more taxes over the next 10 years. At the same time, we are being asked to wait for information that is being delayed until next year so that a more rational economic policy could be developed.

Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. Coughlin).

Mr. COUGHLIN. It seems to me, Mr. Speaker, that since this tax credit for education has been under consideration by the House Ways and Means Committee, the Senate Finance Committee, and the Senate Education Committee, it is high time that it be brought to the floor for a vote.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield myself 2 minutes for the purpose of addressing a question to the chairman of the Committee on Ways and Means, the gentleman from Oregon (Mr. Ullman).

I have just been informed that in a commentary that was carried this morning on one of the national networks very serious charges of incompetence were made against some of the administrative law judges who are included in the nonGerman Senate amendment on which we are waiving a point of order under this rule. Some of those people were challenged as being incompetent. Under this amendment they would be frozen into lifetime jobs at an even higher salary than the one they now enjoy.

I wonder if the committee chairman has heard that report or if any discussion of that matter was had in the conference committee when this amendment was adopted?

Mr. ULLMAN. Mr. Speaker, I yield the gentleman from Oregon.

Mr. ANDERSON of Illinois. Mr. Speaker, let me inform the gentleman that I cannot hear the report. I have no knowledge and no information whatsoever as to the charges that were levied. As far as I am concerned, there is certainly no validity to them at this point.

However, let me say that this is a matter that has been too long delayed. We have fallen too far behind in our hearings. I believe we have now established an orderly procedure for meeting the issue. We have delayed our actions so
to the positions of these judges, and this bill merely says that they shall be converted to regular administrative law judges.

Conversant to the ALJ provision in the bill, I would like to correct a distortion of our committee report—House Report No. 95-817, part 1—which was made at the Rules Committee this morning. It was stated blandly, in a bunch of incompetents and that the Ways and Means Committee report so acknowledges this. So for the purposes of the Record I would like the full report published in the Record of the legislative in the proper perspective:

CONVERSION OF TEMPORARY ADMINISTRATIVE LAW JUDGES

PURPOSE AND SCOPE

The purpose of H.R. 5723 is to convert to regular Administrative Law Judges (ALJ's) the temporary ALJ's who were appointed under Public Law 94-202 to hear cases under title II, XVI, and XIX of the Social Security Act of 1972. These hearings officers have been conducting hearings under the provisions of the Administrative Procedure Act, as the same existed under the Social Security Act of 1972.

The Bill states that the conversion, which is organized under the Social Security Act, is to provide a means to convert the positions of the temporary ALJ's to positions of regular ALJ's. This would be a proper course of action as long as the Congress understood in enacting Public Law 94-202 that the conversion would be made to positions of regular ALJ's. Moreover, such a development is highly appropriate since they are doing the same work as regular ALJ's in an equally effective manner.

GENERAL DISCUSSION

This legislation is necessary because the Civil Service Commission has disregarded the legislative intent under the Public Law 94-202, which provides for the conversion of the ALJ's to regular positions. In the case of the Ways and Means Committee and the Senate Finance Committee, that these hearings officers would be expeditedly converted to regular positions was a fact the Ways and Means Committee had been aware of since the beginning. The Ways and Means Committee, in the position of a Senate Committee, has not only been aware of the conversion of the ALJ's but has been substantially ignored.

Your committee regrets that it must by-pass the Civil Service Commission's report on the subject but it feels that the matter should be addressed by the Senate in due course. As for the purposes of the legislative history, has been substantially ignored.

Your committee emphasizes that such conduct by a few individuals is not characteristic of the ALJ's or the Social Security Administration. The former temporary Black ALJ's and regular ALJ's who are not producing the number and quality of decisions which will enable the Bureau to meet its statutory responsibilities. Your committee is also aware that no AU's have been removed for cause, but that there have been numerous instances where either singly or in combination the following conduct has exhibited: (1) Consistently bad decision writing which prevents proper award implementation; (2) Lack of documentation of cases so that decisions are chronically decided on insufficient evidence; (3) Blatant disregard of applicable laws, regulations, and Social Security rules; and (4) A level of production of cases clearly inconsistent with the workloads and requirements of the Social Security programs.

Your committee emphasizes that such conduct by a few individuals is not characteristic of these ALJ's. The former temporary Black ALJ's or the Social Security Administration. The former temporary Black ALJ's and regular ALJ's who are responding to the continuing appeals crisis in an exemplary manner. Your committee is fully aware that the ALJ's independence from agency control must be safeguarded in accordance with the provisions and requirements of the Administrative Procedure Act, but "career-absolute" status is not a license for the complete neglect of a reasonable standard of conduct and job performance. The Chairman of the Civil Service Commission has written in answer to the question whether lack of productivity can be the proper cause of adverse action by an agency:

"The independence provided by the Administrative Procedure Act (the Commission classifies its administrative law judges and determines good cause for removal) is to safeguard the decisional process. Thus, specifically, paragraph 1(b) of the Administrative Procedure Act, as with all due regard for the Civil Service Commission's interpretation of the law, an ALJ is an employee of the agency, fully responsible and accountable for his conduct and performance of duty, and adherence to reasonable standards of production, if such standards have been established by the agency. It should be the policy of all agencies to establish and enforce reasonable and realistic standards of performance in the establishment of the programs. Programs of this type dealing with standards and more effective case management have been established both at the federal level and theADED standards and rules and any additional standards and rules established by the agency. We are unaware of any impediment, legal or otherwise, to justifying the establishment of such standards and rules for the subject matter contained in the bill.

The committee has been advised of, and supports, a Bureau of Hearings and Appeals position that the Social Security Administration for its efforts and the success achieved in increased ALJ productivity, but they suspend any review of cases and adequate quality assurance.

The Civil Service Commission has indicated that it will take action against deficient ALJ's. The Administrative Procedure Act to remove "for cause" if charges are brought by the employing agency and are sustained after a hearing. Although the Bureau of Hearings and Appeals maintains that such actions are "difficult and complex" they are in the process of preparing charges in a number of appropriate cases. This action is to be commended and encouraged.

ANALYSIS OF H.R. 5723

H.R. 5723 would provide that the hearing officers appointed under Public Law 94-202 to hold hearings for the Social Security Administration would be appointed and governed by the provisions of the Administrative Procedure Act of Public Law 94-202. These officers would be appointed to regular ALJ positions as if they had been appointed under the Administrative Procedure Act, section 5 of title 5, United States Code. They would have the same authority and tenure as hearing examiners appointed directly by the Civil Service Commission under the provisions of section 3345(b) of title 5, United States Code. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5. The former temporary Black ALJ's or the Social Security Administration would have the same authority and tenure as hearing examiners appointed directly under section 3345(b) of title 5.
In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, your committee states that this bill would not have any inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost of the bill: The enactment of H.R. 5723 would not add to the cost of the social security programs, since it should result in some saving to the program since the cost of hiring and training new hearing examiners would be saved without it.

Mr. WAGGONNER. Mr. Speaker, will the gentleman yield?
Mr. ANDERSON of Illinois. I yield to the gentleman from Louisiana.

Mr. WAGGONNER. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, in further response to the gentleman's query of the chairman of the committee, I think it needs to be said that the Committee on Ways and Means held hearings on this subject, and nothing of that nature of which the gentleman speaks developed during the course of those hearings. The committee did, without objection, report a bill that is designed to do exactly what the Senator from New Jersey said, and it was for that reason the Senate amendment was agreed to.

Mr. PEPPER. Mr. Speaker, I yield 5 minutes to the gentlewoman from Colorado (Mrs. SCHROEDER).

(Mrs. SCHROEDER asked and was given permission to revise and extend her remarks.)

MRS. SCHROEDER. Squirrel away in section 371 of the conference report on H.R. 9346, the social security financing bill, is an early Christmas present for about 150 employees at the Social Security Administration long-term, lifetime Federal jobs.

This is an unprecedented action. Never before have we seen anything of the kind. The Senate amendment states that this section is clearly not germane to this bill; the enactment of this section is identical to section 371. This bill was amended the Senate would have gone ahead and done it anyway.

Mr. Speaker, in further response to the gentleman's query of the chairman of the committee, I think it needs to be said that the Committee on Ways and Means held hearings on this subject, and nothing of that nature of which the gentleman speaks developed during the course of those hearings. The committee did, without objection, report a bill that is designed to do exactly what the Senator from New Jersey said, and it was for that reason the Senate amendment was agreed to.

Mr. PEPPER. Mr. Speaker, I yield 5 minutes to the gentlewoman from Colorado (Mrs. SCHROEDER).

(Mrs. SCHROEDER asked and was given permission to revise and extend her remarks.)

MRS. SCHROEDER. Squirrel away in section 371 of the conference report on H.R. 9346, the social security financing bill, is an early Christmas present for about 150 employees at the Social Security Administration long-term, lifetime Federal jobs as GS-15 administrative law judges (ALJs) starting at $36,171 per year.

There are quite a few reasons why section 107 deserves quick excision from this bill.

First, there is a bill, H.R. 5723, which is identical to section 371. This bill was jointly referred to the Committees on Ways and Means and the Committee on Post Office and Civil Service. We were very surprised, after we had been working very hard with them. None of these temporary people's tenure run out for another year. Therefore, there is no need to do this in the haste of the last minute. The new Commissioners are working very hard with them. They are now going to give the temporaries seven points for their experience as temporary ALJs.

Mr. Speaker, I think that is going to work out very nicely. Therefore, there is no need for the haste. Those who are qualified will be promoted.

Second, it will not do anything really about the case backlog. It would not add any new numbers whatever. It keeps the same numbers. It just rives the temporaries an automatic promotion without any qualification.

Third, there has been some question as to whether or not the people were qualified. Some of them obviously have not felt qualified because they have not even applied for the promotion. Maybe some are and maybe some are not; but if we make an end-run around the merit system and say that all of them automatically become GS-15's, even if some of them may not be qualified and may not be doing a good job, I do not think this House is doing anybody a great favor.

Mr. Speaker, one of the things that has happened in the past was that all of these agencies started to want more and more supergrades, so this House started to add new supergrades in all sorts of places.

I see this the opening of a new loophole. Many will demand promotions no matter where they come from. The Members can always say that if we do not promote them, they will not administer properly. Therefore, we will always have to make an end-run around the merit system and say that all of them automatically become GS-15's, even if some of them may not be qualified and may not be doing a good job, I do not think this House is doing anybody a great favor.

For example, Mr. Speaker, let us take airports. We can see this coming in airport legislation, with people saying that if we do not promote all the air-traffic controllers, they cannot administer the act properly, so forget the merit systems.

I am dismayed that we did not get a rule which will allow us to make a point of order against this section, thereby
allowing the Committee on Post Office and Civil Service to bring its bill to the floor on a joint referral from the Committee on Ways and Means so that we could vote on it. Speaker, will the gentlewoman yield? 

Mr. SCHROEDER. I yield to the gentleman from Massachusetts. 

Mr. BURKE of Massachusetts, Mr. Speaker, will the gentlewoman yield? 

Mrs. SCHROEDER. I yield to the gentleman from Massachusetts. 

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to remind the gentlewoman from Colorado (Mrs. Schroeder) that the whole thrust of this legislation is to clean up the backlog of over 90,000 disability cases. It was as high as 113,000, and we are trying to pare that down. 

It has been the result of the roadblock operation of the Civil Service Commission which has prevented those people who are entitled to hearings from being heard. It is a scandal in this country that we are allowing disabled people who never even get a chance to be heard. They leave this world; they die after 18 months or so, and they never get a chance to have their cases acted upon. 

Mr. Speaker, I think our moral judgment demands that we do give these people a chance to be heard. I can agree with a lot that the gentlewoman says. However, the important things are to give these people a chance to be heard. 

Second, Mr. Speaker, this creates no new positions. It really does not help us working with us. In 10 months we can carry over the nonprogressive character of the social security tax into the income tax system. 

Realistically, any such reform will probably involve financing part of the present benefits out of the general revenues of the government. If an income tax cut is the alternative, I think that the proposal is for the Congress to face its responsibilities. My income tax credit is the U.S. Congress to face its responsibilities. Many countries with social insurance systems like ours provide for some general revenue funding, and it is time for the U.S. Congress to face its responsibilities in this area. My income tax credit is one approach. Our esteemed colleague James Burke, who chairs the Social Security Subcommittee, has proposed another, which would have employers, employees and the government each pay one-third of the cost of social security.
This would not only relieve both employers and employees part of this tax, but would stimulate economic recovery by reducing employers’ costs for labor. A third possibility would be to remove the funding of disability benefits and health insurance from the social security trust fund, and to pay for them from the general revenues.

So there are several choices, but choose we must. The country should not and, I believe, will not long tolerate continued increases in the social security payroll tax.

Mr. PEPPER. Mr. Speaker, may I just say this word in conclusion. This rule is exactly the rule requested of the Committee on Ways and Means, of which I am a member, and the Committee on Rules this morning by the discharge of the distinguished Committee on Ways and Means. I am sure every Member of this House is aware of the obstacles and the problems which have had to be encountered by the Members of both committees of this House in trying to present to us today this conference report which this rule will permit us to consider. So I hope this House will adopt this rule permitting us to consider the conference report, a matter for which we have come back here today from all over the country, and a measure which, if adopted, will not long be ignored by the fellow citizens.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. Gilman).

Mr. GILMAN. Mr. Speaker, I rise in support of the decision in this measure which converts temporary administrative law judges to permanent law judges. I think it is a sound addition to this proposal. The temporaries were created to replace permanent judges. It is not that the standard of these temporary hearing officers—the Civil Service Commission has failed to recognize the substantial contribution made by these hearing officers.

Presently, we are confronted with a demoralized corps of temporary hearing officers. In some instances, it appears that they have been discriminated against because they have been paid at a lower rate for work comparable to that performed by permanent AU’s. The concern is compounded by the fact that they fear their appointment will expire before the Civil Service Commission qualifies them for permanent AU positions. “Great weight,” as Public Law 94-202—which created the position of the above statute, only a small handful of the 189 temporary hearing officers have been appointed to permanent AU positions.

Despite a current backlog of over 30,000 SSI cases waiting action—a backlog which was much higher but which has been whittled down by the determined efforts of these temporary hearing officers—the Civil Service Commission has failed to recognize the substantial contribution made by these hearing officers.

Accordingly, I urge my colleagues to support this provision of the conference report on H.R. 9346, converting temporary hearing officers to permanent AU status. As a sponsor and firm supporter of H.R. 5723, I have consistently urged that these temporary hearing officers—the Civil Service Commission qualifies them for permanent AU status. “Great weight,” as Public Law 94-202—which created the position of the above statute, only a small handful of the 189 temporary hearing officers have been appointed to permanent AU positions. “Great weight,” as Public Law 94-202—which created the position of the above statute, only a small handful of the 189 temporary hearing officers have been appointed to permanent AU positions.

The unquestionable need for converting these temporary hearing officers to permanent AU status was underscored in hearings on H.R. 5723 before the Committee on Post Office and Civil Service, of which I am a member, and the Committee on Ways and Means.

H.R. 5723, as introduced by the distinguished chairman of the Subcommittee on Social Security, the gentleman from Massachusetts (Mr. Buxk), provides that individuals who were originally appointed as supplemental security income (SSI) hearing examiners under pre-1976 provisions (Public Law 94-202) of title XVI of the Social Security Act be converted to regular administrative law judges.

In hearings before the Committee on Post Office and Civil Service I underscored the fact that the intent of Public Law 94-202—which created the position of temporary hearing officer—was to convert these hearing officers to the same status, tenure, and compensation as regular AU’s. Expedient conversion is exceedingly appropriate when we consider, as an example of our committee received pointed out, that these temporary hearing officers are executing their duties as effectively and responsibly as regular AU’s.

Unfortunately, the Civil Service Commission has not provided these individuals the opportunity for security and advancement they were initially promised. After more than 19 months since enactment of this law, only a small handful of the 189 temporary hearing officers have been appointed to permanent AU positions.

Despite a current backlog of over 30,000 SSI cases waiting action—a backlog which was much higher but which has been whittled down by the determined efforts of these temporary hearing officers—the Civil Service Commission has failed to recognize the substantial contribution made by these hearing officers.

Accordingly, I urge my colleagues to support this provision of the conference report on H.R. 9346, converting temporary hearing officers to permanent AU status. As a sponsor and firm supporter of H.R. 5723, I have consistently urged that these temporary hearing officers—the Civil Service Commission qualifies them for permanent AU status. “Great weight,” as Public Law 94-202—which created the position of the above statute, only a small handful of the 189 temporary hearing officers have been appointed to permanent AU positions.
Mr. Yeates, for, with Mr. Burke of Florida against.

Until further notice:

Mr. Aspin with Mr. Fante against.

Mr. Bender with Mr. Bob Wilson.

Mr. Booker with Mr. Udall.

Mr. Burton of Missouri with Mr. Eiland.

Mr. Johnson with Mr. Harrison.

Mr. Phillip Burton with Mr. Dent.

Mr. Fithian with Mr. Hall.

Mr. Harkin with Mr. Markey.

Mr. Haster with Mr. Schrock.

Mr. Krebs with Mr. Long of Maryland.

Mr. Maguire with Mr. Lujan.

Mr. Sykes with Mr. Rostenkowski.

Mr. Shipley with Mr. Michael O. Myers.

Mr. Siak with Mr. Pettis.

Mr. Smith of Iowa with Mr. Ruppe.

Mr. Thompson with Mr. Symms.

Mr. WEATHER changed his vote from "nay" to "yes."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

Mr. ULLMAN. Mr. Speaker, pursuant to the provisions of House Resolution 937, I call up the conference report on the bill (H.R. 5286), entitled the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuations on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the effect of wage and price fluctuations on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the maximum earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, and ask unanimous consent that the statement of the managers be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The request is agreed to.

(For conference report and statement, see proceedings of the House of December 14, 1977.)

Mr. ULLMAN (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement be dispensed with.

The SPEAKER pro tempore. The request is granted.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The request is agreed to.

The next order of business was the consideration of the conference report.

The SPEAKER pro tempore. The gentleman from Oregon (Mr. ULLMAN) and the gentleman from New York (Mr. Conyers) will be recognized for 30 minutes each.

The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, there is no such thing as an easy posture in social security debate. Those who would tell us that there is some easy way to solve the social security problem are not telling us the way it is.

So we bring before the House a conference report that has been extremely difficult to achieve. It was, and every Member who is present here over the past week or two who has been live-to-doing this work, the way it is facing up to the issues of social security, both short range and long range.

Mr. Speaker, let me give the Members some reason why they should go home with a vote in support of this conference report.

First, the critical issue is: Are we keeping the fund solvent, or are we letting it go into insolvency?

If the Members vote against this bill, they are voting for insolvency for the social security fund, because that is the way it is going. There are not going to be any easier answers next year than there are now. It puts us in a surplus posture in social security for the next 25 years. It does away with about 90 percent of the long-range insolvency.

Mr. Speaker, let me give the Members some other reasons for their support. In this conference report we provide a decoupling formula, that is something that had to be done. If we do not face up to the problem of the cost-of-living formula that is getting us into long-range insolvency, we are going to be in real trouble down the road. In this conference report we resolve the problem of decoupling.

In this conference report we increase the outside earnings limitation from the existing amount of $3,000 to $6,000 over a period of 5 years for those 65 and over. A year ago no one would have thought that we could do that, but, as I say, we are providing for a significant increase in allowed outside earnings. That is something that the Members can take home. That is something the Members ought not to be voting against, believe me, when they go home and talk to their senior citizens.

We are also moving on the issue of exempting altogether our senior citizens from any ceiling on outside earnings by reducing the 72-year age limit to 70. In this bill we are saying that by 1992 everyone who is 70 years of age or older can have unlimited outside earnings and still draw social security benefits.

I would not want to go home and be recorded as having voted against that provision, because that is extremely important to our senior citizens. That is something that none of us thought was possible to achieve even a year or so ago.

There has been a great hue and cry about doing away with the 50-50 or parity in the taxable wage base between employers and employees. In the House version we stood firm on the 50-50 formula, that is something, however, for employer tax, and this was a hard-fought issue. The President was in support of an unlimited employer tax. I was strongly opposed to it.

On this issue in conference, we have retained the 50-50 formula, and that is an exceedingly important issue. It is a victory for the House, and it is an issue on which we can go home and
say to every 'businessman up and down the street, "We won this battle, and having won it now, we are not going to be faced with it again in the immediate future." Members of the House, we would all want to take home to the business people of our communities.

We also won the battle against general revenues. As all the Members know, from many sources from the administration on down there had been a big push toward the idea of general revenues. I am opposed to general revenues, and I will have something more to say about them in a minute or two, because I am not satisfied that our existing financing formula is as it should be. But the answer is not general revenues. We want that battle. There are no general revenues for the social security system in this bill.

There are three key issues facing us. These are issues that we must resolve in the not-too-distant future. We have set up reasonable study procedures in all three areas.

One of these issues is, of course, in the area of universal coverage, coverage of Federal, State, and local employees. In the conference report, I understand that there are contained in conference, we have provided a study, and under that study they must report back within 2 years a sound procedure to cover public and nonprofit employees under social security without doing them any harm. That is exceedingly important.

We have retained in the conference report the Jenkins amendment, which sets up a National Social Security Commission that is to look far beyond the issues being studied by the present advisory group. That Commission is going to look at every aspect of the long-range social security problem and come back to us within 2 years with some long-range recommendations.

I intended to appear before that Commission and make some recommendations. I have done that, and I will get to that issue in a moment.

Mr. Speaker, a third study has to do with the problem of sexual discrimination. We need an authoritative, far-reaching study that will set up very responsible study procedures in all three areas. We need an authoritative, far-reaching study that will set up very responsible study procedures in all three areas.

Before the big bite takes place, I am opposed to general revenues, and I will have something more to say about them in a minute or two, because I am not satisfied that our existing financing formula is as it should be. But the answer is not general revenues. We want that battle. There are no general revenues for the social security system in this bill.

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myself 1 additional minute and I yield to the gentleman from Texas (Mr. Wurte).

Mr. WHITE. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, because of the differences between the House drawn bill and the Senate bill, there is something that disturbs me, and that is that the Senate provides, as I understand, that an existing civil service retiree's dependent will have an offset of her benefits from the social security system if she is receiving civil service retirement. As I understand, the conference came back and gave a 5-year moratorium on this, but for those who do not come under the 5-year moratorium, that is during those 5 years they are in effect losing the benefits of the social security taxes that they put in for the early part of the year or during their work period.

Mr. ULLMAN. Compulsory people who have put it in the past. The court decision put a lot of new people in. Those people who are newly brought in will come under the offset but those people who were eligible or who will be eligible in the next 5 years will not. Remember, we are only talking about the spouse's benefit. We are talking about a situation where a social security retiree has a wife who gets a spouse's benefit. If that spouse in turn has a Federal or a public retirement income, that will be offset. This was what the Senate amendment provided.

Mr. WHITE. This is strictly for new cases of people who have never been in it before.

Mr. ULLMAN. The Goldfarb decision made an awful lot of new people eligible for husbands' and widowers' benefits and what this provision does is it keeps the new people from going on, but for those people who were eligible under the old system, we have delayed the implementation of this for 5 years. Anybody who is eligible in 5 years will get an exemption from this inclusion and will be able to draw both.

Mr. WHITE. Let me give the gentleman a quick hypothetical to be sure I understand. The Goldfarb has worked in private employment prior to going with the Federal Government. He has built up a social security system fund, that is, he has been paying in so he has his quarters in and would be eligible upon his eventual retirement. When that person retires, or say that person dies, his survivor would be entitled to his social security retirement. Does he also have an offset against the Federal retirement?

Mr. ULLMAN. For the individual involved, if he had both retirements, it does not impact him at all. He can draw both his private pension and social security.

Mr. WHITE. After 5 years.

Mr. ULLMAN. But we are only talking about the spouse, in a case where the spouse also has a retirement. She worked, and she is picked up as a dependent from either the Federal or local government Federal civil service retirement. She would normally get the spouse's benefit. We are saying she can still get it. If she is eligible at the end of the year or if she becomes eligible within 5 years, she can still get it. So what we have done is delay the implementation to that extent. I think the gentleman will find this one of the problems. We fought hard in the conference to eliminate this provision altogether. We could not win, but we modified it in a way that will take away most of the impact and correct most of the inequities that would have resulted.

Mr. CONABLE. Mr. Speaker, I yield myself 10 minutes.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, let us not delude ourselves—or anyone else—on this social security conference report. The other body has approved it, and apparently there are enough votes in this Chamber to send it to the White House for signature into law. It seems we are faced with a fait accompli.

Even so, every Member here to understand exactly what a vote in favor of this report really means. Primarily, it means a monstrous burden not only on the 107 million American taxpayers who are supporting the social security system, but on all future generations of contributors as well.

For those paying the maximum, it will cost an additional $8,287 over the next 10 years. That averages out to $25 per month per taxpayer over the decade. In the aggregate, the report will increase payroll levies over the next 10 years by 1.2 percent of payroll, thus giving it the notoriety, if not the distinction, of constituting the biggest peace-time tax increase in our history. How's that for a budget-balance for the Government, and a budget-buster for the American worker?

Despite this enormous yield in new taxes, the report leaves the social security system actuarially imbalanced—a long-run cost of about 1.6 percent of payroll. Translated into dollars and taxpayer impact, that means our children and our children's children will have to raise an additional $750 billion to make government interest to keep the system going to the middle of the next century.

Second, a vote for the report means a vote to depress the jobs outlook even further, at a time when the unemployment rate continues to hover around 7 percent. Any economist worth his salt will tell you that increasing payroll taxes cuts employment, and it is axiomatic that the more you tax employment, the worse the employment prospects, and it is axiomatic that the more you tax employment, the worse the employment prospects.

Any economist worth his salt will tell you that, increasing payroll taxes cuts employment, and it is axiomatic that the more you tax employment, the worse the employment prospects.

In commenting recently on the higher social security levies contemplated by the Congress, a Washington Post editorial writer noted:

These next few years are going to be a particularly trying time for the Federal Government to impose this kind of tax on labor. Because of the very high birth rates in the 1960s and early 1970s, an unprecedented number of young people will be pouring into the job market. At the same time women are increasingly looking for paid work outside their homes. The proportion of the American population actually holding jobs has never been higher than it was in November, according to the Bureau of Labor Statistics.

But the unemployment rate—still a painfully high 6.9 percent—is evidence that the number who want to work is even higher.

Congress keeps saying that, as a matter of national policy, it wants increased payroll taxes. Quite right. But in that case, it does not make much sense to put a stiff and steadily rising, tax on the payrolls.

I happen to agree with the thrust of that editorial. I also believe that a third of a vote for this report will be a greater clampdown on capital formation. Again, economists tell us we need greater capital formation, not less, yet this conference report gives us a great deal of hope for many years.

Mr. Speaker, we keep hearing our fiscal cheerleaders mouth those familiar buzz words—"capital formation" and "jobs creation"—but when the legislative chips are down, we do little to encourage either, as the history of this legislation shows so well.

The massive payroll taxes embodied in this conference report simply are not necessary. We did not have to take this route to save social security.

More than 4 months ago, some of my colleagues joined me in presenting for the consideration of the Congress a comprehensive 15-point proposal which would have achieved several important objectives. Most importantly, it would have solved the social security system's financial problems for at least the next 75 years without increasing payroll taxes more than 1.2 percent on the employer and on the employee. The proposal also would have made a number of substantive improvements in the equity of the system.

Although several major newspapers praised it editorially, and a number of social security experts thought it worth considering, the proposal was not embraced by the Congress. I suspect, Mr. Speaker, that its lack of acceptance in this body can be traced to an unreasoning fear of its two most controversial points—those calling for social security coverage of Federal civilian employees and for gradual advancement of the eligibility age for full retirement benefits to age 68, starting after the turn of the century and not becoming fully effective until 2011—34 years from now.

Those two points were rejected this year, but I want to make a prediction, Mr. Speaker. I predict that both will re-appear in issues, stronger than ever, in the not-too-distant future.

More than 100 million Americans are covered under social security—mandatorily. Some of them might not want the protection, but they are forced by law to have it. Some 6 million Americans—42 percent of them Federal workers—are not covered under social security.

The ratio is about 17 to 1. And it is becoming increasingly difficult for the "17" to understand why the "1" is not covered. An increasingly enlightened number of those who are mandatorily covered are wondering why, if social security is good enough for them, it is not good enough for a relative handful of government employees, including us. I would think that military employees of the Federal Government, who have been
covered under social security for years, also wonder about that.

From our own point of view, it will be increasingly difficult, politically, to continue with both programs as we are ourselves. It also will be increasingly difficult to continue the charade of keeping those who administer the social security system outside its coverage — without a personal stake in its financing.

For those reasons, Mr. Speaker, I believe that the issue of social security coverage for Federal workers is far from dead. It is just dozing, and will be wide awake again soon. Knowledgeable citizens resent the omission of civilian Federal coverage; knowledgeable Federal employees are beginning to realize the benefit to them of inclusion.

I also predict that the House eventually will have to face up to the issue of an advanced eligibility age for full retirement benefits. Americans not only are living longer, they are living longer productive lives. Older people are disenchanted with mandatory retirement policies and in the next century they are likely to be needed in greater numbers in the labor market.

The next 10 to 20 years has assured us of a smaller work force in decades ahead, which means there will be fewer workers contributing to social security while more will be retiring and drawing benefits. Those who are working and not contributing to social security is about 3 to 1 now. In another generation, it may be 2 to 1.

The demographics are clear, Mr. Speaker, and they point directly toward consideration of this issue. We should be honest about it, and not pretend we have avoided it. We cannot do that.

If we should decide to advance the eligibility age for full retirement benefits, we should make the decision to do it sooner rather than later. The fairest thing we could do, if we should decide to make this move, would be to give affected workers as much advance notice and assistance as possible so that they would not be to make such a decision years from now, when the social security system faces another financial crisis and there is already a 15-year problem.

I will make another prediction, Mr. Speaker. If we do not decide to make such an adjustment, we will be forced to turn to other avenues of financing.

Seven years ago, my Republican colleagues and I on the Ways and Means Committee warned:

We simply must remember that the income . . . devoted to future contingencies is limited by his ability to meet the immediate needs of his family. If the cost of social security cute too deeply into daily living requirements, people will begin to make unfavorable comparisons between current costs and distant benefits. If the time comes that current workers are unwilling to bear the cost of providing benefits to current retirees, the social security system will be in danger . . .

That warning, if not prophetic, was at least appropriate.

If we have not reached that danger point yet, we will — by taking the direction of this conference report. If we are convinced that we cannot continue to use the payroll tax to do all that we want to do with social security.

A leading alternative is, of course, the use of mythical general revenues. The Treasury is in heavy deficits, as what we really mean by general funding of social security are huge borrowings by the Treasury, which increase our public debt and ultimately lead to inflation and higher taxes for all.

Another alternative is to treat the Medicare program realistically and divert at least half of the taxes now used for that purpose to the old-age, survivors, and disability insurance trust funds. Those two trust funds and social security are major benefits based on age-related contributions. The programs are actuarially based.

This is not the case with Medicare. Although the resolution of the conference does require payment of hospital costs, is financed entirely through the payroll tax, the program is not actuarially based. One does not benefit from it according to one’s contributions, but according to one’s medical needs.

It should be noted that part B of Medicare, which pays for physicians’ services, never has been financed through the payroll tax. This proposal would require half the premiums paid by participants and half through general revenues. Now, general revenues account for some 65 percent of part B expenditures.

The resolution of the conference does not address the long-term ills of the social security system, but merely represents the band-aid approach. We must be able to assure the young people entering the work force today that they will inherit an actually sound system.

The 15-year proposal which was introduced by the Republican members of the Ways and Means Social Security Subcommittee, of which I am a member, could and should have been adopted by this body. The proposal addressed itself to the long-term deficiencies of social security and would have: First, made the social security system financially sound for at least the next 75 years with less than a 0.8-percent tax increase over present rates for the 75 year span; second, strengthened the insurance character of the program; third, improved the treatment of women under the program; fourth, made long needed adjustments to reflect changes in living and working patterns of the American people.

It will be necessary to cut taxes $20 billion per year for the next 10 years under social security at relatively low wages. These provisions were derived from the 15-point proposal, offered by Republicans, to which I referred earlier.

But the total tax load which this report piles on the backs of American taxpayers is unacceptable to me. And I frankly do not believe the Congress will find it tolerable for very long, because our constituents will insure our continued interest in this continuing disaster.

A vote against this bill will not end social security; it will give us a chance to reconsider a major mistake.

Mr. SCHULZE. Mr. Speaker, will the gentleman yield.

Mr. CONABLE. I yield to the gentleman from Pennsylvania.

(Mr. SCHULZE asked and was given permission to revise and extend his remarks.)

Mr. SCHULZE. Mr. Speaker, the passage of the social security finance bill should be a matter of concern to every Member of the Congress and to the citizens we represent.

This bill is the most expensive peace-time tax increase in American history. On top of the $901 billion in current taxes, the American taxpayer will have to come up with an additional $227 billion as a result of this social security bill.

The impact of the new social security legislation on the typical American family is significant. By 1983 the $10,000 per year wage earner will have paid $131 more as a result of this bill. By 1987 the 15-year proposal will have paid $376 more in taxes. The situation is similar for the $20,000 per year wage earner, by which 1983 will have had to pay $328 in additional taxes, and by 1987 will have paid $838 in additional social security taxes.

What makes this burden doubly offensive is the fact that this legislation does not address the long-term ills of the social security system; it represents a band-aid approach. We must be able to assure the young people entering the work force today that they will inherit an actually sound system.
just to maintain the current level of spendable income for the American taxpayer after the passage of this measure. In the judgment of the people, owe the American taxpayer an additional look at the possible alternatives to this bill.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the chairman of the Social Security Subcommittee, the gentleman from Massachusetts (Mr. BURKE).

(Mr. BURKE of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. BURKE. Mr. Speaker, we have before us today the conference report on H.R. 9346, the Social Security Financing Amendments of 1977. This is the most important piece of legislation we have had before us in this Congress, as it provides for the financial stability of the social security system well into the next century. It provides assurance to the elderly of this Nation that their benefit checks will be forthcoming, and to the working men and women that the social security system will continue as a sound and stable institution.

In addressing the problems of financing the system we are faced with the difficult task of increasing revenues. This legislation, H.R. 9346, will perpetuate the present system whereby the cost of social security is divided evenly (50-50) between the employee and the employer. The bill calls for increases in the tax rates and the wage base, beginning in 1979.

Alternative methods of financing the system have been recommended and I think it is incumbent on this Congress to seriously review them. The use of general revenues has been suggested for the medicare program, the disability insurance program, and I have introduced legislation to provide that a portion of the cost of the entire social security program be financed from general revenues in order to mitigate the regressivity of the payroll tax and its dampening effect on economic growth.

The tax burden on the workers of this Nation is becoming onerous and I, therefore, believe that we must begin active consideration of alternative financing methods for social security.

As the chairman of the Social Security Subcommittee, I commend my colleagues for their responsible actions to assure the integrity of the social security system. I caution you that the tax burden is getting too high, and I therefore strongly recommend future consideration of alternative methods of financing the social security system.

Mr. Speaker, I just would like to point out to my good friends who are opposing this bill that the day of rhetoric is over. We, as Congressmen, have been trying to get a bill through this Congress to bring about the stability of the social security system and all we hear is nitpicking, nitpicking, and the other.

The whole thrust of this legislation is to assure the elderly of this country that their checks will be forthcoming, that the working men and women of this country, who have contributed to the work force today will be able to expect that their social security benefits will be forthcoming when they retire. We have been battling this up and down the road. All I hear is nitpicking and politicking about what the effects of the politicking is going to be.

The truth of the matter is that we have a responsibility in this Congress, a responsibility to enact the funds that are needed to enact the taxes that are needed. Do we hear of anybody who is opposing this bill recommending cutting down on the benefits? Oh, no. Look down through the rollcalls in the Records, down through the years—they have voted for everything. They want to be loved by everybody, but, today here we are being asked to vote on the Ways and Means Committee has so well pointed out.

A vote against this bill is a vote against the elderly of this country, and that is the way I am going to classify it. A vote against this bill is a vote against the working men and women of this Nation who expect that those benefits will be there when they reach retirement age. There are no two ways about it; you are not going to be loved by anybody if you vote against this bill. Believe me, you better have your asbestos pants on once that happens.

Mr. CONABLE. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. KETCHUM).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Speaker, as I listened to that silver-tongued orator, the chairman of our committee, I almost got confused enough to vote for the conference report, he made it sound so good. As a member of the conference committee we are bringing you today the Carter tax increase bill of 1977, and one can define it, I, taking it at its face value. Increase bill, make no mistake, and it is the Carter bill. As the gentleman from New York pointed out, it is the greatest tax increase in peacetime history.

Yet, there are two ways about it; you must reply in the affirmative, I hope that Mr. Speaker, as I listened to that silver-tongued orator, the chairman of our committee, I almost got confused enough to vote for this tax increase bill, make no mistake, and it is the Carter bill. As the gentleman from New York pointed out, it is the greatest tax increase in peacetime history.

Yet, it is impossible for us to go home and tell those people that the working men and women that you have really done a whale of a job for them. Now, Mr. Speaker, asked the most pertinent question here: No matter what happens, whether we pass or fall on this bill today, it is not going to make a bit of difference—not one iota of difference—next year. And, he is right. It is not.

Then, the chairman said, "You go home and tell those people that the chairman of the Ways and Means Committee promises them that, in any event, he is going to cut out this bite will not be so hard." I submit that if he can do it in 5 years, he can do it now.

As a matter of fact, as the gentleman from New York (Mr. CONABLE) suggested, those alternatives were placed before the Committee on Ways and Means. We are doing so much bullet-biting around here, we might as well bite this one now and bring in the Federal employees, cover everybody, raise the age of retirement in 20 years, but do it gently. We could have done that. We could have had a bill. We could have had a good bill, one we could be proud of, and it could be done next year. There is no race to get this bill done. I submit to the Members that when they go home I do not know who they are going to be able to sell this program to, because they are liable to be asked two questions. One, our constituents are going to say, "Mr. or Mrs. or Ms. Congressman, did you vote for that massive tax increase?" And if the Members say, "Well, I voted for it in the name of principle, I hoped that if they are not going to say, "Do you Congressmen have to pay this tax?" And when the Members tell them, "No, I did not vote for it," their constituents ask them the next logical question, "Do you Congressmen have to pay this tax?" And when the Members tell them, "No," it is not very satisfying. Nobody better have asbestos pants on, because they are going to have to be honest and tell them that they do not.

So I would hope that this body would exercise some judgment and turn down this conference report, because they are liable to be asked two questions. One, our constituents are going to say, "Mr. or Mrs. or Ms. Congressman, did you vote for that massive tax increase?" And if the Members say, "Well, I voted for it in the name of principle, I hoped that if their constituents ask them the next logical question, "Do you Congressmen have to pay this tax?" And when the Members tell them, "No," it is not very satisfying. Nobody better have asbestos pants on, because they are going to have to be honest and tell them that they do not.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Washington (Mr. CUNNINGHAM).

(Mr. CUNNINGHAM asked and was given permission to revise and extend his remarks.)

Mr. CUNNINGHAM. Mr. Speaker, the radical increase in social security taxes is presented to us today as the result of the conference report on H.R. 9346. It will burden the taxpayers of the country and the employers as well with a
rapidly rising wage base and rate assessed against those wages. We are told there is no other way to bail out this faltering program but to throw good money after bad. That timid approach will fail. The case for real reform is compelling.

I want to make certain that people retiring are sure of receiving a fair share of their contributions. I do not want to abandon these people to the uncertainties of their future. But neither do I want to saddle future generations with outrageously high taxes when there might be a real answer in true social security reform.

We are told, correctly, that the administration cannot offer people an election year tax cut without this 1977 non-election-year tax hike. This is the most callous explanation that I have ever heard. It is the old case of out one pocket, in the other.

The American people should call those Members to account who vote for this tax increase. They are big spenders, not particularly good at saving. But they do expect a better tomorrow next year when they are magnanimously braving about a great tax cut the bitter prelude which they are giving American citizens and business men at a substantial cost to the middle-income and self-employed personal exemption. I urge a no vote on the conference report so that we can truly reform social security.

Mr. CONABLE. Mr. Speaker, I yield 6 minutes to the gentleman from Texas (Mr. Archer).

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Speaker, I was a member of the social security financing conference, but I also did not sign the report. I can think back to the Congress in 1971 and 1972 that passed a 30-per-cent increase in benefits to social security recipients in 1 Congress, 10 percent in 1971, another 20 percent in 1972. The latter 20 percent was not accompanied by any tax increase whatsoever, and neither was the increase. I was invited to the chairman of our committee that was the tough vote for me. But at that time I predicted the deficits that were coming in the social security program. Had we increased only 10 percent, we would have no deficits today. We would not be on this floor today, because benefit increases far exceeded the cost of living and they were politically motivated, as every Member of this Chamber knows. And so we have the problem that we have today.

Parts of the report we are considering would improve the social security structure substantially, particularly the provision that decouples and overcomes part of the additional problem that was created in 1972. It stabilizes wage replacement ratios in future benefits.

I also approve of freezing the minimum primary benefit and I think it is a step forward to permit widows and widowers over 60 years of age to marry without losing their benefits, within the limitations of that approach. But I cannot support the oppressive tax increases which this report provides. They represent a potentially dangerous blow to middle-income and self-employed persons in this country, and they clearly would serve as a depressant to capital savings which we do desperately need to reinvigorate our economy. Small businesses are going to be adversely hit, less able to take on the increased taxes than major corporations.

Many cost figures are being tossed around today in the debate on this report, and I do not want to add to the statistical barrage. But I do think it is important to note that this legislation will cost those wage earners who earn $20,000 at least $938 more per year than under the present law over the next decade, and it will cost those who earn $10,000 a year $386 a year more. To some observers these may not seem to be awesome amounts, but to the wage earners themselves, from whom I have heard in person, it is a technical blow. For most of them, this bill offers nothing; for all of them it takes away.

Possibly the worst feature of the bill is its drastic increase in the maximum taxable income. This was done based on the uninformede view that it is a wonderful financing method, and that is not the case at all. What really happens is that for every dollar we raise in the future are raised, offsetting a large part of the additional revenues that are obtained in the near term. It actually is, to a large extent, a "fly-now-pay-later" approach. The result is to put more of the economic security responsibility of the Nation on the Government and thereby less on the private sector and on individuals.

The most illogical segment of the scheduled increases in the earnings base takes place from 1980 to 1981, when there is a huge jump of $3,800 in 1 year, from $25,900 to $32,700. Half of this actually occurred because of a technical blunder. When the so-called Fisher amendment to remove Government employees from compulsory coverage was adopted, it carried with it what was supposed to be a decrease in the earnings base for the coverage. It did not work out that way. Instead, this amendment was made to offset the automatic coverage for Federal employees. The result was to add $3,800 to the earnings base. We should not have done that because there is no valid relation between the level of the earnings and the coverage of Government employees.

In addition, this bill still leaves the social security fund in a long-term deficit of over $1 trillion when paid over the years ahead. That is based on actuarial estimates that presently call for roughly a 5 1/2-per cent increase in the CPI, reduced to 4 per cent, for the decade ahead. If we hold inflation in this country to 4 per cent, with the Nation’s deficit spending going on, it will be a miracle indeed. I do not think anybody believes the rate of inflation will stay at 4 percent or less. These projections are inadequate and inaccurate, and portend even larger deficits in the light of reality.

Those are a few of the problems I see. Mr. Speaker, we could have worked this out in a different way. I cosponsored with the gentleman from New York (Mr. Conable) a comprehensive method to solve the social security program’s problems which he mentioned. Unfortunately, that was not accepted.

When the full import of this legislation is felt across the country, the words of warning of the Republican Members during the past 7 years about the dangers inherent in rising payroll taxes will finally get the attention they deserve from the American people. Because we then may face a different kind of social security financing crisis—one involving taxpayer revolt.

Mr. Speaker, I urge a vote against the conference report.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. Waggonner).

(Mr. Waggonner asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Speaker, the easy answers for financing social security are all gone. There are no easy answers left. All we are left with are bad alternatives, and I submit to the Members that this conference report is the best of those bad alternatives. What are our options? Our options are, first, to do what this conference report proposes. This legislation does a number of things that many of you are interested in, and I am not sure that we have any other option save, possibly, it does improve the present social security system. It is a better bill than the House passed and better than the Senate passed.

This does raise taxes, but it raises benefits later for people who pay those taxes, and salaries are going up from which to pay those taxes. I dislike this as much as anyone but it is necessary. This conference report maintains parity, and many of those who oppose this legislation will admit that has been a big argument. We do not unbalance the employer-employee contributions. This does not unbalance the employer-employee contributions, and many of the Members who are opposed to this conference report have been opposed to Treasury borrowing. You say it would convert social security into a welfare program and I agree.

The conference report does docouple. It corrects the mistake we made in 1972. It stabilizes the trust fund, because the actuary says that the OASDI trust fund will be stabilized until the year 2020. The DI trust fund will be stabilized until the year 2007, and the combined trust fund will be stabilized until the year 2027. If I do not do this the DI trust fund will be bankrupt by 1979.

The OASDI trust fund will be bankrupt in 1982. What will you do then? I will tell you what—you will borrow from the Treasury.

Put it off until next year? How many of the Members are going to have nerve next year to raise the tax rate and stabilize the trust fund when it is an election year? I do not think we can cold. Indeed, because most of you will be trying to save your political hides instead of social security.

Bite the bullet? You will be biting marshmallows then because you will not bite that bullet now. You are going to run from it. How many of you will change your minds between now and January? Few if any.
Mr. Speaker, the second alternative to this is Treasury financing, and Treasury financing is what many Members have been trying to avoid, but that is what you are going to have if you vote against this conference report. If you vote against this conference report today you are casting a vote for Treasury financing of social security when the trust fund goes broke and that is just around the corner. Can you live with that? I think not.

Of course, Mr. Speaker, there is another alternative and that is to do nothing ever. Just consign social security to the tube. Say to hell with it. And I submit that is almost what you are doing if you reject this conference report.

Mr. CONABLE. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. Steiger).

(Mr. STEIGER asked and was given permission to revise and extend his remarks.)

Mr. STEIGER. Mr. Speaker, I was not on the conference committee, but I watched the debate and I listened carefully.

It is unfortunate that the Congressional Record does not allow us to reprint Herblock cartoons because this morning’s cartoon said it all and said it well.

This is a ticking-time bomb. It is a Christmas tree time bomb that this Congress is leaving for the American people if the conference report is adopted. I have seen reports that dis- agree with those who say that this unwarranted tax increase is needed at this time. It is not.

For those who voted for the House bill, may I suggest that you take a look at the decisions that were made in conference that led me to the conclusion that this conference report is a step backward even from the House’s version. The outside earnings limit was reduced from that which was adopted by the House, another significant step backward was taken in terms of equity between men and women in an effort to get rid of gender-based distinctions.

Furthermore, the tax burden imposed is higher than that proposed under the bill adopted in this body.

For those reasons, Mr. Speaker, it seems to me that the American people would be better served by rejecting the conference report and attempting to see the decisions that were made in conference so that my constituents outlining their problems in obtaining the social security benefits that are rightfully theirs, but which are de- nied to them directly or indirectly due to sex.

The House bill eliminated this discrimination. If the House language had been adopted, husbands would not have to prove their dependency upon their wives for financial support; nor would such proof be necessary to widowers to receive benefits for dependent children.

I am also concerned about the changes in veteran’s benefits. There exists within the present system a built-in hardship for our veterans. Each time social secu- rity benefits increase, veterans benefits decrease. If we are truly looking for re- form we should look for long-term solutions to the difficulties veterans en- countered with and faced with in the past. A short-term solution to this hardship would be to leave veteran pensions intact.

Another concern I have is that the tuition tax credit portion was taken out, although five other none Germane amendments were left in. I am a co-spon- sor of a bill that would encourage a tax credit for post-secondary students. Also, I think that the actuarial and the tax effects of the changes proposed in this bill are not as good as we could have. As I have pointed out above, this bill will not go into effect until 1979, the year after the election, thus we have a full year in which to correct the defects of this tax credit and a full year in which the impact of this part of the bill would be good so we could go back to the drawing boards.

Finally, the bill does not contain some- thing I have long advocated. Since com- ing to this Congress, I have voted against every foreign military aid bill based on my experiences while serving in the military and as a Rhodes scholar abroad. I have visited over 40 foreign countries and have become convinced that foreign military aid is a mistake. I have advocated transferring 20 percent of this foreign military aid into a social security effort. This would result in the solvency of the program.

In short, our priorities are wrong. We are taxing and taxing without carefully analyzing our Federal budget. For this reason, I do not agree with the rule and the social security bill today.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gent- leman from South Dakota (Mr. Pals- ter).

(Mr. PRESSLER asked and was given permission to revise and extend his remarks.)

Mr. PRESSLER. Mr. Speaker, I am voting “no” on both the rule and on final passage of the social security bill today. Since coming to Congress, I have been a strong proponent of the rights of older Americans and the solvency of the social security system. But the Senate and the conference committee have made changes that detract from this bill. This bill is a mess. Since it does not go into effect until 1979—the year after elec- tions—I advocate that we defeat this bill today and have voted to produce a good bill. Here in a nutshell are some of my objections:

First of all, the taxes in this bill are higher than the House passed version. The rates are higher. Also the earnings limits has been restored for former I voted to eliminate on the House side. I am disappointed that the sex bias portion of the bill have been taken out. I have received dozens of letters from my constituents outlining their problems in obtaining the social security benefits that are rightfully theirs, but which are de- nied to them directly or indirectly due to sex.

The House bill eliminated this discrimination. If the House language had been adopted, husbands would not have to prove their dependency upon their wives for financial support; nor would such proof be necessary to widowers to receive benefits for dependent children.

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In short, our priorities are wrong. We are taxing and taxing without carefully analyzing our Federal budget. For this reason, I do not agree with the rule and the social security bill today.

Mr. YOUNG of Florida. Mr. Speaker, I yield such time as he may consume to the gent- leman from Florida (Mr. Young).

(Mr. YOUNG of Florida asked and was given permission to revise and extend his remarks.)

Mr. YOUNG of Florida. Mr. Speaker, today we will vote on the conference report to accompany H.R. 9346, the Social Security Financing Amendments of 1977. There are several provisions contained in the conference report which would bring about changes in present law. I have voted against each one of them, except one, which was a technical correction. As originally passed by the House, this legislation would have phased out the present limits on outside earnings by 1982. Although the conference did not agree to this language, they have agreed to increasing allowable earnings to: First, $4,000 in 1978; second, $4,500 in 1979; third, $5,000 in 1980; fourth, $5,500 in 1981; and fifth, $6,000 in 1982 with further increases determined by the state of inflation. The conference have also agreed that in 1982 the age for those persons subject to the earnings limits will be reduced from 72 to 70. Although this action may not appear to be of great importance, I have noticed that some, for many persons living on a fixed income it will be of great assistance.

This legislation will also prevent a re- duction in benefits for widows or widow- ers aged 60 and over who remarry. Many of our senior citizens were hesitant to re- marry after loosing their spouse because they were faced with a reduction or com- plete termination of benefits. I am sure that you have all heard of cases where elderly people were faced with living their remaining years alone or “living in sin” as some call it, because they simply could not survive on the income they would lose by remarrying.

We are all aware that the growing problem with the social security system is that as the average life span increases and as benefits of retired workers con- tinue to rise, outgo from the social security trust fund is exceeding income. Ac- cording to the 1977 annual report of the social security system’s Board of Trust- ees, the disability insurance fund will ex- haust its back-up reserves in 1979, and the retirement and survivors fund in 1983, unless Congress makes the neces- sary financial improvements. Because of the necessity for the board of trustees to make necessary financial improve- ments, Congress has to make some hard decisions as to the future direction of the social security system so that income to the trust fund will be adequate to meet benefits for recipients.

In view of this, the Congress really has only two options. Either to provide additional income to the social security trust fund or allow the trust fund to be depleted and fail to meet the financial obligation to the millions of Americans who have been paying into the program but have not yet reached retirement age. Incidentally, in Pinellas County, Florida, which is my home there are 230,000 peo- ple receiving social security benefits, and for many of them this check is their only source of income. As a consequence, they are kept in circulation, the money of these senior citizens do not hoard their money or hide it away. They spend it. Pinellas County’s economy is strengthened by the $50 million in social security benefits that are spent by each month. These social security checks are cashed and spent with local
merchants for the purchase of those services and items necessary to meet one of the $50 million influx into the Pinellas County economy every month, via the distribution of social security checks, were to be of a sudden stop because there were no longer any funds in the social security trust fund, and the businessman and his employees would be severely affected, as well as those social security beneficiaries whose income would stop. The basic decision which we must make is this: 'Is the social security program important enough to warrant imposing additional taxes to keep it sound?'

I share the concern expressed by many over the fact that the Federal Government has placed the burden of bailing out the ailing social security trust fund on businesses and working people, but actually, who else is there? These are the very same people who have always paid for every government-sponsored program in the past and who will continue to do so in the future—even those programs which are excessive, that is least the social fraud and abuse in the social security program when compared with many other Government programs and the program benefits those with no other sources of income.

We should never ignore the fact that those persons who are now receiving social security benefits were at one time the very same individuals who paid for these very programs. They are now current work force and also contributed to the social security benefits of those who retired before they did. As for those of us now working and paying into the social security program, one day we will be the recipients—rather than the financier—of the program and it will be our children and grandchildren who will be supporting the program.

There is no doubt that this bill increases social security taxes, but early in 1978 it is planned to give the American workers and businesses a general tax reduction that will more than offset this social security tax increase.

This is a strange argument I could use to justify a 'no' vote on this conference report. When the original bill was before the House, I voted 'aye' on final passage which establishes my support for strengthening the social security trust fund. However, the conference committee has agreed to several nongermane amendments and under the rule providing for consideration of this report, I am presented with any opportunity to reject those nongermane amendments. Some of these nongermane amendments relate to the welfare program and should not be attached to a social security bill. Social security is not a welfare program and I object to making a social security bill a hostage vehicle for welfare legislation.

Therefore, since the bill will have no effect for more than a year, that is sufficient time to attempt to correct those problems and I intend to support this bill.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois (Mr. Hyde).

(Mr. HYDE asked and was given permission to revise and extend his remarks.)

Mr. HYDE. Mr. Speaker, we are being asked to support the social security conference report—a report which is being represented as 'insuring the soundness of the social security trust funds for into the future,' which includes a huge tax increase. It is interesting to note that the conference decided not to make the increases effective until after the 1978 elections.

For the highest paid workers, social security taxes deducted from paychecks will triple over the next decade. Social security taxes for the lowest-paid workers will increase 20 percent, and the increased will be estimated of the cost to American workers amounts to $227 billion in new payroll taxes by 1987, on top of increases already built into the law, and on top of proposed increases in the President's energy tax bill.

Obviously, the incomes of those American workers will increase over the next decade, but will their income triple as these taxes increase? The conference report on H.R. 9348, the Social Security Financing Amendments of 1977.

Reform of the social security system is imperative, but not by simply squeezing more dollars out of the American taxpayers. This Congress is applying a band aid to a gaping wound—by passing this legislation.

The basic principles of the social security system must be reevaluated and restructured to achieve a more solvency and equity for those paying taxes and those receiving the benefits.

Responsibility demands that this Congress immediately undertake a constructive overhaul of the social security system—reform that is desperately needed since enactment of the program 41 years ago.

The Republican social security alternative, which we have been considering from a seriously considering, was designed to enable the 34 million Americans who benefit from social security today, and the 100 million who contribute today in the high trust fund, to continue to benefit when their time to retire comes, to be confident that the system is operating on a sound and equitable basis.

While I agree with some provisions, at least the Republican alternative would place the social security system on a sound financial basis for at least the next 75 years, with no increase in taxes beyond those already mandated by law, until at least 1982. After that, taxes would increase a total of 1.5 percent, in three stages, over the 75-year life of the program.

The Republican alternative dealt with the long-term demographical problems posed by the changing composition of American society, and recognizes the enormity of the changes taken place in both population profile and in lifestyles since social security was first enacted.

In 1940, only 15 percent of married women held jobs. Today, half of all married women under the age of 60 are in the labor force. The Republican social security alternative included a number of proposals to redress inequities that work against women. The conference report calls for a study.

Mr. Speaker, sooner or later tax support for the social security system must be increased. But to substantially increase the tax on the tax of our present economic instability, and with full knowledge that a tax increase will not solve the long-term problems of social security funding, it is both foolish and ineffective.

Sooner or later we will have to reform the social security system, but we must do much more than simply increase the taxes. Medicare should be taken out of the social security program where it doesn't belong. The OASDI program is financed from taxes on covered earnings, because the benefits of the program are related to the earnings of a worker-taxpayer. This is true even when the beneficiary is a spouse or dependent survivor. The same principle does not apply to benefits under part A of the medicare program. The source of the benefits is determined by the hospital and related health care costs of a particular person, and bear no relationship whatsoever to his wages or those of anyone else. Governmental employees could well be brought into the social security program prospectively without disturbing existing pension rights of present government employees.

There are but some of the far-reaching but essential decisions that must be made if we are to really accomplish what we agree must be accomplished: the reform of the social security system.

I am sorry the rule was adopted, waiving points of order to the several nongermane amendments added to this already unfortunate legislation. These make an already poor situation even worse. I hope my colleagues will not be as I intend to on final passage.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. Ashbrook).

(Mr. ASHBOURNE asked and was given permission to revise and extend his remarks.)

Mr. ASHBOURNE. Mr. Speaker, I have serious reservations regarding the conference report on H.R. 5346, the Social Security Financing Amendments of 1977. Although we may have to take steps to insure the fiscal integrity of the social security system, the bill before us is not the best answer to the problem.

Of most concern is the tremendous hike in social security taxes that would result from enactment of this legislation. Both the tax rate and the wage base would be substantially raised. It is estimated that this proposal would mean $42.8 billion a year in new taxes by 1987.
Low- and middle-income wage earners would lose a larger chunk of their salaries. By 1990 the social security tax rate would stand at a full 7.65 percent. This is a heavy burden for working men and women to carry.

In this country, people would experience an even more dramatic jump in taxes. A worker making $25,000 a year, for example, would find his taxes increasing about $600 a year in just 3 years.

American workers are already finding it difficult to make ends meet. Salaries are not keeping pace with inflation and the growing Federal tax bite. H.R. 9346 would mean an even heavier tax load for the people of this country.

The new tax increases would also be a blow to employers. They would be forced to somehow come up with the money needed to meet these additional costs. Small businesses and those with thin profit margins would be hard hit.

Imposition of such an onerous tax burden on our Nation's wage earners and employers would be a serious mistake. It is especially wrong at a time of high inflation and large unemployment. The American people deserve better from the Congress.

The problem is that we have gotten away from the original purpose of social security. Welfare-type programs unrelated to the protection of older Americans have been added to the system. The inclusion of these social welfare programs has been a major factor in pushing the social security system toward financial chaos. It is a mistake to enact the large tax increases proposed in this bill without first taking a hard look at the welfare programs which have caused the fiscal difficulties.

On the bright side, however, a provision adopted by the other body to assess a higher tax on employers than employees would give the unemployed and low-income families the added security the system needs to keep up.

On the other hand, the credit would have provided some welcome tax relief to families faced with skyrocketing education costs. Lower and middle income families would have found it especially beneficial. Its removal from the bill is a great mistake.

All in all, H.R. 9346 is a bad bill. Our citizens should not be subjected to the massive tax increases that it would impose. I strongly urge the defeat of the conference report.

Mr. CONABLE. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. COUGHLIN).

(Mr. COUGHLIN asked and was given permission to revise and extend his remarks.)

Mr. COUGHLIN. Mr. Speaker, once again, I am compelled—out of the conflicting emotions of fair play and frustration—to call my colleagues' attention to the fact that the will of the House has again been thwarted by the leadership and a third presidential pocket veto. We have again been denied a clear-cut vote on the merits of the legislation to provide tax credits for higher education expenses.

As long ago as 1970, I began introducing such legislation in recognition of the growing onerous financial burden on middle-income taxpayers trying to educate their children in colleges and universities. In this Congress alone, there are more than 210 House Members who have sponsored some form of education tax credit legislation.

I was one of many colleagues—Democrat and Republican—who have sponsored and worked for this legislation through the years. I thank them also for enduring numerous "Dear College" letters from my tax credit proposal we gather here today to improve it from the tax point of view. We are bent on making the education tax credit as fair and easy to use as possible.

The senior Senator from Delaware, the gentleman from Florida (Mr. PEPPER), has sponsored and worked for this legislation in recognition of the need for education tax relief to middle-income taxpayers trying to educate their children in colleges and universities.

In the current Congress, the House and Senate have been bent, twisted and broken by the House Democratic leadership and thwarted the will of the majority. In this instance, middle income working Americans again were the victims and again were denied higher education tax credits which would provide a measure of help and tax relief at a time in their lives of the greatest financial stress.

Mr. CONABLE. Mr. Speaker, I reserve the balance of my time.

Mr. ULLMAN. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Speaker, every month 33 million Americans of their security checking and one-third of them are over 72 years of age. All of those people know that this Congress came back here today from all over America, to pass a social security bill that would give the assurance that in the future the social security would be solvency and that they will get what we promised them. If the word goes out at the end of this day that notwithstanding the Senate passing the bill by an overwhelming majority, the House of Representatives defeated it, a wave of fear will sweep through the hearts of every one of them wondering about the future solvency and soundness of our social security funds which are the sole source of livelihood for very many of these people.

This bill does not do everything the elderly would like to have it do. It is not perfect in terms of the taxes that it provides. But we have the wave ahead of us. If we keep the funds sound, to improve it from the tax point of view and from the viewpoint of the recipients. I hope the conference report will be adopted.

Mr. ULLMAN. Mr. Speaker, I yield 1...
minute to the gentleman from Texas (Mr. PICKLE).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Speaker, when this measure was up before the House recently, I voted against it on final passage. Now I stand here in support of this conference agreement.

On October 27, 146 Members of this body voted against this bill. Given the urgency of this legislation, I think that number indicated a great reservation about the approach taken in the House measure and the rule we have barely passed, signals other reservations.

But today we have a different bill, a bill which I think is sound and fair.

It is not going to be popular in the short run. It is a steep tax bill. But it is fair as we can expect, and that is our best guarantee that we can be satisfied with this bill. The alternatives would be to let the social security system go down the drain, and we cannot allow that to happen.

The conference report corrects several matters which I think had caused widespread concern.

First, it removes the provision allowing for general revenues. I had an amendment to the House measure to remove that provision, and it failed by a 196 to 221 vote. The action of the conference on this provision was probably its most significant action. We can now say in all honesty to the American people that the social security system will be sound, and will make it on its own. It will not become a needs or welfare program.

Second, the conferees brought relief on the problem of the outside earnings ceiling. It is a tax on the old, but they did not lift the ceiling entirely. This just would have been too costly during the time when the system faces one of its most critical financial problems. I think the conference approached this problem in a fair way in that it does what we can without unduly endangering future generations who will rely on social security benefits.

Third, the conferees maintained a provision which was in the original House bill but altered in the Senate. That provision is parity. When we are levying heavy taxes, the only thing we can do is to try to be fair to all sides. I think parity is essential to that sense of fairness, and I am very pleased to see it remain in the Conference bill. In addition, this bill provides for “decoupling,” and this provides a consistent wage-replacement ratio.

In passing this bill we say to the American people that we are putting social security on a sound financial basis for the net 25 to 50 years. Nothing can be more reassuring to the public than taking this strong action. This is particularly important to the many young people we are telling that when the time came the money would not be there.

We are not through. We must begin early next year to address the many problems in the disability system. We will face the issue of universal coverage in 2 years. And we must look at possible steps toward preventing opting out of the system before universal coverage is in place. I do not like the welfare provision in one section of the conference, and I hope we can make other changes in the offset provisions.

But this is a long, long way.

Mr. Speaker, for months—years—we have been hearing how important it is for us to take the necessary steps to shore up a faltering social security system.

The necessary steps have proved to be difficult ones. They are more difficult now than they would have been 2 years ago, as far as I tried to do in my subcommittee, when I spoke on the Social Security Subcommittee first made an effort to come up with a concrete bill.

But stunning as this bill is, it is less difficult than the horror which will face us if we do not act now.

Every passing month sees the social security trust funds draining away—to the tune of about $470 million each month in the big OASDI fund. This pace is stepped up from the $300 million average monthly drain in 1976. But it is far less than the $575 million average monthly drain currently predicted for next year. And it is far less than the drain of nearly a billion a month which we will face in 1981 if we do not do something and do it now.

That billion a month—as we might suspect—will completely exhaust the OASDI trust funds if we do not act. And we won’t have one until 1981 if all else does not go according to the experts’ rather optimistic projections.

The message in all this is simple. It will be a far harder deal with this problem then, with a billion a month drain on the trust fund, than it is to deal with it now, with a drain of less than half a billion.

No option like this program is pleasant. We must stand up and take the bad news home now, or we must face the prospect of having the damage of this great system on our consciences for the rest of our lives.

Social security is more than an apple pie program. It is a critical foundation for democracy. Historically, throughout the world, the types of political philosophies most pernicious to democracy have taken root where great numbers of the populace face extreme personal deprivations—or see the threat of extreme deprivation hanging over themselves and their families like Damocles’ sword. It was not until the United States came forward with a social security system out of the Great Depression of the 1930’s.

Social security is not, and was never intended to be, a total retirement plan. It is both much less and much more. It is not a retirement plan but it is an insurance program against extreme deprivation in times of extreme need, but also in situations of disability or death of the family breadwinners.

Social security also has become an integral part of our national economic assistance help to keep the economy up and deficts down. And we could use more of both of those items.

The bill we pass today, before, is a tax bill, but it is more than an ordinary tax bill. I hope that we—and the Nation—can keep that foremost in mind.

Mr. ULLMAN. Mr. Speaker, I reserve the remainder of my time.

Mr. CONABE. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. FRENZEL. Mr. Speaker, in the Social Security Financing Amendments of 1977, Congress had the opportunity to make some sensible changes in our present social security system. H.R. 9346 could have provided us with: First, a sound financial structure that guarantees the benefits we have promised; second, a more realistic view of the benefits we can provide our social security beneficiaries; third, and this could have been done without a tax increase in the next few years and a small tax increase thereafter.

Today we have in this bill an unnecessary, substantial tax increase and enormous raises in the wage base which still leaves us with a 75-year deficit of 1.46 percent of taxable payroll or a staggering deficit of $600 billion-plus. I could not support the House version of this bill because I felt it could only result in decreasing employment and depressing our economy—the conference version is worse.

While we did remove the earnings limitations for retirees aged 70 and over, we are still stuck with earnings penalties for retirees below age 70. The limit is raised in the conference report, but to an inadequate level. The mandatory of earnings limits is a serious flaw in this bill.

As I understand the conference report, it will place a devastating burden on middle-income taxpayers in my district and across the country. Any district, who earn $20,000 a year, now pay about 1,900 a year in social security taxes. Under this bill, if inflation and wages both raise at 6 percent, these peoples wages will increase to 25,000 without an increase in real wages. Worse, their social security taxes will increase from 1,900 to nearly 2,600. That is nearly a tripling of social security taxes for middle-income Americans in the next 10 years.

The House, at last, had a better choice in the Conable-Archer proposal, but chose not to accept it. This proposal would have placed the system within safe actuarial bounds, solved the bulk of the problems and inadequacies under the current system and would have accomplished this mostly by changing the tax structure. While rejecting the bulk of the provisions of the Conable-Archer proposal, the House Included many of the gender-based inadequacies in the House bill. The conference version of this bill throws even these provisions out, by the decision to include them in an HEW study.
The Conable-Archer proposal would have moved us a step closer to universal coverage. The conference version provides us with another study which will follow generally the recommendations of both the Ford and Carter Administrations. This proposal would, however, adjust the ultimate deficit to less than 0.5 percent of taxable payroll—an actually sound margin.

C. Make four significant improvements in the treatment of women under Social Security, by:

(1) Providing a new benefit—a "working spouses' benefits"—designed to recognize ties with women who work outside the home. The benefit would be equal to (a) the higher benefit amount due either as a worker or as a survivor, plus (b) 26 percent of the smaller of those two benefits.

(2) Reducing from 30 to 5 years the duration-of-marriage requirement for one spouse to receive a benefit based on the other's earnings record. This provision is designed to remove what many divorces view as an unfair and arbitrary requirement.

(3) Ending the cutoff or reduction of benefits to beneficiaries who remarry at any age, to eliminate their benefits under current law.

(4) Amending the Social Security Act to remove all remaining sexually discriminatory language.

D. Move the nation’s social insurance system closer to the ideal of universal coverage by providing for the eventual escape of all federal government employees, including Members of Congress not otherwise covered, by 1979. The objective is integration of the Civil Service Retirement and Social Security systems without reducing benefits or protection for, or increasing contributions from, participants in either program.

E. Remove the earnings limitation imposed on beneficiaries. Under current law, earnings are reduced on a dollar-for-dollar basis for earnings above $4,000 per year. The situation is terminated for earnings above $6,000 per year. (The limitation is adjusted annually.) This provision would boost benefits from $7,500 in 1978, to $10,500 in 1979, and remove it entirely in 1980.

Freeze the minimum primary benefit at its current level of $1,140.30 per month, but increase greather smaller minimum benefits, to a maximum of $1,500 to $2,100. In view of the nation's economic position, the minimum begins to be expanded by 1980. This recommendation would boost benefits to $7,500 in 1978, to $10,500 in 1979, and remove it entirely in 1980.

Freeze the minimum primary benefit at its current level of $1,140.30 per month, but increase the special minimum benefit from a maximum of $1,800 to $2,100, and make it subject (as are other benefits) to automatic annual adjustments in the future. The minimum primary benefit goes, in large numbers, to governmental employees who either 'moonlight' or retire early and work just long enough under Social Security to meet the minimal eligibility requirements. This special minimum applies only to those who have worked many years at relatively low wages under the system.

G. Link disability and survivorship benefits to the maximum primary benefit payable to a worker reaching age 62. Under current law, Social Security beneficiaries who receive benefits substantially higher than those awarded older beneficiaries who have worked fewer years are locked in by mandatory retirement policies and with increased longevity and productivity of American workers, and designed to reflect the decision to abolish mandatory retirement policies and with increased longevity and productivity of American workers, and designed to be adjusted to changes in the economy and in the retirement planning. This provision would further reduce the system's deficit, by about 25 percent.

(3) Permanently reassigning one-fourth of the Medicare tax rate increase, scheduled next year, to the OASI Trust Funds. This amount approximately equals additional money which would enter the Medicare Fund because of other provisions of this proposal.

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We hope and trust it will be given serious consideration by our Democratic colleagues in the Congress, as we the Administration. We are sending copies of the proposal to the President and the Secretary of Health, Education, and Welfare. We hope and trust they will give it their attention promptly.

The Subcommittee on Social Security of the Committee on Ways and Means is scheduled to begin, Monday morning, the development or legislation dealing with the system. We are particularly interested in having our proposal considered in that forum, and stand ready to answer any questions. Of all interested parties, we ask only that the proposal be given fair-minded consideration, not in fragmented form, but in its context.

The proposal is described in greater detail in a separate document entitled, A Proposal for the Long-Range Financing of the Hospital Insurance and Old-Age and Survivors Insurance Programs. Our staff members and consultants will be pleased to discuss it in greater detail at your request or at any time.

The proposal has five general objectives.

First, it would put the social security system on a sound financial footing for at least the next 75 years. Second, it would strengthen the insurance coverage of the American people.

Third, it would improve the treatment of women under the system.

Fourth, it would make long-needed adjustments in the system to reflect changes in the living and working patterns of the American people.

Fifth, it would move closer to universal coverage, which is appropriate for a national, mandatory social insurance system.

The important objectives of the proposal is, of course, restoration of the financial soundness of the system, which faces an estimated 

The proposal is designed to reflect the changing nature of the American people. It would move closer to universal coverage, which is appropriate for a national, mandatory social insurance system.

The three final elements are designed to improve equity and strengthen the insurance character of the system. Third, it would improve the treatment of women under the system.

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not living as long as they are now, or were their parents, or even those today, by the same time. From time to time, the system has re- sponded to other changes in the working and living conditions of the American people. It is therefore reasonable for the system to adjust to these trends also.

It should be borne in mind that the long- est in time is not necessarily the best in time. People have been living longer, a trend that will continue increasing in the foreseeable future. The birth rate, meanwhile, has de- clined for many years to a relatively low level. Together, such projections, of the improve- ment in mortality as well as the physical conditions of older people, and an increased level of wide-spread dissatisfaction with mandatory retirement, the proposal above can have a generally salutary impact both on the Social Security system and on the social and economic lives of the American people.

It is important to note that workers could continue to retire at earlier ages—62, for example—but with slightly greater actuarial reductions than at present, to take into account the shorter period of time over which the survivors could be expected to receive payments.

Under the proposal, the standard retire- ment age for a worker would be increased by three months (or one-quarter year) each year starting in 2000. By the year 2011, the mini- mum retirement age for a worker would have been increased gradually to 68.

A gradual implementation of this change, with a starting date almost 25 years in the future, would provide workers with sufficient time to plan for their retirement without severe disrup- tion in any one year, and would permit maximum flexibility in retirement practice carefully and systematically.

3) As noted earlier (on page 6), the long range deficit in the OASDHI Trust Funds would be reduced further by a permanent re- assignment, starting in 1982, of a small portion of the Hospital Insurance tax rate. This rate assigned for medical benefits would be reduced to 0.26 percent on employees, employers, and the self-employed.

4) To further strengthen the financing of the Social Security and Medicare (hospital insurance) trust funds, tax rates for employees, employers, and the self-employed would be increased by 0.5 percent in 1981, 0.45 percent in 1986, and 0.5 percent in 1990. In addition, the net amount assigned to the present scheduled OASDHI tax rates over the next 75 years would be less than 15 percent on employees, employers, and the self-employed.

3. TAX TREATMENT OF WOMEN AND SEX DISCRIMINATION

The proposal would make four significant changes in the Social Security Act designed to improve the treatment of women and to remove remaining sex discrimination lan- guage.

First, the proposal would reduce from 20 years to 5 years the duration-of-marriage requirement for former spouses to be eligible for a benefit based on the other's earnings record. Under present law, a divorced spouse retains auxiliary benefit rights only if the divorce occurs after 20 full years of marriage. Critics of the system long have contended that this requirement was unfair, arbitrary, and un- realistic in view of social change.

Second, the proposal would provide a new benefit—a "working spouse's benefit." Under present law, a former spouse is not eligible for a benefit based on his or her own earnings record. But if the worker also be- comes entitled to an auxiliary benefit, such as a survivor benefit, he or she is entitled, in essence, only to the higher of the two benefits available. A number of working spouses have found that they would have been as well off financially, as far as Social Security benefits were con- cerned, if they had never left the home to enter the labor force. To alleviate this prob- lem, the proposal would make the following changes: a) A new "working spouse's auxiliary or survivor benefit, who also worked under Social Security, could receive a new "work- ing spouse's benefit", which would be equal to 50 percent of the auxiliary or survivor benefi- t payable. (This change is designed to re- place what amounts to a "windfall" benefit in some cases under present law. For example, if a wife worked under Social Security for many years or even the entire career, she would be entitled to a pri- mary benefit based on her own earnings rec- ord. If her husband remarried and exclusively under a state employee's retirement system, he would be entitled to a pension under that system and also might be entitled to an auxiliary or survivor benefit based on his wife's Social Security record. Inasmuch as auxiliary and survivors benefits are based on the worker's earnings, less than 50 percent of the individual's earnings, the "windfall" situation described above is not one which the Con- gress contemplated when it provided for sur- vivors and auxiliary benefits in the first place.)

3) The proposal would end the cutoff or reduction in benefits for widows or widowers who remarry. Under the present provisions, the proposal would not be terminated because of a benefi- ciary's marriage or marriage at any age. Under present law, for example, a widow's remarriage before age 60, or a surviving di- vorced wife whose benefits have been with- drawn, will prevent entitlement to benefits unless the subse- quent marriage ends. A number of persons, especially those living in retirement com- munities, have complained that this current law requires them to "live in sin" in order not to lose Social Security benefits.

4. The proposal would amend the So- cial Security Act to remove all remaining sex discrimination language. (Example: "sex term" and "sexed benefit" would be replaced by one term, "spouse's benefit.")

IV. UNIVERSAL COVERAGE

Universal coverage is the popular term and desirable goal of any nationwide, mandatory social insurance system. Although about nine of every 10 American workers now participate in this coverage, the system as it stands today does not fully provide benefits to all workers. In practice, a substantial number of Fed- eral, state, and municipal government work- ers, outside the Social Security system, have either "moonlighted" or retired early from their regular jobs and worked under Social Security just long enough to obtain the minimum primary benefit. Only the minimum primary benefit was not established to help those short- term workers, but to assist other workers who had labored long under the system, a popular provision of the Social Security Act. Recognizing that the minimum primary benefit was not serving its basic purpose, the Congress in 1972 added a "special minimum benefit" to better take care of the workers with many years of covered service at relatively low wages.

In so doing, the Congress did not change the minimum primary benefit, which con- tinues to be of greatest value to those who need it least. This proposal would correct that anomaly by freezing the minimum pri- mary benefit while improving the special minimum benefit.

The special minimum is now $180 per month for workers with at least 30 years of coverage. When the $180 figure was adopted in the 1972 Social Security Amendments (effective for March 1974), it was not made subject to the automatic adjustments for changes in prices; if it had been, it would now be $219.

Under this proposal, the special minimum would be increased to $219 in January 1978 and would be subject to automatic adjust- ment thereafter (as are all other benefits).

3. PROVIDE THAT benefits for the disabled and for additional months of coverage on primary benefit in excess of the maximum primary benefit for a worker reaching mini- mum age of 62 in the year of death or disability.

At least partly because of the technical flaw in the automatic-adjustment-of-bene-
Mr. MICHEL. Mr. Speaker, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from Illinois.

Mr. MICHEL. I thank the gentleman for yielding.

Mr. MICHEL asked and was given permission to revise and extend his remarks.

Mr. MICHEL. Mr. Speaker, the passage of the social security legislation now before us will be a grim reality: it will place a crushing and well-nigh intolerable burden onto the shoulders of taxpayers and consumers; it will begin a fierce conflict between generations in this country, as the young are asked to pay more and begin to fear they will never regain in old age what they contribute to it; and, finally, it will once and for all confirm in the minds of the American people the serious doubts they have about the capability of the Congress to deal with national problems.

Columnist Tom Wicker of the New York Times recently described this bill as an "economic disaster." He pointed out the following:

Long-term tax increases totaling $227 billion dollars would be imposed in regular steps between 1979 and 1987. Note that the Congress that voted this body-blow to the American wallet prudently put off the first of the increases until after its members try to get themselves re-elected next year.

These payroll tax increases are regressive and severe. Under current law, a worker paying the maximum payroll tax would have been hit for 6.0 percent of the first $18,900 of his earnings, or $1,134.45, which is bad enough; under the new bill, a worker at the maximum would have been hit for 6.13 percent on $22,900, or $1,403.77, in 1979. How does a new one-year tax bite of $263.32 grab you?

By 1981, workers and employers will be taxed at 7.15 percent on the first $42,600 of income—$3,045.90 at the maximum. Thus, over the life of the bill, the payroll taxes of persons paying the maximum would be nearly tripled, as will the matching taxes of their employers.

The Wall Street Journal had the following to say about this legislation:

In essence, the Social Security bill will be another government program that encourages consumption at the expense of capital formation. That can only mean more inflation, that can only mean more prices, that can only mean more interest rates, that can only mean more inflationary pressure and, in the long run, that can only mean more interest rates.

This is not just another bill. It has to be regarded as the biggest tax bill of all time. I tell you, Mr. Speaker, the American people will never forgive and soon forget what this bill will do to them.

The irony of all this, we don't have to travel this particular route. We are told that it will save the social security system. But what kind of salvation do we really have? It will mean paying with much longer earnings, and this bill will impose, with the inflation it will create, with the bitterness it will form in the large, hard-working middle-class, from whom so much is taken and to whom anything seems to be given, except a heavier tax burden?

Let us not deceive ourselves. This is one issue on which there are partisan views, in which there are partisan differences. Our Republican version of the social security bill would place the social security system on a sound financial basis for the next 75 years. This plan would require no new taxes until at least 1982 and even then only a modest increase of one and one-quarter percent over the remainder of the 75 years. We Republicans have tried five times to cut Federal income taxes in the first session of this Congress. Five times. And the majority has failed to do so.

The American people are not so easily fooled, Mr. Speaker. They surely are not fooled by the President's rhetoric that he will reduce taxes. This social security bill will place a greater tax burden on every taxpayer. Taxes will not only take money from the taxpayers but cause inflationary pressures that will reduce the taxpayers purchasing power of what he has left.

Today, on the eve of the 204th anniversary of the Boston tea party, the ancient enemy of the American people—high taxes—is still alive. Two hundred years ago tomorrow the people retaliated by dumping tea into a harbor—next year I predict they will retaliate in the voting booth. We have found there is one thing worse than taxation without representation. It is taxation with representation—of the wrong kind.

We are asked to vote yes for higher taxes and to sidetrack an attempt by Senator Rogers to give tax relief to those sending their children to college.

I call upon members, in the spirit of those colonists who showed their contempt for the King's taxes, to dump this bill, sink it to the bottom, and join with those of us who have a better alternative.

Mr. Speaker, while I have to vote against the social security conference report, I think it important to call to the Members' attention the fact that the report contains several welfare reform provisions which were added in the Senate.

The provisions included would provide fiscal relief to the States and localities, incentives for lowering AFDC error rates, access by AFDC agencies to wage records, and authorization for State welfare demonstration projects.

All of these provisions are among those contained in the welfare reform bill I introduced 2 weeks ago, entitled the Welfare Improvement and Cost Reduction Act. The only difference is in the amount provided for fiscal relief. The conference report provides $187 million over a 1-year period, while my bill contains $2 billion in fiscal relief for the States and localities over a 3-year period. I would provide more relief for New York State alone than this report provides for the entire country.

Numbers aside, I commend the House fores for accepting these four provisions. This action presents a significant first step in the direction of legitimate and realistic welfare reform. To be sure, of course, there is still a long way to go, and the bill I have introduced contains many other weaknesses to which I would take us a long way toward completing the process. I would do so in a manner that does not alter our current programs. I do not drop the food stamp program. I do not eliminate the SSA program; I do not structurally change the AFDC program.

What we do in essence is to zero in on the administration of our present programs. We provide tools and incentives
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designed to reduce the error rates. Eliminate the negligible, correct structural deficiencies, and strengthen the work options and requirements. We also provide the States with increased opportunities to experiment with alternatives, part of which is provided for in this conference report.

All told, with these reforms in place, my bill would result in net savings of $1.1 billion to the Federal Government and $2.5 billion to the States in the first full year of implementation. In the Reagan at the end of my remarks, I will be inserting a breakdown of the costs or savings for each section of the bill, based in the main on estimates provided by HEW.

We know, in advance, that the Ad Hoc Committee on Welfare has accepted the Carter welfare proposal virtually intact. I don't think anyone here expects that action to stand, and rightly so, because the Carter wholesale alteration contains too many imponderables on which we simply do not have sufficient information to construct sound legislation. The bill I have introduced represents a moderate approach that makes improvements in the present system while buying us the necessary time to more thoroughly consider alternatives. I will be reintroducing the bill today with cosponsors, and I welcome any others who may be interested.

WELFARE IMPROVEMENT AND COST REDUCTION ACT OF 1977

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Mr. ROSTENKOWSKI. Mr. Speaker, the conference report currently before the House is one that deserves the strong support of this House. It represents a very thoughtful compromise of the issues in dispute in this bill—the most complex and important legislative initiative on which we, in this first session, have completed our work. This is, I believe, one of the rare instances in which the product of a conference committee can truly be said to be a better bill than either version that was sent to the conference.

Early in this session, we began consideration of this legislation primarily because of the impending insolvency of two of the three social security trust funds. Yet, during both House and Senate consideration of this emergency financing bill, too much emphasis, in my opinion, was placed on expanding the benefit structure of the program and too little concern was focused on the real problem—assuring the financial stability of the three trust funds. I am pleased to say that I believe the conference committee has carefully addressed this prob-
lem and rectified what I believe was a serious weakness in both the House and Senate bills.

One indication of the strength of the compromise is that under the House version of H.R. 9346 the OASDI trust fund would have had on hand at the beginning of 1987 an amount equal to only 37 percent of that year's obligations. Under the Senate bill that percent would have been 44 percent. Under the conference compromise, the OASDI trust fund, in 1987, will have on hand a reserve equal to 100 percent of the projected outgo for that year.

Mr. Speaker, such a result was achieved through a careful adjustment in the rates and wage bases and the willingness of the conferences to forego benefits expansions at this time in order to assure both today's retirees and those who expect to benefit from the program in the years ahead that the promises of social security protection can be fully relied upon.

Mr. Speaker, we have read much in the press about the dramatic increases in taxes embodied in this bill. I hope everyone understands in retrospect that the higher contribution rate and base included in this bill, that existing law already includes substantial future adjustments in the rate and base to cover anticipated financial needs. That appropriate comparison, then, is not with today's social security taxes, but with the increases already scheduled in existing law.

As we must all keep in mind that any increases in the contribution rates will ultimately provide higher benefits to current workers when they retire. For example, the maximum benefit in 1977 of $8,444 will be increased to approximately $9,900 in 1987 as a result of the higher contribution base.

Finally, Mr. Speaker, I would like to address myself to the subject of the hospital insurance fund, the third part of our social security insurance system. As the result of a poorly structured floor amendment in the House reducing the admission of Federal employees from the program, only assets in the medicare trust fund would be reduced between 1982 and 1987 by almost $25 billion below the level originally recommended in the Ways and Means Committee bill. Although it was not possible in the conference to restore the actuarial balance of the medicare trust fund to the level incorporated in the Ways and Means Bill, every effort that was possible was made within the scope of conference to exert to restore financial stability to the medicare program—the main source of financing health care for America's elderly. The long-range stability of the medicare trust fund will inevitably have to be reviewed in the context of any proposed changes in the Federal Government delivery of other programs of health services. In the meantime, let me assure my colleagues that the medicare care trust fund has been somewhat strengthened by this legislation and is on firm footing at least through the end of the next decade.

Mr. VANIK. Mr. Speaker, I rise in support of the conference report to H.R. 9346, the Social Security Financing Amendments of 1977. This legislation represents a responsible attempt on our part to address both the actuarial viability of the social security trust funds for many years to come. Why has the social security fund run into financial trouble? The major culprit is the problem of the recession as well as the persistently high rate of unemployment which reduced contributions to the social security fund. If unemployment over the past 6 years had remained below 5 percent, a reasonable goal, the fund would have been in surplus by $46.5 billion instead of confronting a deficit. The first social security benefits were paid in 1940. Since 1950, social security beneficiaries have enjoyed 12 cost-of-living increases:

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Automatic cost-of-living increases, as provided in the Social Security Amendments of 1972. These cost-of-living increases over the years were never adequately funded. The social security reserves were depleted by the reduced contributions of the recession and this failure to properly fund cost-of-living increases. These higher payments were not arbitrary; they were necessary to prevent the shift of millions of Americans from social security support to public assistance. It must be acknowledged that the social security system was in such serious financial condition that it substantially belonged to the general fund.

This legislation before us today will increase social security taxes. However, compared to other nations, we are still providing more coverage for less. Thirty-three million people receive monthly social security checks. Most will receive infinitely more than they have paid in. If the average social security retiree lives as little as 2 or 3 or 4 years beyond retirement, he will have received more than his contribution.

In view of increased premiums, why should anyone accept the social security program? Because social security does more than take care of the retired worker. Its most important task is insuring against loss of family income should a young worker accept the social security benefits. While I do not like the financing measures which would have provided an alternative financing measure. Every bit of the burden to bail out this system has been leveled on the shoulders of middle-income Americans, self-employed citizens, small and independent business people. My amendment gave them some relief.

Again, I must say that I do not know your people individually, but I would believe that they must feel similar to my people.

These middle-income Americans are deeply upset over the sudden and large added burden to the State property and income taxes; the local service and user charges and the Federal income and FICA taxes. I do not believe that they intend soon to forget our action here.

Finally, I am deeply convinced that the compromise report provides for the National Commission on Social Security which I proposed. To most working Americans this high level and nonpartisan independent analysis of social security is needed. I hope in this law for a sound and economically affordable system of financing retirement over the long term.

This legislation has been very difficult for most Members. Raising taxes is always difficult and unpopular. It should be said in conclusion that the system will be made solvent while we look for better approaches.

I hope that this action today does not end our struggle with this issue. We must give the problems of social security financing attention next year and the next year to assure the best, safest, and most economical system.

Mr. JENKINS. Mr. Speaker, the social security proposal before the House is inflationary and inequitab. It threatens the health of the economic recovery, and will discourage many workers from investing in their future. I intend we should rely less on payroll taxes and more on general revenues.

The conference agreement on social security does go a long way toward put-
Representative JAMES BURKE in sponsoring the bill from 6.05 percent to 3.09 percent in 1979, employees and employers almost in half, would cut the social security taxes for low- and middle-income taxpayers. These workers are the backbone of our economy. There is no doubt that the system is in need of reform. Without some change we will continue to mount deficits over the next decade. But the urgency of the situation does not justify precipitous action on a bill that creates as many problems as it solves.

Take a hard look at what we are about to enact. Sharp increases in payroll taxes are sure to be reflected in the cost of goods and services. What we do not need is more inflation.

If we increase payroll taxes it becomes more expensive to hire a worker. There are already some 7 million Americans looking for work who cannot find it. There is no need to add to that total.

A sharp rise in payroll taxes takes money out of consumers' pockets and leaves unsold goods on merchants' shelves. That is no way to keep a recovery moving. Worse, the increase in taxes will really begin to bite in 1979, when many already expect a downturn in the economy.

And payroll taxes put an added burden on employers who are already at the very bottom of the income scale. By putting considerable emphasis on increasing the taxable base, the conference report may mitigate the inequities that come with payroll taxes. But increases that are already scheduled to rise under present law, and the conference agreement would raise them even higher.

The conference agreement reflects long hours of negotiations and no compromise. There is an understandable reluctance to put all that effort aside for a fresh start. We are also urged to act quickly so that the administration can set its budget and tax plans in a manner that will attempt to undo the adverse economic impact of the social security bill. What a way to legislate. Why not do it right the first time?

Mr. Speaker, the social security bill should be put over until the next session. A new bill should be drawn up that will restore financial health to the social security system without causing so many unfortunate economic consequences.

Mr. OTTINGER. Mr. Speaker, during earlier House consideration of this bill designed to alleviate the financial problems of the social security system, I stated my grave reservations regarding the increased payroll taxes mandated by this legislation. My overriding concern remains the effect of these increases on the low- and middle-income taxpayers. These increases are already scheduled to rise under present law, and the conference agreement would raise them even higher.

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open and concealed taxes from the individual worker simply reduces the amount of money available to the family for food, clothing, shelter.

Having only one source to turn to, the worker attempts to replace the monies expended by raising the hourly wage demands on the employer. Thus begins the chain reaction which frequently leads to reduced employment opportunities and, worse, relocation of business.

The simple and ironical fact is that the tax collector does not pay union dues, does not have a pension plan, and is the first beneficiary of any wage increases secured by the worker. This perfect stranger gets a substantially reduced amount for the family.

Furthermore, we should not delude ourselves into thinking that the increase in the wage base proposed in this bill, from $12,000 to $20,000, will shift the burden of taxation off of moderate income families. This is a fiction; the increasing nominal incomes daily, pushing people into higher and higher tax brackets. Thus a person earning only $12,000 per year now will find himself in the same bracket as the person earning $20,000 in the 1980s, at present inflation rates. I think there are very few people in this country who believe that a person earning $12,000 ought to pay 20 percent of his additional income in taxes. Is it any wonder that many unions have already shifted their primary demands away from higher wages to more non-wage benefits?

Of course, the social security tax increases before us today will not solve the fundamental problem of the social security system, which is that it is not an insurance or pension system at all, but rather a vast transfer payment from those presently working to those who have retired. Unfortunately, the illusion that it is an insurance or pension system has blinded us to some serious side effects of social security on the economy.

The most important of these side effects is the effect on capital formation. Federal, state, and local governments, in providing a pension plan, reduce the result of individuals saving for retirement, and hence its capital, to preserve the social security system. The employee, I think, is willing to bear this burden. This perfect stranger gets a substantial reduction for the family.

In conclusion, I must urge my colleagues to oppose this measure and realistically face up to the increasing long-term deficit of the social security system. The increase in this figure has been in the trillions of dollars.

In the conference, I urge the conferees to delete the offset for dependents unfair. I oppose the provision, recommended by the Senate, to offset social security benefits received by one spouse by the amount of government—Federal, State, and local—retirement income received by the other spouse. In my view, this provision will force serious financial hardship on many retired couples and in November I wrote to the conference urging them to delete the offset language from the bill. I should
not try to shore up the social security system by reducing the benefits rightfully earned by people who paid into this system simply because the spouses of these people happened to work for the Government.

It is my understanding that the conferees’ amendment provides an exemption to the offset provision for persons who, within 5 years after the date of enactment, file jointly for or receive a public pension; and second, meet all requirements for receiving spouse’s dependency benefits which were in effect on January 1, 1977, but do not now receive them either because they are too young or because their spouses, although eligible, do not yet receive benefits. While this 5-year delay for some people will be of some help, it is not a satisfactory solution.

The apparent rationale for the offset provision is that men who receive public pensions will get some sort of a “windfall” if they are also allowed to receive social security benefits. I believe that since they may not be “truly dependent,” they must be able to “prove” their dependency in order to get a permanent exemption from the offset provision. Therefore, I support the amendment that men need not prove their dependency upon their wives to receive social security benefits—Goldfarb against Califano.

I think it is unfair and discriminatory to try to require only men who receive public pensions to prove their “dependency” or to reduce the benefits that their wives worked for and earned, to help see them through their retirement.

Unfortunately, by waiving the 3-day layover rule for conference report consideration, we have not had sufficient time to fully understand the offset language worked out by the conferees. I hope Congress will take a hard look at these changes in the second session and guarantee Government retirement benefits to the extent of retirement earnings that are received from their own earnings and from earnings of their wives who have earned them and expect to receive them.

CUMULATING CIVIL SERVICE RULES

I am also concerned about a provision adopted by the conferees that converts 150 “temporary” employees at the Social Security Administration into permanent career, civil service jobs. A bill, H.R. 5723, which is identical to this section of the conference report, was jointly referred to the Committee on Post Office and Civil Service and the Committee on Ways and Means. The Civil Service Subcommittee on Employee Rights and Utilization, on which I serve, developed and reported a reasonable solution to this problem, giving these employees an opportunity to qualify for career jobs. I believe the action of the conferees violates the merit principles of employment and promotion of the federal personnel system and is a disservice to other Federal employees who must compete and qualify for Federal jobs according to standard civil service procedures. Quite frankly, we should not be legislating people into jobs. We either have a merit system or we do not. We should not create an

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Mr. AMBRO. Mr. Speaker, although I voted for the conference report on the bill to provide adequate financing for the social security system, I firmly believe that substantive redrafting of legislation to provide for the solution that is needed.

The increases in both the taxable wage base and the percentage rate contained in this bill will have severe impact on the average American family, and we should understand the cost of this action.

Mr. CONYERS. Mr. Speaker, as the fiscal year 1978 tax expenditures will amount to more than $124 billion, nearly 30 percent of total direct Federal spending. These taxes and subsidies overwhelmingly favor higher-income groups and the corporations. As taxes imposed on workers and low-income families increase, so do tax breaks to the well-off. It is no accident that in the conference on H.R. 9346, the Senate nearly succeeded in coupling increased payroll taxes to yet another tax break for upper-income groups, a $250 a year tax credit for higher education.

The effect of recent Federal action along with the Government’s failure to achieve full employment and price stability is to deepen the already gross income disparities among citizens. This country urgently needs full employment—the most equitable income distribution system of all—and a decent income maintenance program for those unable to work. What is needed is a thorough examination of federal tax and spending programs on income distribution, and fundamental reforms that apportion benefits and burdens equitably and adequately.

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so that we will be in a position to draft amendments to this bill in the near future which will be more deliberately practiced. To the working man and woman, to the employer, and to the Nation as a whole.

A yes vote on this debatable measure means only that I solidly support the attempts—however hastily conceived—to assure the solvency of the social security trust fund, but I do so with the conviction that this bill desperately needs in-depth review and revision.

Mr. OORE. Mr. Speaker, we are about to make a grave mistake by passing this bill. The people are waiting; and, in general, this bill needs the approval of those at whose disposal we can least afford to let it pass. It is already too high.

Early in this century, when the late Secretary of State Cordell Hull was a young Congressman representing the same district I now serve, he led the fight in favor of the principle of progressive taxation. The reform he championed can be stated quite simply: "Those who can more afford to pay should be asked to carry a larger share of the tax burden; those who have fewer resources should be asked to pay a proportionately smaller percentage.

This bill does precisely the opposite. That is the reason I opposed it last month and the reason I oppose it again today.

In addition, the taxes imposed by this bill will have an enormous inflationary effect. We are told that this defect will be remedied by next year's reduction in the income tax—a proposal which began the year of my convulsion.

However, the tandem effect of these two bills will be to shift the entire American tax structure toward a much more regressive system.

As a new Member of this body, I oppose this bill somewhat reluctantly because of my respect for the wisdom and experience of so many of my colleagues who are supporting it and who have labored long and hard to fashion it. Nevertheless, I am convinced that it is an undemocratic, regressive measure, and I intend to vote against it once again.

I insert into the RECORD at this point a column by Mr. Tom Wicker of the New York Times which further discusses the reasons this bill should be defeated:

**PAYROLL TAX—UP, UP, UP**

(By Tom Wicker)

President Carter seems eager for House-Senate conferences to begin their deadlock on the minor issue of a college-tuition tax credit so they can send him a finished Social Security bill this calendar year. But the American people would be better off if the deadlock lasted long enough for this massive tax bill to be subject to the economic disaster it is. For example:

Long-term tax increases totaling 232 billion dollars would be imposed in regular steps between 1979 and 1987. Note that the Congress that voted this body-blow to the American wallet prudently put off the first of the increases until the next election year.

These payroll tax increases are regressive and severe. Even a current law, a worker paying the maximum social security tax would have been hit by 6.0 percent of the first $18,900 of his earnings, or $1,143.45, which is bad enough; whereas a worker at maximum would pay $4.7 percent of $22,900, or $1,043.77. In 1978, how does a new one-year tax bill look? By 1987, workers and employers will be taxed at 7.16 percent on the first $2,900 of income—an increase of 18.5 percent at the maximum. Thus, over the life of the bill, the payroll taxes on persons paying the maximum will be nearly tripled, as will the matching taxes of their employers.

The increases are inflationary, since it is an established economic fact that most employers' payroll tax increases to the consumer via higher prices. Thus, Congress has voted strong upward pressure on the price level in each of the years from 1979 through 1987.

Despite the general inflationary effect, in some cases, the bill might also work against employment. But it might either not hire new hands or reduce the work force as a hedge against increasing employment costs.

In addition to these effects on inflation and employment, the payroll tax increases will cut heavily into workers' buying power. At one and the same time, Congress has managed a bill that will depress the economy and fuel inflation.

President Carter's plan to cut income taxes to compensate for these effects, even if passed, won't necessarily help that much. Annual income tax action will certainly not stop employers from passing their 2 percent monthly payroll tax increases to consumers; and whether payroll deductions for income taxes can be reduced sufficiently to maintain buying power remains to be seen. Remember that Social Security comes on the top of the workers' weekly check, an income tax refund at the end of the year won't put food on the table day by day.

Some may ask, 'But what could Congress do? How else could Social Security be saved?' Well, it could have saved Social Security by doing what other industrialized countries do—feeding Social Security revenue into tripartite system supported by employers, employees and the general revenues for 25 to 45 percent of their social insurance funding; West Germany, for example, gets 25 to 32 percent general funding since 1891. I am informed by Alfred Kastik of the University of Maryland at Baltimore.

Most of the planners of the American Social Security originally envisioned, when doing their work in the 1930's, that sometime in the 1980's it would become necessary to put general fund revenues into the system. Why? Because the Federal Government has been matching all mandatory finance contributions, to the Medicare system since 1965. Where's the difference in principle? Yet, Congress remains wedded to the myth that Social Security is a province of its own. It is true that Social Security as a legislative achievement. Since the system is in no immediate danger (whatever alarmists say), payroll taxpayers might welcome instead a large reduction in inflationary tax increases and a new start next year.

Mr. PEPPER. Mr. Speaker, each month 33 million persons receive benefit checks totalling over $5.5 billion drawn on social security trust funds. Of these, 23 million—under 65— are age 60 or over and more than 1 million are under 30 and are over 72 years of age. These persons need to be assured that their benefits are guaranteed for years to come. For this reason, I am very pleased that the conferences have acted to get this conference report before us before we adjourn in order to provide this guarantee. I commend the House and Senate conferences for their efforts.

The conference committee report contains a number of provisions that I have long advocated and which I support strongly. The "decoupling" issue is addressed in a way that greatly reduces the projected long-range deficit; the Medicare legislation and the same time provides a wage-indexed formula which allows retirees to share in productivity increases in the economy during their working years and which protects those secure in the near future from being disadvantaged because of the formula change.

I am extremely happy to see that the conference report would correct a major flaw in the present system by increasing the special minimum benefit for long-term, low-paid workers and including it in future cost-of-living increases. For some reason, this special minimum added in 1972 was about the only benefit not subject to the cost-of-living provision and has suffered severe erosion as a result of high inflation over the past few years.

I am very pleased to note that the report would increase the present 1-percent credit for delayed receipt of benefits beyond age 65 to 3 percent. This almost "sleepers" provision in the 1972 amendments has not been utilized and I believe it contains the potential for helping to alleviate some of the financial problems of the trust funds by encouraging and rewarding persons who are willing and able to continue working to do so. I believe this approach of allowing greater options to people is infinitely superior to any attempt to force people to work in the last years by increasing the age of eligibility from 65 to 68.

The report provides for an annual increase in the level of outside earnings of the retirement test for those between 62 and 72 at a faster rate than the present law until 1982 and lowers the age from 72 to 70 at which the earnings test is applicable in 1982. While I am happy to see this increase in the level by increasing the age of eligibility from 65 to 68.

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or over, of the so-called living-in-sin requirement of present law in order to avoid a loss or reduction in benefits. I only wish that the conference could have adopted the House version of this provision intact.

While I find many provisions in this conference report that I support, I do have reservations on this issue. In particular, I am concerned that the standby loan authority from Federal general revenues is not included in this legislation.

In my testimony before the Social Security Subcommittee, I strongly supported the provision in the President's proposal to use general revenues on at least a limited basis. In fact, I supported the proposal of Congressman Burke to make the Federal Government an equal partner in the financing of social security benefits. While the House bill did not adopt either of these proposals, it has a provision that would have allowed the old age and survivors insurance (OASI) and disability insurance (DI) trust funds to borrow from Federal general revenues in order to avoid the need for such trust funds drop below 25 percent of annual outgo. In my opinion, such a provision is essential to providing the needed guarantee to social security beneficiaries and to the future, that the funds are secure and will be there when needed. I have been told that a survey of workers indicated that 60 percent did not believe social security benefits would be there when they retired. In my view, the "safety valve" provision would be a major step in dispelling this disbelief. Hopefully, the provisions now in this conference report will be sufficient to achieve this end.

While there are some other provisions that cause me concern—for example, reduction of benefits for spouses of Government pensioners, no seminannual and conditionally hardship increases, more rapid tax rate increases than the House bill—I am happy to see that we are taking steps to improve the financial integrity of the social security system. I am happy to see more benefits that will be there when they are needed. In view, the "safety valve" provision would be a major step in dispelling this disbelief. Hopefully, the provisions now in this conference report will be sufficient to achieve this end.

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Mr. McGLORY. Mr. Speaker, I would like to address a point raised by the gentlelady from Colorado, Congresswoman Schroeder, and others regarding the provision in the conference report relating to the new law judge system. It appears that under this bill the status of 150 temporary hearing examiners would be adjusted so as to make them permanent administrative law judges. This would be the result of the removal of the Age Discrimination in Employment Act amendments—H.R. 5383—which would totally remove mandatory retirement from the civil service, what would be the result of adopting the conference report is give life tenure to 150 judges.

The reason that I raise this point is that during debate on the Bankruptcy Act revision—H.R. 8200—the Danielson-Rallback amendment was adopted, whereby removing from the bill the provision which would have created an estimated 150 bankruptcy judges lifetime tenure. The controversy was whether H.R. 8200 as reported out by the Judiciary Committee went too far by creating as many as 100 new life tenured positions. In the debate in this chamber and here today within the committee. The provision in this social security bill would create at least one and one-half times the number of new life-tenured positions as the bankruptcy bill.

Without even going into the myriad of other objectional aspects of H.R. 9345, I strongly believe that a vote to adopt the conference report would be extremely unwise. I am happy to see that we are taking steps to improve the financial integrity of the social security system and to the future, that the funds are secure and will be there when needed. I have been told that a survey of workers indicated that 60 percent did not believe social security benefits would be there when they retired. In my view, the "safety valve" provision would be a major step in dispelling this disbelief. Hopefully, the provisions now in this conference report will be sufficient to achieve this end.

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realized by only a few Americans. All too many people work the bulk of their lives with the knowledge that they would not be able to make ends meet, either alone or in tandem with a pension to maintain them during retirement at their same level of living, and by the time they really need it—otherwise it is too late.

Consequently, social insurance and retirement benefits have had to rise over the decades to partially reduce what would otherwise have been a flood of applicants for State and local welfare programs. Indeed, instead of providing aid out of a retiree's income, social security for a low-paid worker now gives him about 60 percent of the wages he last got when he was working; those who were making a median wage receive about 40 percent, and the higher-paid obtain 30 percent or less of their retirement income from social security—a progressive benefit which to some extent offsets the regressive social security tax on employees.

This rise in benefits far beyond the increase in the cost of living over the past 40 years resulted in great changes in both the tax base and the tax rate. According to the Commission, the social security tax rate in 1937 was 2 percent on a maximum base of $3,000, giving a total tax of $60 or less. These figures have now risen to a rate of 5.65 percent for social security and medicare combined, to a base of $16,500 and a new tax of up to $965.25—an increase of 3,200 percent.

Another way of illustrating this is to take the example of an employee who was working; those who were making a median wage receive about 40 percent, and the higher-paid obtain 30 percent or less of their retirement income from social security—a progressive benefit which to some extent offsets the regressive social security tax on employees.

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Another way of illustrating this is to take the example of an employee who entered the work force shortly before 1937 and who has paid the maximum social security tax each year since then. His payment into the trust fund last year of $895.05 represented almost 9 percent of the income taxes. By way of comparison, the tax base—to the point where the tax rate is 6.2 percent for the first $16,000 of income—applied to the income they carry.

The huge energy taxes proposed by the Biden administration and higher consumer prices. The time for rhetoric and bandaid solutions is past. The time for us to do is now. This bill with my amendment provides the framework for such solutions. Americans are ready for this approach. A courageous Congress can provide these solutions, and the time for us to do so is now.

Mrs. HOLT. Mr. Speaker, I believe it is important to recall the original purpose of the Social Security Act of 1935. It was to provide a basic retirement system financed with mandatory contributions by workers and their employers. It was not conceived to cover personal tragedies such as death, disability, or ill health.

Over the many years since then, the Congress has added survivors' benefits, disability benefits, and medicare to the program, and has increased both the benefit levels and the taxes to support them.

But Congress over-reached in the normal political fashion. It legislated a growth rate of benefits that could not be matched by revenues from the tax rate. We started in 1955 with a relatively simple self-supporting system, but today we have a huge, complex, and fast-growing system that cannot pay for itself unless we do something drastic.

The proposal put before us today is for drastic tax increases, which is the worst possible way to go. I believe we should return social security to that basic retirement system which it was originally intended to be. We should never have to cover the personal tragedies with the social security program. We have other programs to cover personal tragedies.

Social security, as originally conceived, had one purpose: To provide retirement income for workers who were taxed throughout their working years to pay for these retirement benefits. We should not be raising their social security taxes to cover costs that are never part of the original bargain and should be covered by general revenues.

We should also be extremely concerned about the harmful economic consequences of the present social security tax increases on which we voted today. These tax increases will cause higher inflation and more unemployment at a time when inflation and unemployment are two of our critical problems facing our country.

The social security tax is a direct tax on income. The portion paid by the employer is a tax on every job, drains away capital that could be used to expand production, and raises the cost of production. This translates into fewer jobs and higher consumer prices. The portion paid by the employee reduces his ability to save and diminishes the pool of capital needed for economic growth.

And I would remind this House that there is no real economic relief to the worker in having the employer pay some share of this tax. The employer ultimately calculates it as part of the total compensation of the worker.

I would also remind this House that the middle-income taxpayer, on whom this legislation would impose a terrible burden, is outraged by the total tax burden he already pays to all levels of government. The income tax legislation of recent years has attempted to relieve low-income families, but nothing significant has been done to relieve middle-income families. To the contrary, inflation induced by loose government fiscal policy has pushed them into higher tax brackets and dramatically increased the tax load they carry.

The social security tax legislation is the third major act of the House this year that would cause serious economic damage. The large increase in the minimum wage will surely cause more unemployment and higher consumer prices. The huge energy tax increases proposed by the President Carter would be a disastrous blow against our hopes for reducing inflation and unemployment.

What is needed. Mr. Speaker, is a general income tax reduction for all income groups. It should be great enough to cancel out the harmful effects of the higher minimum wage, the new energy
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Mr. ROGERS. Mr. Speaker, I rise to express the concern that I have about this Nation's social security program, as well as about the method of funding which is proposed to us today.

Over the years millions of Americans have made their plans for retirement in reliance on a fiscally dependable social security system. Now, we find that the ability of the system to meet its obligations is being seriously questioned. Were we not to take action to quell this uncertainty about the future of the system, we would invite catastrophe of major proportion in the lives of many Americans.

The social security system has become so important to us that, if we were to allow the basic structure of the system to be undermined, I believe it could be a loss of confidence in the economy to an extent that we have not seen since the Depression of the thirties.

Now, the legislation we are considering today seeks to bail out the social security system by increasing the flow of revenues. The motives of this legislation are unquestionable. We must assure the fiscal integrity of the system. However I am very concerned about the rate of taxation which is required to generate these revenues.

Businessmen and employees alike from my district have written to voice their concern over the increased payroll tax. All in all, I feel that the Congress has no alternative but to adopt the legislation before us. However, I would strongly urge that we not consider the matter of social security in a vacuum. We must continue to seek to structure the pay-roll tax rate and wage base in a manner to lessen or hold steady rather than increase this burden in the future.

Mr. Speaker, the question of a social security system for our elderly is one of great importance to me. People have worked their entire lives, looking forward to the day when our system would be corrected. Now the social security system is threatened with bankruptcy. For too many years, we have been beset with the benefits without adequately increasing the revenues. This year we have heard reports of doom—if something is not done the trust fund will be bankrupt in the early 1980's.

When President Carter introduced his proposal, he suggested that general revenues be used at times to supplement the funds. I support this idea. When unemployment is high, there are fewer people contributing to the fund. Using general revenues, in part, was a solution that I agreed with. Yet when the bill was reported from the Ways and Means and Rules Committees, there were certain restrictions placed on amendments from the floor. Only certain predetermined amendments were allowed and there were none to allow the use of general revenue to augment the trust fund. The House bill would have allowed us to borrow from general revenues in certain circumstances, which I supported. This has been deleted by the Senate.

At that time, I weighed my vote very hard. Since I voted for the social security bill as reported from committee: My overriding concern was to insure that the elderly who retired would get the benefits that they had paid for and expected. Yet I was concerned about the burden on the workers and employers and the economy in general. I finally decided that the responsible vote was to vote for the increases.

Since that time, I have given this matter a lot of thought. I have had many community meetings. By far, the most discussed issue has been social security. The people in our country do not think it is a fair system. There are serious inequities. They are angry. And I think with real cause. The social security system was devised in 1933; the American society and economy have changed greatly in that period of time; yet social security is based on the old assumptions.

I am voting against this conference report because I think we have used stopgap measures to “solve” the problems of financing. I think now is the time to do a total overhaul. We need a system whose benefits are determined by how much you pay, and who work for 35 years and pay throughout the entire time should receive more benefits than the people who meet their minimum quota.

The Supreme Court has ruled that the allotment of benefits cannot be different for men and women. Through the actions of the Congresswoman’s Caucus, there is a task force studying this now. By vote against this conference report is a vote against paying the retired people of this country, the benefits that are due them, but it is a vote to send the entire bill back to committee and to assure that this system is corrected.

Mr. CLEVELAND. Mr. Speaker, I intend to vote against the rule and the conference report on H.R. 3046. The Social Security Amendments Act of 1977, as I did against the earlier House version. When I voted against the House bill, my principal objections included a belief that the amounts of the projected wage base increase were excessive and far too costly for the already overburdened American taxpayer.

Unfortunately, the conference report before us today perpetuates those tax rate increases even more and retains the House-passed wage base increases except for the typical crafty—and cynical—election year maneuvering which delays the effect of those increases until after the 1978 elections.

No one can argue that our social security system is in deplorable financial condition. It is apparent to me that changes are not needed. It is important not to lose sight of the fact, however, that solutions to the deficit problem are not without their own inherent difficulties. The phenomenal tax increases imposed by this bill will depress our already shaky economy and dig deeper into taxpaying Americans’ pockets at a time when they can least afford it. They may well lead to increased speculation that our Federal Government and its attendant costs are out of control. Decreased spending on the Government’s ability to provide security programs, such as retirement income security, is bound to occur as well.

In anticipation of these problems, in 1976, I asked the Budget Director to prepare a study to examine what could be done to provide maximum employee contribution toward social security and the total maximum accumulation of these contributions for workers beginning in 1978. An employee who earned the maximum amount of wages taxable under the social security program in each calendar year from 1937 to 1975 would have paid and contributed a total of $19,785. This was increased in 1976 to $20,610. This is from a chart which lists maximum contributions at the rate of 1 percent of the $3,000 wage base in 1937, or an annual contribution of $30. In 1975, this was increased to the rate of 1.3 percent on a wage base of $6,000. The total maximum contribution at that time was $780. In addition, there were annual increases in the wage base which now totals $14,000. At the same time maximum total accumulation if the amount of the employee’s contribution is stopped—though the amount has been deposited at the end of the year into an account paying interest at 5 percent compounded annually. The accumulated total based on that amount is Social Security Administration’s estimate of $1,330.92.

The enormity of the tax hikes for middle-income Americans contained in this bill is illustrated by the fact that in 1975, 13 million families paid about $1,000 for a worker’s taxes—based on maximum contributions—to equal if not exceed those paid by someone who had contributed the maximum amount in taxes from 1937 to 1975. This is $824.85 based on 5.85 percent of the wage base of $14,000. At the same time maximum total accumulation if the amount of the employee’s contribution is stopped—though the amount has been deposited at the end of the year into an account paying interest at 5 percent compounded annually. The accumulated total based on that amount is Social Security Administration’s estimate of $1,330.92.

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Government's contribution to its impact on hard-working, taxpaying middle Americans.

Mr. COTTIER. Mr. Speaker, as a member of the conference committee on the Social Security Financing Amendments of 1977, I rise to urge the support of my colleagues for the passage of this most important legislation.

As you know, the conference has agreed on the largest social security tax increase in our Nation's history. In 1987, taxes for both employer and employee will be 7.35 percent on a base of $42,900. This base will cover approximately 90 percent of the U.S. wage base.

Raising taxes is never pleasant but this much needed bill assures that both OASDI (2030), and DI (2007) will be funded until the year 2000. Over $227 billion will be raised within the next 9 years.

There are some pleasant surprises. The conference has agreed to keep parity between employer and employee, and have rejected the use of general revenue funding by removing both the borrowing authority which has been passed by this body, and a Senate amendment to use general revenues to assist local governments and nonprofit organizations.

We have also adopted a decoupling amendment to separate existing benefit increases from benefits of future recipients. Under the conference version, a wage replacement ratio for future beneficiaries will average 43 percent which is well below the 60 percent projected in the present law for the 1980's.

The conferees have put a freeze on the minimum benefit that has been subject to abuse by late entrants into the social security system, and, at the same time, adopted a proposal to limit a spouse's social security for limited partnerships that were designed just to make partners eligible for benefits and taxed employers on tip income for social security purposes.

The income disregard level for all disabled blind persons has been increased to the same as the retirement test and finally, it was agreed to allow marriage and remarriage to all widows over 55.

I believe that we all have an obligation to our elderly, our disabled, and ourselves, to see that this bill is passed before the end of this year. We must assure the beneficiaries that their checks will continue for both employer and employee will be.

The retirement test age will be reduced in 1982 from the present 72 to 70, and the earned income limitation has been increased as follows:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Present law</th>
<th>Conference agreement</th>
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</thead>
<tbody>
<tr>
<td>Employees and employers, each:</td>
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</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
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<tr>
<td>1978-80</td>
<td>4.95</td>
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<td>1981</td>
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<tr>
<td>1990-2014</td>
<td>4.95</td>
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<td>2014 and later</td>
<td>5.95</td>
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<td>Self-employed persons:</td>
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<td>1977</td>
<td>7.00</td>
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1 By allocation in law.
In "decoupling," the system—that is, separating the procedure for granting current retirees cost-of-living increases from the method for calculating initial benefits for future retirees. Beginning in 1979, replacement rates will be stabilized in relation to wage levels. This is accomplished by "wage indexing"—to reflect the increases in average wages that have occurred since the earlier period, and a new benefit "ceiling" would be done just prior to when the worker reaches 62, becomes disabled, or dies.

Under H.R. 9346's new formula, each worker's earnings would be updated—indexed—to reflect the increases in average wages that have occurred since the earlier period. A new "ceiling" would be done just prior to when the worker reaches 62, becomes disabled, or dies. Under present law, a worker's earnings are counted in actual dollar value. Earnings after age 62 or disability would be counted, in actual dollar amounts; cost-of-living increases would apply beginning with age 62, disability or death—not before as under the 1972 law. The new "decoupled" benefit formula produces benefit amounts roughly 5 percent lower than estimated present-law benefits at implementation—January 1, 1979. The formula for relating maximum family earnings to primary insurance amounts (PIA's) has a similar effect. To assure that workers now approaching retirement age will not be placed at a disadvantage, a 5-year transition period is provided. A worker who reaches age 62 after 1978 and before 1984 would be guaranteed a benefit no lower than he would have received under present law as of January 1979.

PARTIALLY FREEZING THE MINIMUM BENEFIT

Regarding another windfall benefit in present law, H.R. 9346 seeks to partially freeze the minimum benefit—paid to those with the minimum required coverage—for future retirees at an amount equal to the value of the minimum benefit which will be in effect in January 1979—estimated to be about $121. Under this compromise provision the $121 minimum is adjusted by CPI increases beginning generally with the year in which the special recipient actually became entitled to benefits before. In the case of a worker or aged widow or widower the CPI adjustments to the minimum would not begin until after 1978. If the first year the worker or aged widow—widower—was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; second, the year of attainment of age 65. Under current law the base amount rises annually with the cost-of-living both before and after benefits are paid.

In the special minimum benefit

Under the bill the special minimum benefit paid to future retirees with long work records at low pay is also frozen but for the initial payment only. Under present law this benefit is $9. The maximum amount of coverage a worker has in excess of 10 up to 30; there-after it is not subject to annual cost-of-living increases. H.R. 9346 would increase the $9 figure to $11.50 and thus the maximum payment from $180 to $230 effective 1979. It would also provide that the special minimum benefit would be kept up-to-date with future increases in
the cost-of-living for both present and future beneficiaries.

INCREASE IN THE DELAYED RETIREMENT CREDIT

I am happy to report the conferences accepted the House provision increasing the delayed retirement credit from 1 percent to 3 percent per year for workers aged 65 and 72 would have their payments increased by 3 percent for each year they do not take benefits as compared with 1 percent under present law.

Also the conferences included a Senate amendment which would make the delayed retirement credit applicable to widow's and widower's insurance benefits, as well as to the worker's benefit.

INCREASE IN EARNINGS LIMITATION

H.R. 9346 also contains compromise provisions liberalizing certain aspects of social security benefits which many of us have urged for years. The most important change involves the so-called retirement test. Under present law, the amount a beneficiary under age 72 may earn in any month prior to the month in which a person earns no more than $3,000. In 1979—from $3,480 and in $500 stages annually up to $6,000 in 1982. After that the automatic adjustment provision in present law would take over. The retirement test under present law would continue to apply to beneficiaries under age 65. The bill would also eliminate the present monthly measure of the retirement test which allows the payment of full social security benefits for any month in which a person earns more than one-twelfth of the annual earnings limit—in the case of 1977 this means no more than $290 a month, one-twelfth of the amount a beneficiary under age 65 would receive.

The conferences rejected the idea of eliminating the retirement test altogether for those 65 and older as proposed by the Ketchum amendment passed by the House without my support. I strongly feel, as do several major senior citizen organizations, that eliminating the retirement test only benefits a small percentage of social security recipients who are already drawing their full benefits. The additional provision which over-whelmingly passed the House with my support as a substitute for going ahead with universal mandatory coverage beginning in 1982. This Senate committee provision would combine the studies of mandatory coverage of employees of Federal, State, and local governments and nonprofit organizations. It would require the Secretaries of Health, Education, and Welfare to conduct the study with appropriate consultation with Treasury, the Office of Management and Budget, and the Civil Service Commission.

The conferences anticipate that the study will include, in addition to the evaluation of alternative proposals, examination of the following specific items: First, how any possible constitutional questions involved in extensions of coverage; second, review of the extent of State, local and nonprofit coverage; third, analysis of the economic impact on State and local governments of mandatory coverage extensions; and fourth, an analysis of the feasibility of developing a method of covering Federal employees without increasing their contributions or adversely affecting their benefit rights—except to the extent that any windfall benefit situations may be eliminated.

COVERAGE OF NONPROFIT ORGANIZATIONS

The conferences accepted a Senate amendment to: First, forgive through October 19, 1976, those employers under full social security coverage that resulted were validated; Second, permit nonprofit organizations that paid social security taxes while their status to receive a refund of those taxes retroactively; Third, permit nonprofit organizations that paid social security taxes while their status to receive refunds prior to September 9, 1976; Fourth, review of the length of time benefits for widows and widowers who have married a disabled worker or to a divorced spouse, surviving spouse—including those caring for an entitled adult disabled child or an entitled child—parent, or child, and remarriage or terminate entitlement to benefits as a substitute for going ahead with universal mandatory coverage under the social security law as in effect on January 1, 1977. The conferences were concerned that there may be large numbers of employers, especially widows in their late fifties, who are already married, whose remarriage, or who would be eligible to draw them within 5 years of the date of enactment of this bill, based on their noncovered work and whose retirement income was planned for on the assumption of the availability of full wife's or widow's benefits under social security. Inclusion of this exception to the applicability of the Senate provision, reinforces its prospective nature by excluding people who are already married, or close to marriage, from public employment and who cannot be expected to readjust their retirement plans to take account of the "offset" provision that will apply in the future.

ELIMINATION OF MARRIAGE OR REMARRIAGE AS A FACTOR IN ENTITLEMENT TO, OR TERMINATION OF BENEFITS

The conferences agreed instead to establish, by law, only the part of the House-passed provision that would prevent reduction in benefits for widows and widowers who remarry after age 60.

DURATION OF MARRIAGE REQUIREMENT

The House-passed bill provided that the length of marriage before being entitled to benefits would not be reduced to one year. The Senate provided for it only the part of the House-passed provision that would prevent reduction in benefits for widows and widowers who remarry after age 60.

EQUALIZATION TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM

The House-passed bill contained a number of amendments that were designed to eliminate gender distinctions from the social security program, while the Senate did not include any such provisions. I regret to say the conferences agreed to drop the House provisions with the understanding that the entire question of such gender-based distinctions would be included in the 6-month study of proposals to eliminate de-
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The Senate had added an amendment to H.R. 9346 providing for a nine-member National Commission on the Social Security Program, appointed by the executive and legislative branches, to conduct a 2-year study including: The fiscal status and adequacy of the trust funds; the scope of coverage, adequacy of benefits, conditions of qualification for benefits, and the impact of various social security costs resulting from marital status, sex, or similar classifications of categories—and quality of administration; the impact of the programs on and relation to public assistance programs, nongovernmental pension insurance programs, other governmental retirement and annuity programs, medical service delivery systems and national employment practices; and alternatives to current programs including, phasing out payroll tax, using general revenues or other financing, mandatory participation in private insurance programs and choice of public or private programs or both. I voted for this amendment.

The Senate conference agreement included a provision comparable to this in its bill.

The Senate conference agreement to the House's Commission provision with the understanding that it would also study the need to develop a special CPI for the elderly for purposes of social security cost-of-living increases. As a long-time sponsor of such special CPI legislation, I am very pleased about this addition.

The conference committee bill also limits payment of retroactive benefits to only those cases where the benefits are disability-related or where there was not early retirement.

The measure would require employers of workers receiving below the minimum wage plus tips to be taxed on the portion of tips income which when combined with the workers' salary equals the minimum wage. This employers' tax obligation on tip income would be regardless of the actual amount of tips the employee reports on his or her income tax form.

H.R. 9346 would change the basis for calculating cost-of-living adjustments for early retirement social security to place them on the same footing as persons who retire at age 65 or later.

The conference committee bill contains the provisions in the Senate-passed bill which make further changes in the AFDC program. Under a new reporting requirement of employers as a substitute for quarterly reporting. Under these provisions, employers would no longer have to check off quarters of coverage or report quarterly wages on the W-2 forms. States and local employers would continue to report on a quarterly basis but wages would be converted to annual figures.

This section excludes from the definition of work the period in which the pay is less than $100 in a calendar year. Also, it changes the "quarter of coverage" definition so that after 1977 all workers would receive a quarter of coverage for each $200 wages paid in a year—up to a maximum of four quarters of coverage in a year. The amounts measuring a quarter of coverage would increase automatically each year as wages are increased. Under present law, a worker receives credit for a quarter of coverage for a calendar quarter in which he received at least $50 in wages.

The conference measure would permit clergymen who previously did not elect social security coverage a second opportunity to come under the system as self-employed persons.

The legislation also authorizes the President to enter into bilateral agreements with foreign countries to provide limited coordination of social security systems. Each such agreement would have to be transmitted to Congress together with a report on the number of affected. It could not go into effect until 90 days after both Houses had been in session. During that period an agreement could be rejected by the action of either House.

Finally, H.R. 9346 as reported by the House-Senate conferees included four of the five welfare provisions added by the Senate to the House-passed bill and agreed to in amended form by the House conferences.

The first provision is of particular concern to New York State. It is a scaled-down version of the immediate welfare costs, fiscal relief proposal the State and its representatives have been pressing for. The amount of this one-time payment to States would be $187 million, and any such payment would be repaid by New York State's share of the $187 million in H.R. 9346 is estimated to be about $28.3 million with a substantial portion—about $18 million—to be passed through to New York City.

The Senate welfare amendments agreed to by the conferences include: second, providing fiscal incentives for lowering aid to dependent children overpayment error rates below 4 percent by allowing States to keep part of the savings which would normally accrue to the Federal Government—New York State is not close enough to the 4-percent rate to qualify; third, allowing States access to wage information held by the Social Security Administration and State unemployment compensation offices on AFDC eligibles and recipients starting October 1979; and fourth, authorizing States for 3 years to conduct up to three welfare employment demonstration projects with voluntary participation by recipients and with the approval of the Secretary of HEW waiving certain statutory rules. A fifth Senate amendment tightening up the earned income disregard under the AFDC program was dropped by the conferences. The Carter administration and representatives from high-cost-of-living States such as New York opposed the changes in the earned income disregards.

Taken as a whole, H.R. 9346 as drafted by the House and Senate conferences is an excellent bill. It has its shortcomings as I have indicated, but § strongly urges my colleagues to overlook them and vote in favor of legislation which this year will...
put the social security system back on a sound financial basis. We can delay such action no longer.

CALL OF THE HOUSE

Mr. WRIGHT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 781]

Adabbo
Andrews, N.C.
Andrews, N. Dak.
Armstrong
Ashley
Aspin
Badillo
Baucus
Bedell
Bellenson
Bolting
Bonker
Breaux
Brodhead
Burke, Calif.
Burke, Fla.
Bunyon, Tex.
Burton, Mo.
Burton, John
Burton, Philip
Carney
Cedergren
Chappell
Collins, Ill.
Conyers
Corman
Davila
Dent
Deutsch
Dickinson
Digs
Drinkard
Dwyer
Farr
Ford, Tenn.
Pony, Ohio

The SPEAKER pro tempore. On this rolcall 317 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

SOCIAL SECURITY AMENDMENTS

OF 1977

The SPEAKER pro tempore. The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, to conclude debate, I yield the balance of the time to the distinguished Speaker of the House (Mr. O'NEILL).

Mr. O'NEILL. Mr. Speaker, how did this bill happen to come before the Congress this year? I want the Members to think about that. How did it come up?

I will tell the Members how it came up. It came up because the liberal lobby and those who are supporters of the Reagan group, the Right Wing of America, so maneuvered and tightened the aged of America and the senior citizens, that each one of us who went to any meeting where the senior citizens were present were warned: Is the social security system going down the drain? Did they have something to fear? No. We assured them that they had nothing to fear. We said, "No, this Congress, the Congress of the United States, would never let the social security system go down the drain."

Why, we would go into the general fund before we would ever allow that to happen.

I think we are the only Nation in the world that does not dip into the general fund, but, interestingly, the votes are not here for that purpose.

Mr. Speaker. I want to talk to the Democratic Members of this House; 1935 was the year that social security came into existence. Do the Members know what the vote was that day? There was a vote to recommend. And the vote was 97 Republicans to recommend. And the Democrats voted for the legislation. And the interesting fact about it is that the philosophy has not changed on the Republican side since 1935.

What did the social security bill do at that particular time? There used to be in America what was called the poorfarm, the poorhouse, the almshouse: and those who had no insurance, no protection, went to the almshouse, to the poorhouse, to be fed and to be harbored. And we used to think of all one walked by and he looked, he said to himself, "What a disgusting America that is, we have homes for the poor, the aged, those who have made America great. And what do we do? We put them in a poorhouse."

But we have changed. We came up with a philosophy which changed that. We came up with the philosophy of the Social Security Act.

Mr. Speaker, there are those who have gotten up and who have talked and who have said that the bill is regressive, there is too much tax.

There are those here who are saying it is regressive, not enough tax, we are not taxing the right people.

Mr. Speaker, the philosophy of the Democratic party has always been to help the needy, to help the down trodden.

Sure, we tell Members come up to me and say, concerning the social security bill, "Why, I could go to an insurance company and get a policy that would be so much more equitable, and when I reach age 65 I can receive so much more money than through social security."

That is true. All of us, with our salary, could do that. But what about the unfortunate who cannot go out and get insurance? Who rely on social security as their sole source of retirement income? These people are the object of this legislation. They are the beneficiaries of social security.

I have heard all types of figures thrown around here today. But under the new law, if you earn $10,000 a year, 10 years from now, in 1987, you pay $59.58 more than you do under the present bill.

If you earn $20,000 a year in 1987, you pay $119 more a year in tax than you do under the present bill; if you earn $30,000 a year, you pay $178 more a year than you do under the present bill.

On the subject of this tax, let me remind the Members that there are 33 million people on social security—1 out of every 10.

We are leaving here. We are leaving here within a matter of minutes, and there are those of us who are going to go home and visit our clubs and attend Christmas parties; we are apt to have some fellow who makes $50,000 a year come up to us and say, "Thanks. You made my Christmas happy because I didn't get an added tax."

But there will be those of us who may happen to talk to a senior citizen. He or she is going to come up to you and say, "What about my social security? Is it going down the drain?"

If you vote against this, you are going to say, "Well, we are going to do something about this along the line." But what a miserable Christmas that senior citizen is going to have.

I want to talk to the Democrats on the Democratic side of the aisle that if I have ever seen an issue that is a Democratic issue, it is this issue. This reverses right back to that day in 1935 when the party on the other side of the aisle voted against this issue by a vote of 97 to 1. The leopard does not change its spots.

Mr. Speaker, I ask for an aye vote for the conference report.

The SPEAKER pro tempore. Without objection, the ayes and nays are ordered on the conference report.

The was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. CONABLE. Mr. Speaker, on that I demand the yeas and nays.

The vote was taken by electronic device, and there were—yes, 193, 183. Answered "present" 1, not voting, 81, as follows:

[Roll No. 782]
The Clerk announced the following pairs:

On this vote:
Mr. Hightower for, with Mr. Runnels against.
Mr. Le Fante for, with Mr. Purcell against.
Mr. Carney for, with Mr. Pike against.
Mr. Wolf for, with Mr. Cavanaugh against.
Mr. Metcalf for, with Mr. Lundine against.
Mr. Neal for, with Mr. Santini against.
Mr. Burke of California for, with Mr. Chappell against.
Mr. Baucus for, with Mr. Panetta against.
Mr. Traxler for, with Mr. Glenn against.
Mr. Risenhoover for, with Mr. Puig against.
Mr. Ford of Tennessee for, with Mr. Andrews of North Dakota against.
Mr. Conyers for, with Mr. Cederberg against.
Mr. Nix for, with Mr. Dickinson against.
Mr. Koch for, with Mr. Lent against.
Mr. Bagliano for, with Mr. Marlescence against.
Mr. Meeds for, with Mr. McCluskey against.
Mr. Shipsey for, with Mr. McEvans against.
Mr. Burleson of Texas for, with Mr. Ryan against.
Mr. Bolling for, with Mr. Hightower against.
Mr. Youman of Texas for, with Mr. Wiggins against.

Until further notice:
Mr. Aspin with Mr. Gammage.
Mr. Bedell with Mr. Bob Wilson.
Mr. Pichman with Mr. Udall.
Mr. Burleson of Missouri with Mr. Rinaldo.
Mr. Pittman with Mr. Whalen.
Mr. Harkin with Mr. Dent.
Mr. Hefner with Mr. Harsha.
Mr. Krebs with Mr. Ichord.
Mr. Maguire with Mr. Long of Maryland.
Mr. Long of Louisiana with Mr. Lujan.
Mr. Smith of Iowa with Mr. Mathis.
Mr. Thompson with Mr. Michael O. Myers.
Mr. Goydos with Mr. Hall.
Mr. Sisk with Mr. Van Deinster.
Mr. Yates with Mr. Armstrong.
Mr. Burke of Florida with Mr. Ruppe.

Mr. HIGHTOWER. Mr. Speaker, I have a live pair with the gentleman from New Mexico (Mr. Runnels). Had he been here, he would have voted "nay." I voted "yea." Therefore, I withdraw my "yea" and vote "present.

Mr. HIGHTOWER changed his vote from "yea" to "present.

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and include extraneous material on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

SUMMARY
OF THE
CONFERENCE AGREEMENT
ON
H.R. 9346
THE SOCIAL SECURITY
AMENDMENTS OF 1977

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1977
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J. P. Baker, Assistant Chief Counsel
John K. Meagher, Minority Counsel
SUMMARY OF THE CONFERENCE AGREEMENT ON H.R. 9846, THE SOCIAL SECURITY AMENDMENTS OF 1977

FINANCING

The bill makes provision for strengthening both the short- and long-range financial stability of the program, including meeting the cost of the benefit improvements included in the bill. The bill provides for annual excesses of income over outgo beginning in 1980; it eliminates the medium-range deficits (over the next 25 years) and provides adequate financing well into the next century; and, it reduces the long-range deficit very substantially—from over 8 percent of taxable payroll to less than 1½ percent. Detailed information on the effects of the bill appears in the appendix. The specific tax rates and wage bases under the bill are shown below.

Tax rates.—The bill includes a schedule of social security tax rate increases over present law in 1979, 1981, 1982, 1985, and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the old-age and survivors and disability portion of the tax, effective in 1981. There would be a substantial reallocation of income to the disability trust fund which would have been exhausted by the end of 1978. The tax rate schedule is as follows:

(1)
### TAX RATES FOR THE OASDI TRUST FUNDS

#### Present Law

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<tr>
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<th>OASDI</th>
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<tr>
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<td>0.550</td>
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<td>1982-84</td>
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<tr>
<td>1986-89</td>
<td>4.275</td>
<td>0.575</td>
<td>4.85</td>
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<td>1990-2010</td>
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<td>0.575</td>
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</tr>
<tr>
<td>2011 and later</td>
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#### Conference Report on H.R. 9346

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#### Self-Employed Persons

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<td>6.000</td>
<td>1.000</td>
<td>7.0</td>
<td>7.9</td>
</tr>
</tbody>
</table>

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1. By allocation in the law.
Taxable wage base.—There also would be increases in the taxable wage base above present law. After 1981, the base would be increased annually in line with wage levels whenever there has been a cost-of-living benefit increase in the preceding year as under present law. The bill maintains the parity principle under which employers and employees pay on the same amount of earnings each year. This is the new taxable base schedule for employers, employees and the self-employed:

<table>
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<tr>
<th>Calendar year</th>
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<th>Under conference agreement</th>
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<tr>
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<td>$16,500</td>
<td>$16,500</td>
</tr>
<tr>
<td>1978</td>
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<tr>
<td>1988</td>
<td>$31,200</td>
<td>$42,200</td>
</tr>
</tbody>
</table>

\[1\] Automatic.

Decoupling

To correct unintended effects in the benefit computation procedures which produce benefits for future beneficiaries that could vary haphazardly with wage and price fluctuations and that would generally be much higher than originally intended, the bill would "decouple" the system. The new decoupled system would index a worker's earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death or disability). This has the effect of assuring that similarly situated beneficiaries generation to generation will receive relatively the same levels of benefits. The benefit level adopted for the long-term is 5 percent below estimated 1979 levels. Included in the bill is a 5-year guarantee of 1979 levels to provide a gradual transition to the new system for workers who will retire 1979 through 1983. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased according to the increases in the cost of living after a person reaches age 62 or becomes disabled, or in the case of survivor's benefits, after the time of the worker's death. The "decoupling" provisions would eliminate over one-half of the long-range deficit in the social security system.

Other Benefit Provisions

Minimum.—The present minimum benefit for future beneficiaries would be frozen at its January 1979 dollar amount (about $121 for an individual). The minimum benefit would be adjusted for annual cost-of-living increases only after the individual starts receiving it.

Special minimum.—This benefit, provided for long-term, low-paid workers, would be increased. Under present law this benefit is equal to $9 times the number of years coverage a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would revive this benefit by increasing the $9 figure
to $11.50, which would provide a maximum payment of $230 a month, and by making the benefit subject to annual cost-of-living increases in the future.

**Delayed retirement credit.** Present law provides that retirement benefits are increased 1 percent a year for each year that a worker continues to work beyond age 65 without taking his benefits. The bill would increase this to 3 percent; it would apply beginning in 1982. It would also be made applicable to widows and widowers.

**Limitation on retroactive benefits.**—Under present law a person who files an application after he is first eligible can get benefits for a retroactive period up to 12 months before the month in which the application is filed. However, this could result in some cases in a permanent reduction in his monthly benefit. The bill would eliminate retroactive payments where the result would be a permanently reduced benefit.

**Cost-of-living increases for early retirees.**—The bill would change the basis for calculating cost-of-living increases for early social security retirees to place them on the same footing as persons who retire at age 65 or later. Under present law, an early retiree who begins receiving benefits between ages 62 and 65 has his monthly payment permanently reduced on an actuarial basis to take account of the longer period that he would receive benefits on the average. However, when a cost-of-living increase is effective after he attains age 65, the early retiree receives this as if he were drawing a full benefit and not an actuarially reduced benefit. The bill would apply to cost-of-living increases for early retirees the same actuarial reduction that is applied to their original monthly benefit.

**Retirement Test**

The bill would raise to $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, and $6,000 in 1982 the annual amount of earnings a beneficiary, age 65 or over, may have without having any benefits withheld. After 1982, the limitation would be adjusted automatically on the basis of earnings levels in line with present law. The retirement figure of present law, which is to rise from $3,000 this year to $3,240 in 1978, would continue to apply to beneficiaries under age 65.

The exempt age, which fixes the point at which elderly individuals may receive full benefits without regard to their earnings, would be reduced from 72 to 70 beginning in 1982.

The bill would eliminate the monthly measure of retirement—the provision in present law under which full social security benefits are paid for any month in which a person earns one-twelfth of the annual retirement test amount, or less, regardless of total earnings for the year. However, the monthly measure would be retained for the first year in which a worker begins to receive retirement benefits.

**Treatment of Men and Women**

Under the bill, remarriage would not act to reduce benefits of widows and widowers 60 years of age or older.

The duration of marriage requirement for divorced spouse's benefits would be reduced from 20 years to 10.
The Secretary of Health, Education, and Welfare is directed to conduct a study of changes in the social security program needed to guarantee that women, as well as men, are treated equitably. The study is to be completed and a report submitted to Congress within 6 months after enactment of the legislation.

**DEPENDENCY BENEFITS—PUBLIC PENSION OFFSET**

The bill contains an offset provision under which social security dependency benefits payable to spouses or surviving spouses would be reduced (dollar for dollar) by the amount of any public (Federal, State, or local) retirement available to the spouse. The offset would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. The provision would apply to applications for such dependency benefits in and after the month of enactment of the bill.

The measure contains an exception under which the offset provision would not apply to people who were receiving or will be eligible to receive a public pension within 5 years after enactment. This is to protect those persons who were expecting a social security dependency benefit based on their spouse's record but were not receiving it because of their age or the fact that their spouses were not yet receiving benefits.

**NATIONAL COMMISSION ON SOCIAL SECURITY**

The bill provides for establishment of a bipartisan National Commission on Social Security, independent of the executive branch, composed of nine members—five appointed by the President and two each by the Speaker of the House and the President of the Senate—to make a broad study of the social security program including medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current programs and to the method of financing the system, integration of the social security system with private retirement programs, and development of a special price index for the elderly. The Commission would present its full report to the President and to the Congress within 2 years after a majority of the members were appointed.

**UNIVERSAL COVERAGE**

The bill provides for a comprehensive study of the question of instituting universal coverage for social security by bringing under the system on a mandatory basis all Federal employees, and the remainder of State and local government employees and employees of nonprofit organizations not now covered by the system. The study would include alternative methods of coordinating social security coverage with retirement systems which now apply to the public employees involved. The study would be under the direction of the Secretary of Health, Education, and Welfare who would consult with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission. The HEW Secretary is directed to complete the study and submit a report with recommendations to the President and to Congress within 2 years after enactment of the bill.
INTERNATIONAL SOCIAL SECURITY AGREEMENTS (TOTALIZATION)

Included in the bill is a provision, the International Social Security Agreements Act, which would authorize the President to enter into bilateral agreements with interested countries providing for limited coordination of the U.S. social security system with systems of other countries. The agreements, known as totalization agreements, would eliminate dual social security coverage for the same work in each country covered by an agreement, and would enable individuals who work for periods in each of the countries covered by an agreement to qualify for a dual benefit in situations where they now are not eligible for benefits in one or both of the countries involved. The United States already has negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be submitted to Congress for 90 days while it is in session before it could take effect; during that period either the House or Senate could veto the agreement by majority vote.

BLIND DISABILITY BENEFITS

Blind persons would be eligible for social security disability benefits despite higher earnings than now are permitted. Under present regulations, substantial gainful activity (SGA) is measured at $200 a month ($2,400 a year) and earnings over this amount would lead to termination or suspension of benefits. Under the bill, the SGA monthly amount for blind disability beneficiaries would be the same as the retirement test for persons age 65 and over.

INVESTMENT INCOME UNDER LIMITED PARTNERSHIPS

In recent years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage solely through the income on investments in such partnerships. The bill excludes from social security coverage the distributive share of income or loss from the trade or business of a partnership which is received by a limited partner.

ANNUAL WAGE REPORTING

Public Law 94–202 enacted in 1976 provided that employers other than State and local governments and employers of domestic workers would report their employees' wages for social security and income tax purposes annually on forms W–2 beginning with wages paid in 1978. But the law also required employers to report quarterly wage data on forms W–2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change this so that annual data would be used instead of quarterly data. Under the bill, employers no longer would have to report quarterly data on forms W–2.

Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he receives at least $50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each $250 of earnings in a year, and the $250 amount would be automatically increased every year to take account of increases in average wages.
EMPLOYEES OF NONPROFIT ORGANIZATIONS

The bill contains provisions designed to correct some unintended effects of Public Law 94–563 enacted in 1976 to deal with problems of nonprofit organizations that had been paying social security taxes illegally because they had not filed the necessary waivers with the Internal Revenue Service to make the payments legal.

One provision in the bill would forgive back taxes due, up to June 30, 1977, on behalf of nonprofit organizations which ceased paying social security taxes after they had found they were not required to do so, but did not receive a refund of these taxes.

Another provision would extend to March 31, 1978, the period during which nonprofit organizations that had received a refund of social security taxes could file a waiver certificate and list only those employees who had wanted to be covered under social security. Under this waiver, they would owe back taxes only on the listed employees. The right to file such a waiver under Public Law 94–563 expired April 18, 1977.

Another provision would provide a refund of back taxes to nonprofit organizations that stopped paying social security taxes before October 1, 1976, but then paid the back taxes after they were requested to do so following passage of Public Law 94–563.

TAXATION OF CORPORATIONS

The bill provides that a group of related corporations concurrently employing a worker would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would mean that the group of corporations would have to pay no more in social security and unemployment taxes for a single worker than a single employer pays.

OTHER SOCIAL SECURITY PROVISIONS

Quadrennial Advisory Council on Social Security.—The bill would change the reporting date for the Advisory Council to be appointed in 1977 from January 1, 1979, to October 1, 1979.

Administrative law judges.—Public Law 94–202 established temporary administrative law judge positions to hear social security, medicare, and supplemental security income cases. The bill would convert these appointments to permanent status.

Benefit payment dates.—The bill provides that social security and supplemental security income benefit checks would be delivered on the preceding Friday if the regular payment date falls on a Monday which is a legal holiday.

Coverage of tips.—Under social security, tip income (if over $20 a month) is taxed on the employee alone. Under the bill, the employer will be taxed on tip income up to the amount that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Clergymen.—The bill would permit clergymen who previously did not elect social security coverage in the past a second opportunity to come under the system as self-employed persons.
Mississippi policemen and firemen.—The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin public employees.—The bill would authorize a consolidated public employee group in Wisconsin to continue under social security on the same terms which applied to three groups before they were merged into the consolidated organization.

New Jersey public employees.—The bill would add New Jersey to the list of States which are permitted to hold referendums among public employees for coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain out of the system. All future employees would be covered.

Illinois police and fire chiefs.—The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments into the social security system (and future coverage) even though the applicable law did not permit such payments when they were made.

Railroad retirement system and Pension Benefit Guaranty Corporation.—The bill contains a provision to guarantee that the new social security financing provisions that increase the taxable earnings base would not increase the employer tax liability to finance tier-II benefits under the railroad retirement system. Tier-II benefits are those paid to supplement the tier-I payments which correspond to basic social security benefits. Similarly, the bill provides that the increases in the earnings base would not increase the maximum amount of pension insured by the Pension Benefit Guaranty Corporation established under the Employee Retirement Income Security Act of 1974.

Wheelchairs.—The bill would permit payment for certain power-operated wheelchairs under medicare where the vehicle is determined to be medically necessary and safe.

PUBLIC ASSISTANCE AMENDMENTS

Fiscal relief for State and local welfare costs.—The bill would provide $187 million of such relief to be paid immediately for fiscal 1978 costs.

Error rates in the aid to families with dependent children program.—The bill would establish a system of monetary fiscal incentives for States which have low dollar error rates in the AFDC program. The errors considered as a part of this provision would be overpayments to ineligibles, underpayments, and erroneous denials and terminations.

Access by AFDC agencies to wage records.—The bill would authorize State AFDC agencies to obtain Social Security Administration and State unemployment compensation agency wage data for purposes of determining eligibility for AFDC or the amount of an AFDC payment with appropriate safeguards to be established by HEW.

State welfare demonstration projects.—The bill would authorize States to engage in demonstration projects related to the AFDC program. There would be public notices of each plan and copies of the plan available to the public. The Health, Education, and Welfare Department would review each plan and could prevent its implementation by withholding approval. The prevailing wage would have to be paid in the projects.
Errors in supplemental security income supplementary payments.—The bill directs the HEW Secretary to reimburse the States for erroneous state supplemental payments paid during 1974 to the extent that an HEW audit determines is appropriate and after the audit is approved and reviewed by the HEW inspector general.

NON-SOCIAL SECURITY ACT AMENDMENT

Honoraria under the Federal Election Campaign Act.—Under this act, Federal officers including Members of Congress and employees cannot accept an honorarium of more than $2,000 or honoraria aggregating more than $25,000 in a year. The bill provides that a contribution to a charitable organization selected by the payor from a list of five or more organizations named by the Government officer or employee shall not be counted as an honorarium. In addition, the bill provides that amounts returned to a payor before the end of a year would not be treated as honoraria and that honoraria would be treated as accepted in the year of receipt.
## APPENDIX

### TABLE 1—ESTIMATED AMOUNT OF CHANGES IN OASDI BENEFIT PAYMENTS WHICH WOULD RESULT FROM THE HOUSE-SENATE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1978—83

[In millions of dollars]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of change in benefit payments</td>
<td>-440</td>
<td>-492</td>
<td>-844</td>
<td>-1,446</td>
<td>-1,696</td>
<td>-2,577</td>
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<tr>
<td>Decoupling (net total)</td>
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<td>-351</td>
<td>-803</td>
<td>-1,473</td>
<td>-2,377</td>
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<tr>
<td>Wage-indexing formula</td>
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<td>-473</td>
<td>-895</td>
<td>-1,563</td>
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<tr>
<td>5-year transition guarantee</td>
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<td>79</td>
<td>118</td>
<td>150</td>
<td>183</td>
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<tr>
<td>Frozen minimum benefit</td>
<td>-7</td>
<td>-26</td>
<td>-60</td>
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<tr>
<td>3-percent delayed retirement credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in retirement test (net total)</td>
<td>54</td>
<td>206</td>
<td>359</td>
<td>404</td>
<td>895</td>
<td>981</td>
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<tr>
<td>Increases in exempt amount</td>
<td>267</td>
<td>491</td>
<td>585</td>
<td>640</td>
<td>709</td>
<td>762</td>
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<tr>
<td>Reduction in exempt age from 72 to 70 in 1982</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>403</td>
<td>441</td>
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<tr>
<td>Elimination of monthly measure</td>
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<td>-225</td>
<td>-226</td>
<td>-236</td>
<td>-217</td>
<td>-222</td>
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<td>Establish the retirement test exempt amount for beneficiaries aged 65 and over as a measure of substantial gainful activity for blind disabled workers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Elimination of retroactive payments of actuarially reduced benefits</td>
<td>-339</td>
<td>-536</td>
<td>-550</td>
<td>-559</td>
<td>-505</td>
<td>-569</td>
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<tr>
<td>Limitation on increases in actuarially reduced benefits</td>
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<td>-280</td>
<td>-500</td>
<td>-751</td>
<td>-948</td>
<td>-1,157</td>
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<tr>
<td>Increase in benefits of surviving spouses, resulting from deceased workers' delayed retirement credits</td>
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<td>4</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>13</td>
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<tr>
<td>Delayed retirement credits for workers with actuarially reduced benefits</td>
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<td>22</td>
<td>24</td>
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<td>30</td>
<td></td>
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<tr>
<td>Offset to benefits of spouses receiving public retirement pensions</td>
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<td>-106</td>
<td>-108</td>
<td>-110</td>
<td>-112</td>
<td>-116</td>
</tr>
<tr>
<td>Eliminate reduction in widowed spouses benefits due to remarriage after age 60</td>
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<td>155</td>
<td>166</td>
<td>178</td>
<td>189</td>
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<td>Reduction in duration of marriage required for divorced spouses benefits from 20 years to 10 years</td>
<td>67</td>
<td>80</td>
<td>86</td>
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<td>98</td>
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<tr>
<td>Increase in special minimum benefit</td>
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<td>14</td>
<td>14</td>
<td>15</td>
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<tr>
<td>Changes in annual wage reporting provisions</td>
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<td>4</td>
<td>9</td>
<td>13</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Authorization to enter into totalization agreements</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Increases in contribution and benefit base</td>
<td>21</td>
<td>62</td>
<td>63</td>
<td>101</td>
<td>281</td>
<td></td>
</tr>
</tbody>
</table>

1 Exempt amount increased for beneficiaries aged 65 and over to $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, and $6,000 in 1982.
2 Less than $500,000.
3 The estimates represent additional OASDI benefit payments that would result from implementation of totalization agreements already signed with Italy and West Germany. No agreement can become effective if either House of Congress disapproves the agreement within 90 days after it is submitted to Congress.

Note: A positive figure represents additional benefit payments, and a negative figure represents a reduction in benefit payments.
### Table 2.—Additional Contribution Income Resulting from Conference Agreements on H.R. 9346, Calendar Years 1978-83

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Increase in contribution and benefit base</th>
<th>Reallocation of tax rates to OASDI and HI</th>
<th>Increase in OASDI self-employment tax rates to 15.5 times employee rate</th>
<th>Increase in HI tax rates</th>
<th>Total</th>
</tr>
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<tr>
<td>OASDI:</td>
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<td></td>
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<td></td>
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<tr>
<td>1978</td>
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<td>1.5</td>
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<td>1.2</td>
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<td>1.4</td>
<td>0.9</td>
<td>11.1</td>
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<td>1.1</td>
<td>10.3</td>
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<td>1983</td>
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<td>1.3</td>
<td>1.0</td>
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<td>HI:</td>
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<td>1.6</td>
<td>1.5</td>
<td>7.0</td>
<td>11.9</td>
</tr>
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<tr>
<td>1980</td>
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<td>1981</td>
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<tr>
<td>1982</td>
<td>11.9</td>
<td>-1.4</td>
<td>-1.4</td>
<td>-1.4</td>
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</tr>
</tbody>
</table>

1 Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

2 Amount is less than $30,000,000.

### Table 3.—Estimated Operations of the OASI and DI Trust Funds, Combined, Under the Program as Modified by the Conference Agreements on H.R. 9346, Calendar Years 1977-87

[Dollar amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$82.1</td>
<td>$78.3</td>
<td>$3.8</td>
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<td>1978</td>
<td>92.4</td>
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<td>1979</td>
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<td>102.9</td>
<td>3.6</td>
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<tr>
<td>1980</td>
<td>119.1</td>
<td>115.1</td>
<td>4.0</td>
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<tr>
<td>1981</td>
<td>137.1</td>
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<tr>
<td>1982</td>
<td>159.2</td>
<td>153.3</td>
<td>5.9</td>
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<tr>
<td>1983</td>
<td>163.2</td>
<td>158.3</td>
<td>4.9</td>
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<tr>
<td>1984</td>
<td>172.9</td>
<td>169.0</td>
<td>3.9</td>
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<tr>
<td>1985</td>
<td>194.2</td>
<td>188.6</td>
<td>5.6</td>
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<tr>
<td>1986</td>
<td>206.0</td>
<td>200.5</td>
<td>5.5</td>
</tr>
<tr>
<td>1987</td>
<td>223.7</td>
<td>218.0</td>
<td>5.7</td>
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</table>

Funds at end of year as a percentage of outgo during year

<table>
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<tr>
<th>Year</th>
<th>Funds at end of year</th>
<th>Percentage of outgo during year</th>
</tr>
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<tr>
<td>1977</td>
<td>$35.6</td>
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<tr>
<td>1987</td>
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</table>

Funds at beginning of year as a percentage of outgo during year

<table>
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<tr>
<th>Year</th>
<th>Funds at beginning of year</th>
<th>Percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>1978</td>
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<td>1987</td>
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Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.
TABLE 4.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977–87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
</tr>
</thead>
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<td>100.0</td>
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<tr>
<td>1980</td>
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<tr>
<td>1981</td>
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<td>1982</td>
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<td>1986</td>
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<td>17.4</td>
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</table>

TABLE 5.—ESTIMATED OPERATIONS OF THE DI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977–87

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
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</thead>
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<td>57</td>
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</table>

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.
TABLE 6.—ESTIMATED OPERATIONS OF THE HI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977—87

[Dollar amounts in billions]

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in fund</th>
</tr>
</thead>
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<td>1981</td>
<td>34.0</td>
<td>29.7</td>
<td>4.3</td>
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<td>1982</td>
<td>37.1</td>
<td>33.9</td>
<td>3.2</td>
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<tr>
<td>1983</td>
<td>38.7</td>
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<td>1.2</td>
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<td>1984</td>
<td>42.3</td>
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<tr>
<td>1986</td>
<td>52.4</td>
<td>54.9</td>
<td>-2.5</td>
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<tr>
<td>1987</td>
<td>55.8</td>
<td>61.2</td>
<td>-5.4</td>
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</tbody>
</table>

Outgo exceeds income by less than $50 million.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 7.—CHANGE IN ACTUARIAL BALANCE OF THE OASDI PROGRAM OVER THE LONG-RANGE PERIOD (1977—2051) AS A RESULT OF CHANGE INCLUDED IN THE CONFERENCE COMMITTEE BILL

[Percentage of payroll costs: preliminary estimates]

<table>
<thead>
<tr>
<th>Description of Item</th>
<th>OASI</th>
<th>DI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of social security system under present law</td>
<td>15.51</td>
<td>3.68</td>
<td>19.19</td>
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<tr>
<td>Balance under present law</td>
<td>-5.06</td>
<td>-2.14</td>
<td>-8.06</td>
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<tr>
<td>Changes of the bill:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage-indexed decoupling</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5 percent reduction in benefit level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freeze minimum at 1978 level (including change in special minimum)</td>
<td>3.19</td>
<td>0.95</td>
<td>4.13</td>
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<tr>
<td>Government pension offset</td>
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<td></td>
</tr>
<tr>
<td>Retirement test</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delayed retirement credit (including DRC for widows)</td>
<td>0.15</td>
<td>0.04</td>
<td>0.19</td>
</tr>
<tr>
<td>No retroactive benefit actuarially reduced benefits</td>
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<td>-0.01</td>
<td>-0.02</td>
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<tr>
<td>Actuarial reduction applied to general benefit increase</td>
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<td>Miscellaneous</td>
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<td>Annual reporting of earnings</td>
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<tr>
<td>Total net effect of benefit changes</td>
<td>3.88</td>
<td>1.09</td>
<td>4.97</td>
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<tr>
<td>Change wage base</td>
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<tr>
<td>Self-employed tax rate to 1/2 times employee tax rate</td>
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<tr>
<td>Tax schedule</td>
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<tr>
<td>Total net effect of financing changes (including wage base)</td>
<td>1.11</td>
<td>0.07</td>
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<tr>
<td>Total net cost effect</td>
<td>4.98</td>
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<tr>
<td>Balance under conference committee bill</td>
<td>-1.08</td>
<td>-0.38</td>
<td>-1.46</td>
</tr>
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</table>

Note: Based on the intermediate set of assumptions shown in the 1977 Trustees Report.

Includes change in SGA definition for blind, employer tax on tips deemed to be wages, provision on limited partnership coverage, tax relief for affiliated corporations, reduction of 20-yr marriage requirement to 10 yr for certain beneficiaries.
<table>
<thead>
<tr>
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<td>31,900</td>
<td>42,600</td>
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<td>1,250.00</td>
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</tbody>
</table>

TABLE 8.—SOCIAL SECURITY (OASDHI) TAX RATE, WAGE BASE LEVELS AND CONTRIBUTIONS UNDER PRESENT LAW AND UNDER H.R. 9346 AGREED TO IN CONFERENCE
On December 15 the Congress passed and sent to the President H.R. 9346, the "Social Security Amendments of 1977."

H.R. 9346 would make a number of very significant and far-reaching changes in the social security program. The bill stabilizes social security benefit levels in relation to wage levels (with cost-of-living increases after age 62, disability, or death) and restores the financial soundness of the program in the near term and well into the next century. The bill also liberalizes the earnings test and makes a number of other changes in the social security program and in the SSI and AFDC programs as well.

Enclosed is a summary of the provisions of the bill.

Samuel E. Crouch
Director
Office of Program Evaluation and Planning

Enclosure
H.R. 9346: THE SOCIAL SECURITY AMENDMENTS OF 1977

SUMMARY OF PROVISIONS

   A. Decoupling
   B. Minimum and Special Minimum Benefits
   C. Retirement Test
   D. Annual Reporting
   E. Coverage Provisions
   F. Other Cash Benefit Provisions


III. Councils, Commissions, and Studies

IV. Other Social Security Act Amendments
I. SOCIAL SECURITY CASH BENEFITS PROVISIONS

A. DECOUPLING

The "decoupling" provision of H.R. 9346 would assure that, in the future, social security benefits at the time a worker becomes disabled or reaches age 62 (and survivors benefits, at the time the worker dies) would fully reflect changes in wage levels over the person's working lifetime and would bear a relatively constant relationship to preretirement wages. Under present law, projections of future benefits for current workers are highly dependent upon projections of future rates of increases in wages and prices and, as a result, could increase more rapidly or more slowly than average wages generally. (This is because benefits for current and future retirees are adjusted for increases in the cost of living as measured by the CPI and benefits for future retirees also reflect (at least in part) increases in general wage levels.) Under current economic projections, future replacement rates--benefits as a percentage of preretirement earnings--under present law are expected to rise substantially faster than average wages in the future.

In order to assure that future social security benefit levels would be stabilized in relation to future wage levels, the bill would provide for basic changes in the way average earnings and social security benefit amounts would be figured in the future. A major feature of the plan is that the worker's earnings (and the benefit formula) would be indexed to reflect the change in wage levels that has occurred during his working lifetime. As a result, benefits would be based on the worker's relative earnings position over his working lifetime. After a worker becomes eligible for benefits, as under present law, the benefits would be kept up to date with increases in prices. These changes would reduce the long-range financial deficit by more than half.

The specific provisions of the new decoupled benefit structure are described below:

1. Wage indexing of earnings

A worker's earnings would be updated (indexed) to just prior to the year the worker reaches age 62, becomes disabled, or dies and would reflect the increases in average wages that have occurred since the earnings were paid. The worker's earnings would be indexed by multiplying his actual earnings by the ratio of average wages in the second year before he reaches age 62, becomes disabled, or dies to the average wages in the year being updated. For example, if a worker earned $3,000 in 1956, and retired at age 62 in 1979, the $3,000 would be multiplied by the ratio of average annual wages in 1977 ($10,002) to average annual wages in 1956 ($3,514), as follows:

$$3,000 \times \frac{10,002}{3,514} = 8,539$$

Thus, while the worker's actual earnings for 1956 were $3,000, his
relative or indexed earnings would be $8,539. The worker's earnings each year would be adjusted in this manner.

Earnings after age 62 or disability would be counted at actual dollar value (i.e., unindexed) and substituted for earlier years of indexed earnings if they would increase the worker's average indexed monthly earnings and his benefit. The provisions are similar to those under present law.

2. Computation period

Under the bill, as under present law, benefits would be based on a worker's earnings averaged over the number of years after 1950 (or age 21, if later) up to the year he reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest indexed earnings or no earnings). The computation period would expand from 23 years for those reaching age 62 in 1979, up to 35 years for those reaching age 62 in 1991 or later. (Pre-1951 earnings could continue to be used but only under "present-law" computation provisions.)

3. Benefit formula and maximum family benefit formula

The bill would establish a benefit formula for relating the worker's indexed earnings to a primary insurance amount (PIA). The benefit formula would reproduce roughly the same relative weighting as the present-law formula but would result in benefit levels that are approximately 5 percent lower than the present-law level when the new system becomes effective (January 1979). (Of course, transitional provisions, as discussed below, would protect those then reaching age 62.) The benefit formula would be adjusted automatically in the future as earnings levels rise to maintain the relative weighting in the formula.

The formula for relating maximum family benefits to PIA's would roughly maintain the relationship between PIA's and maximum family benefits that exists under present law. This benefit formula would also be adjusted in the future as earnings levels rise.

4. Transition

In order to provide a degree of protection for workers nearing retirement when decoupling is implemented a worker who reaches age 62 after 1978 and before 1984 would be guaranteed a retirement benefit no lower than he would have received under present law as of January 1979. For purposes of this provision, the January 1979 benefit table would not be subject to future automatic benefit increases, but an individual's retirement benefits would be subject to all cost-of-living increases in benefits beginning with age 62. The guarantee would not apply in disability and death cases.

5. Effective date of decoupling

The new benefit structure would be effective for those who reach age 62, become eligible for disability benefits, or die in 1979 or later. (Present law would remain in effect for workers eligible before 1979.)
6. Three percent delayed-retirement credit

A closely related provision, to strengthen work incentives under the decoupled system, would increase the delayed retirement credit. For workers reaching age 62 after 1978, the delayed retirement credit, now 1-percent per year (1/12 of 1-percent per month) for months from age 65 up to age 72 for which benefits are not paid, would be increased to 3-percent per year (1/4 of 1-percent per month). (For workers eligible for retirement benefits before 1979, the current 1-percent per year credit would continue to apply.)

In addition, unlike present law, the credit for nonpayment months after age 65 would apply to workers who had received benefits for months before age 65.

Effective January 1979. (However, since workers reaching age 62 in 1979 will not reach age 65 until 1982, this provision will have relatively little effect before 1983.

B. MINIMUM AND SPECIAL MINIMUM BENEFITS

1. Freeze the minimum benefit

The minimum benefit for future beneficiaries would be frozen at an amount equal to the minimum benefit in effect in January 1979 (estimated to be about $121). Benefits based on the minimum would be kept up to date with increases in the cost of living (as measured by the Consumer Price Index) beginning with the year the person becomes entitled to benefits. However, for workers and aged widows and widowers, benefits based on the minimum would be kept up to date after the earlier of: (a) the first year the worker or aged widow (widower) was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; or (b) the year of attainment of age 65.

Effective January 1979.

2. Increase in special minimum benefit

Under present law, a special minimum benefit is provided for long-term, low-paid workers equal to $9.00 times the number of years of coverage a worker has in excess of 10 and up to 30; the special minimum benefit is not subject to cost-of-living increases under the automatic adjustment provisions. Under the bill, the $9.00 figure under present law would be increased to $11.50 and the special minimum would be kept up to date with future increases in the cost of living for both present...
and future beneficiaries. The highest possible special minimum would be increased from $180 to $230 in 1979.

Effective January 1979.

C. RETIREMENT TEST

1. Raise annual exempt amount

The annual exempt amount ($3,000 in 1977) would be increased for beneficiaries age 65 and over to $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, and to $6,000 in 1982. After 1982, the $6,000 level would be increased automatically as wage levels rise. The annual exempt amounts in those years for beneficiaries under age 65 would be determined under present law—that is they would be increased automatically as wage levels rise. (The exempt amount would be $3,240 in 1978 and is expected to be $3,480 in 1979, $3,720 in 1980, $3,960 in 1981, and $4,200 in 1982.)

Effective for taxable years ending after 1977.

2. Eliminate monthly measure

The bill would eliminate the retirement test monthly measure in present law under which a beneficiary who does not earn over the monthly exemption ($250 in 1977) or render substantial services in self-employment in a month receives a benefit for that month regardless of the level of his annual earnings. However the monthly measure would be retained in the first year in which a beneficiary is both entitled to benefits and has a month in which he does not earn over the monthly measure or does not render substantial services in self-employment.

Effective for benefits payable for months after December 1977.

3. Age at which test no longer applies

The age at which the retirement test no longer applies would be lowered from 72 to 70.

Effective for taxable years ending after 1981.

D. ANNUAL REPORTING

Implementation of the annual wage reporting system beginning with wages paid in 1978 would be simplified so that employers would no longer have to report quarterly wage data on the Forms W-2. Under the present provisions of law, employers are required to report quarterly wage data on the Forms W-2 so that quarters of coverage can be determined. The bill would change the quarter-of-coverage measure and certain automatic adjustment provisions of the law so that annual data could be used, instead of quarterly data. Under the bill, a worker would receive one quarter of
coverage (up to a total of four) for each $250 of earnings paid in a year (instead of for each calendar quarter in which he is paid at least $50) and the $250 measure would be automatically increased every year to take account of increases in average wages.

Effective January 1, 1978.

E. COVERAGE PROVISIONS

1. Totalization agreements

The President would be authorized to enter into bilateral agreements with foreign countries to provide for limited coordination of social security systems. In general, the agreements would be designed to provide (1) for the combining of earnings credits from the United States and a foreign country for purposes of determining insured status and benefit amounts, and (2) for the elimination of dual coverage of the same work under the social security systems of the two countries party to the agreement. Under an agreement each country would pay only a part of the benefit computed on the basis of combined credits; the amount of the benefit paid would be the proportion of the totalized benefit attributable to the work performed in the paying country. Each such agreement would have to be transmitted to Congress with a report on the estimated cost and number of individuals affected and could not go into effect until 90 days after both Houses of Congress had been in session, during which period the agreement could be rejected by passage of a simple resolution by either House.

Effective upon enactment.

2. Limited partnership income

The distributive share of income or loss from the trade or business of a partnership which is received by a limited partner who performs no service for the partnership would be excluded from social security coverage. Under present law, a partner's share of partnership income is includable in his net earnings from self-employment irrespective of the nature of his membership in the partnership.

Effective for taxable years beginning after December 31, 1977.

3. Employer taxes on tips

Employers would be required to pay social security taxes on tips deemed to be wages under the Federal minimum wage law. Under that law an employer can pay an employee up to 50 percent less than the Federal minimum wage by counting as wages for this purpose tips received by the employee. (Since, under present law, there is no employer social security tax liability on
on tips received by their employees, employers do not now pay this tax on tips deemed to be wages under the Federal minimum wage law.}

Effective for tips that are counted as wages under the minimum wage law with respect to employment performed after December 31, 1977.

4. Coverage for clergymen

A clergyman who filed an application for exemption from social security coverage in the past would be permitted to revoke his exemption and obtain social security coverage. (Under present law an exemption from coverage received by a clergyman is irrevocable.) The revocation would have to be filed before the due date of the clergyman's Federal income tax return for his first taxable year beginning after the date of enactment.

Coverage would be effective for the clergyman's first taxable year ending on or after enactment or beginning after enactment (whichever is specified in the application) and effective for benefits payable for months in or after the calendar year in which the application is filed.

5. Coverage of certain Illinois policemen and firemen

Illinois would be permitted, by modification of its coverage agreement with the Secretary, to provide social security coverage at any time before 1979 for certain policemen and firemen who were in positions covered under the Illinois Municipal Retirement Fund. Any wages erroneously reported in the past for such policemen and firemen would be validated.

Effective upon enactment.

6. Coverage of policemen and firemen in Mississippi

Mississippi would be added to the list of States in the law which may provide social security coverage for policemen and firemen who are in positions covered under a State or local retirement system.

Effective upon enactment.

7. Coverage of State and local employees in New Jersey

New Jersey would be added to the list of States in the law which may make social security coverage available to State and local employees under the divided-retirement-system procedure. Under this procedure, coverage may be extended to only those present employees in positions under a retirement system who desire it, with all future employees being covered automatically.

Effective upon enactment.
8. Coverage of employees under Wisconsin retirement system

A special provision in the social security law which applies to State and local employees in positions under the Wisconsin Retirement Fund would apply to any successor retirement system of that Fund. Under the special provision, no employee referendum approving extension of coverage would be needed in order for Wisconsin to extend coverage to groups who are newly covered under a successor system to the Fund.

Effective upon enactment.

9. Coverage of nonprofit organizations

Legislation enacted last year (P.L. 94-563) resulted in large retroactive social security tax liabilities for some nonprofit organizations. The bill would eliminate the retroactive liability for those organizations and permit tax refunds if the retroactive taxes were paid after P.L. 94-563 was enacted. Also, employees of such organizations whose social security coverage would be affected would be permitted to individually elect retroactive coverage providing that both the employer and employee taxes are paid.

Further, the date by which an organization that received a refund prior to September 9, 1976, could file a waiver certificate would be extended to April 1, 1978. Also, the bill would provide for a refund of social security taxes for nonprofit organizations that paid them while waiting for the Internal Revenue Service to approve their requests for tax exempt status. (Such refunds are precluded under present law.) Lastly, organizations that received a refund of social security taxes for periods before April 1, 1973, (rather than July 1, 1973, as under present law) would not be required to bring their employees under social security coverage.

Effective upon enactment.

F. OTHER CASH BENEFIT PROVISIONS

1. Reduced benefits for spouses receiving government pensions

Social security benefits payable to spouses—including surviving spouses—would be reduced by the amount of any governmental (Federal, State, or local) retirement benefit payable to the spouse based on his or her own earnings in noncovered employment.

Under a so-called "exception" clause, the provision would not apply to those who (1) were getting, or were immediately eligible for, pensions from noncovered employment within the 5-year period beginning with the month of enactment and (2) at the time of entitlement or filing date, could qualify for social security benefits if the law as in effect, and as being administered, in January 1977 remained in effect.
Further, under a separability clause, if the exception clause is found invalid by the courts, the pension offset would not be affected and the application of the exception clause would not be broadened to include persons or circumstances not included within it.

Effective for month of enactment based on applications filed in or after month of enactment.

2. Actuarial reduction of benefit increases to be applied as of time of original entitlement

Under the automatic cost-of-living benefit increase provisions, people receiving actuarially reduced benefits generally receive benefit increases in their reduced benefits which are slightly larger than the percentage increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the PIA. The bill would modify the cost-of-living increase mechanism so that all people on the rolls at the time of an increase would receive the same percentage increase in their actual benefit amounts.

The provision would be effective for benefit increases after December 1977.

3. Delayed retirement credits for surviving spouses

The delayed retirement credit (currently 1-percent a year) that workers receive under present law would also be payable to their surviving spouses receiving widows or widowers benefits. (In the future, surviving spouses of workers entitled to the 3 percent delayed retirement credit (section 1.A.6, above) would also receive the increased credits.)

Effective for months after May 1978.

4. Duration-of-marriage requirement

The duration-of-marriage requirement for entitlement to benefits as an older divorced wife or surviving divorced wife would be decreased from 20 years to 10 years.

Effective for months after December 1978.

5. Remarriage of widows and widowers

Remarriage of a surviving spouse after age 60 would not reduce the amount of widows or widowers benefits.

Effective with respect to benefits for months after December 1978.
6. **Tax liability of related corporations concurrently employing individuals**

Where an employee is concurrently employed by two or more related corporations and is paid through a common paymaster (which is one of the corporations), the bill would provide that for purposes of determining employer social security and unemployment insurance tax liability, such related corporations would be treated as if they were a single employer.

The provision would be effective with respect to wages paid after December 31, 1978.

7. **Limitation on retroactive social security benefits**

Persons are now permitted to elect to receive benefits for up to 12 months prior to the month in which they file an application. If such months are months prior to age 65, benefits are actuarially reduced. The bill would eliminate retroactive benefits where permanently reduced benefits would occur (except in cases where the benefits were disability-related or where unreduced dependent's benefits were involved).

Effective with applications filed on or after January 1, 1978.

8. **Disability benefits for the blind**

A disabled blind individual would not be considered to have engaged in substantial gainful activity—which would result in termination (or suspension for those age 55 or over) of benefits—on the basis of earnings which do not exceed an amount equal to the monthly earnings limitation amount ($333.33 in 1978, higher in subsequent years) that applies to individuals aged 65 and older.

Effective for months after December 1977.

9. **Earlier delivery of benefits checks**

More timely delivery of social security and SSI checks would be assured when the usual delivery date for these checks falls on a weekend or legal holiday. When this occurs, checks would be mailed earlier, even if this required the mailing to take place in the preceding month. Any overpayment that occurs as a direct result of the earlier delivery would be waived and would not be subject to recovery.

Effective for checks regularly scheduled for delivery on or after the 30th day after enactment.

10. **Temporary administrative law judges**

Certain temporary administrative law judges, generally at the GS-14 level, (appointed at the GS-13 level several years ago to hear SSI claims) would be given permanent appointments as GS-15 administrative law judges under the Administrative Procedure Act.

Effective upon enactment.
II. FINANCING

H.R. 9346 would substantially reduce the projected 1978 and 1979 annual deficits in the cash benefit program and provide for excesses of income over expenditures starting in 1980. During the remainder of this century, the trust funds would grow relative to annual expenditures, and the program would be soundly financed until well into the next century. Over the long range, the bill would reduce the long-range deficit of more than 8 percent of taxable payroll to less than 1.5 percent of taxable payroll. All of this remaining long-range deficit would occur in the next century.

Social security tax rates and bases under the bill are shown in Table 1. The tax-rate schedule for the self-employed represents a restoration of the self-employment tax rate to its original level of one and a half times the employee rate. The bill also would increase the allocation of OASDI income to the DI trust fund so that both the old-age and survivors insurance and the disability insurance parts of the program would be soundly financed through the end of the century. Reallocation of part of previously scheduled increases in HI tax rates to OASDI is also provided for in light of the additional income to the HI program resulting from the higher contribution and benefit bases under the bill.

Examples of social security taxes for workers at various earnings levels under present law and under the bill are shown in Table 2. The bill does not provide for any additional over-all social security tax increases in 1978. Also, in subsequent years, the additional taxes provided in the bill would impact primarily on the 15 percent of covered workers who have earnings in excess of the level of the present contribution and benefit base; for workers at average and low wage levels the tax increases are considerably lower.

Also attached are: Table 3—estimated amounts of changes in OASDI benefit payments resulting from enactment of H.R. 9346; Table 4—progress of the combined OASDI trust funds under H.R. 9346, 1977-1987; and Table 5—change in long-range actuarial balance in the OASDI program resulting from enactment of H.R. 9346.

III. COUNCILS, COMMISSIONS, AND STUDIES

A. Advisory Council on Social Security

The reporting date of the next statutory Advisory Council on Social Security would be extended by 9 months—to October 1, 1979.
B. National Commission on Social Security

A National Commission on Social Security to be jointly appointed by the President and Congress would make a broad-scale, comprehensive study of the social security program including Medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current programs and to the method of financing the system, integration of the social security system with private retirement programs, and development of a special price index for the elderly.

The Commission would be required to submit its final report 2 years after a majority of the members were appointed.

C. Study of proposals to eliminate dependency and sex discrimination under the social security program

The Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, would be required to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and proposals to bring about equal treatment of men and women under the program.

The study is due within 6 months of enactment.

D. Study of mandatory coverage

The Secretary of Health, Education, and Welfare would be required to undertake a study and report on mandatory coverage of employees of Federal, State, and local governments and of nonprofit organizations in consultation with the Office of Management and Budget, the Civil Service Commission, and the Department of the Treasury. The study would examine the feasibility and desirability of coverage of these employees and would include alternative methods of coverage, alternatives to coverage, and an analysis, under each alternative, of the structural changes which would be required in retirement systems and the impact on retirement system benefits and contributions for affected individuals.

The report, to be made to the President and the Congress, would be due within 2 years after enactment.
IV. OTHER SOCIAL SECURITY ACT AMENDMENTS

A. Reimbursement for erroneous State supplemental payments

The Secretary of Health, Education, and Welfare would be authorized and directed to reimburse the States for certain erroneous State-administered State supplementary payments paid during 1974. Reimbursement would be limited to such payments that an HEW audit finds to be incorrect due to the States' good-faith reliance on information furnished to the States by the Department or incorrect SSI payments made by the Department.

B. Fiscal relief for State and local welfare costs

The amendments would provide additional Federal funding of $187 million to States and political subdivisions as fiscal relief from the costs of welfare for FY 1978. Each State would receive a share of that total on the basis of a two-part formula. Half of the fiscal relief funds would be distributed in proportion to each State's share of the total AFDC expenditures for December 1976, and half under the general revenue sharing formula.

In States where local units of government are responsible for meeting part of the costs of the AFDC program, the fiscal relief payments would be passed through to the respective political subdivisions to the extent of their welfare expenditures.

The payment of the additional Federal funds would be made as early after enactment as is administratively feasible.

C. Financial incentives for lowering AFDC error rates

A program of financial incentives would be established as part of the AFDC quality control program with the purpose of encouraging States to reduce their error rates with respect to incorrect eligibility determinations (including nonpayments to eligible families due to erroneous terminations or denials), overpayments, and underpayments.

States which have total dollar error rates for overpayments, underpayments, payments to ineligibles, and nonpayment to eligibles of less than 4 percent would receive a percentage of the Federal share of the money saved, as compared with estimated Federal costs of a 4-percent dollar error rate for overpayments and payments to ineligibles. The percentage by which States would share in the Federal savings would range from 10 percent, if a State had total dollar error rate of less than 4 percent but not less than 3.5 percent, up to 50 percent, for error rates below 2 percent.

D. Access to wage information

Under present regulations, information concerning AFDC recipients can be made available to States and political subdivisions for purposes of administering the AFDC program. The bill would provide statutory requirements that the States have access to earnings information in records maintained by the Social Security Administration and by State employment security agencies whenever such information is needed to administer the AFDC program. The information would be obtained by a search of wage records and would identify the fact and amount of earnings and the identity of the employer in the case of individuals who are receiving AFDC at the time the earnings were received.

Beginning October 1, 1979, the States would be required to request and use the earnings information. The Secretary of HEW would be authorized to establish safeguards against improper disclosure of the wage information.

E. State demonstration projects

The bill would broaden the provisions of the present law relating to State demonstration projects, particularly with regard to projects of employment for AFDC recipients (whose participation is voluntary). The provision is intended to encourage demonstration projects designed to find ways to make employment more attractive for public assistance recipients.

The provision would limit States to not more than three demonstration projects--only one statewide project and none lasting for more than 2 years. All authority for the projects would end on September 30, 1980.

The States could request waiver of any or all of the following requirements of the AFDC program: (1) statewideness; (2) administration by a single State agency; (3) the earned income disregard; and (4) the work incentive program. In order to establish a project, States would be required to make application to the Secretary, given public notice of the application for a project, and receive public comment on any submitted application. The Secretary is given 60 days to disapprove a State's application for a project, during which time the Secretary must also provide for public notice and public comment.

Costs of the projects are eligible for the same Federal matching as other AFDC costs, with the limitation that the amount matchable with respect to any participant in the project cannot exceed the amount which would otherwise be payable to him under AFDC. Therefore, no increased Federal expenditures are expected to be incurred from this provision. The States must provide project participants with the prevailing hourly wage for similar work in the locality.
Effective upon enactment.

F. Medicare coverage of devices serving the same purpose as a wheelchair

The definition of durable medical equipment under the Medicare supplementary medical insurance program is expanded to include a power-operated vehicle that may be appropriately used as a wheelchair. The vehicle must be medically necessary and meet safety requirements prescribed by the Secretary.

Effective upon enactment.
Social Security Financing
under Present Law and H.R. 9346

Tax Rates (in percent)

<table>
<thead>
<tr>
<th>Years</th>
<th>Present Law</th>
<th>H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td>1977</td>
<td>4.95</td>
<td>0.90</td>
</tr>
<tr>
<td>1978</td>
<td>4.95</td>
<td>1.10</td>
</tr>
<tr>
<td>1979-80</td>
<td>4.95</td>
<td>1.10</td>
</tr>
<tr>
<td>1981</td>
<td>4.95</td>
<td>1.35</td>
</tr>
<tr>
<td>1982-84</td>
<td>4.95</td>
<td>1.35</td>
</tr>
<tr>
<td>1985</td>
<td>4.95</td>
<td>1.35</td>
</tr>
<tr>
<td>1986-89</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>1990-2010</td>
<td>4.95</td>
<td>1.50</td>
</tr>
<tr>
<td>2011 and after</td>
<td>5.95</td>
<td>1.50</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees and Employers, Each</th>
<th>Present Law</th>
<th>Self-Employed</th>
<th>H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
<td>Total</td>
</tr>
<tr>
<td>1977</td>
<td>7.00</td>
<td>0.90</td>
<td>7.90</td>
</tr>
<tr>
<td>1978</td>
<td>7.00</td>
<td>1.10</td>
<td>8.10</td>
</tr>
<tr>
<td>1979-80</td>
<td>7.00</td>
<td>1.10</td>
<td>8.10</td>
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<tr>
<td>1981</td>
<td>7.00</td>
<td>1.35</td>
<td>8.35</td>
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<tr>
<td>1982-84</td>
<td>7.00</td>
<td>1.35</td>
<td>8.35</td>
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<tr>
<td>1985</td>
<td>7.00</td>
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<tr>
<td>1986-89</td>
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<td>1.45</td>
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<tr>
<td>1990-2010</td>
<td>7.00</td>
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<td>8.50</td>
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<tr>
<td>2011 and after</td>
<td>7.00</td>
<td>1.45</td>
<td>8.50</td>
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</tbody>
</table>

Contribution and Benefit Bases

<table>
<thead>
<tr>
<th>Years</th>
<th>Present Law</th>
<th>H.R. 9346</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$17,700</td>
<td>$17,700</td>
</tr>
<tr>
<td>1979</td>
<td>18,900</td>
<td>22,900</td>
</tr>
<tr>
<td>1980</td>
<td>20,400</td>
<td>25,900</td>
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<tr>
<td>1981</td>
<td>21,900</td>
<td>29,700</td>
</tr>
<tr>
<td>1982</td>
<td>23,400</td>
<td>32,400</td>
</tr>
</tbody>
</table>

1/ Amounts produced under automatic provisions of the law.
2/ Automatically adjusted after 1981.

12/14/77
## Table 2

**Social Security (OASDI) Tax Rate, Wage Base Levels and Contributions Under Present Law and Under H.R. 9346**

<table>
<thead>
<tr>
<th>Year</th>
<th>OASDI tax rate (percent)</th>
<th>Wage base</th>
<th>$10,000 wage earner</th>
<th>$20,000 wage earner</th>
<th>Maximum wage earner</th>
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<tr>
<td>------</td>
<td>-------------------</td>
<td>-----------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>1977</td>
<td>5.85</td>
<td>5.85</td>
<td>$16,500</td>
<td>$16,500</td>
<td>$965.25</td>
</tr>
<tr>
<td>1978</td>
<td>6.05</td>
<td>6.05</td>
<td>17,700</td>
<td>17,700</td>
<td>1070.85</td>
</tr>
<tr>
<td>1979</td>
<td>6.05</td>
<td>6.13</td>
<td>18,900</td>
<td>22,900</td>
<td>1143.45</td>
</tr>
<tr>
<td>1980</td>
<td>6.05</td>
<td>6.13</td>
<td>20,400</td>
<td>25,900</td>
<td>1210.00</td>
</tr>
<tr>
<td>1981</td>
<td>6.30</td>
<td>6.65</td>
<td>21,900</td>
<td>29,700</td>
<td>1260.00</td>
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<tr>
<td>1982</td>
<td>6.30</td>
<td>6.70</td>
<td>23,400</td>
<td>31,800</td>
<td>1260.00</td>
</tr>
<tr>
<td>1983</td>
<td>6.30</td>
<td>6.70</td>
<td>24,900</td>
<td>33,900</td>
<td>1260.00</td>
</tr>
<tr>
<td>1984</td>
<td>6.30</td>
<td>6.70</td>
<td>26,400</td>
<td>36,000</td>
<td>1260.00</td>
</tr>
<tr>
<td>1985</td>
<td>6.30</td>
<td>7.05</td>
<td>27,900</td>
<td>38,100</td>
<td>1260.00</td>
</tr>
<tr>
<td>1986</td>
<td>6.45</td>
<td>7.15</td>
<td>29,400</td>
<td>40,200</td>
<td>1290.00</td>
</tr>
<tr>
<td>1987</td>
<td>6.45</td>
<td>7.15</td>
<td>31,200</td>
<td>42,600</td>
<td>1290.00</td>
</tr>
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</table>
### Estimated amount of changes in OASDI benefit payments that would result under H.R. 9346, calendar years 1978-83 (in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of change in benefit payments</td>
<td>$440</td>
<td>$492</td>
<td>$584</td>
<td>$1,146</td>
<td>$1,696</td>
<td>$2,577</td>
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<tr>
<td>Decoupling—net total</td>
<td>---</td>
<td>-70</td>
<td>35</td>
<td>-803</td>
<td>-1,473</td>
<td>-2,377</td>
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<tr>
<td>Wage-indexing formula</td>
<td>---</td>
<td>-94</td>
<td>-423</td>
<td>-895</td>
<td>-1,563</td>
<td>-2,466</td>
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<tr>
<td>Five-year transition guarantee</td>
<td>---</td>
<td>24</td>
<td>79</td>
<td>118</td>
<td>150</td>
<td>180</td>
</tr>
<tr>
<td>Frozen minimum benefit</td>
<td>---</td>
<td>---</td>
<td>7</td>
<td>-26</td>
<td>-60</td>
<td>-106</td>
</tr>
<tr>
<td>Three-percent delayed retirement credit</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>15</td>
<td>---</td>
</tr>
<tr>
<td>Changes in retirement test—net total</td>
<td>54</td>
<td>266</td>
<td>35</td>
<td>404</td>
<td>895</td>
<td>981</td>
</tr>
<tr>
<td>Increases in exempt amount</td>
<td>267</td>
<td>491</td>
<td>585</td>
<td>640</td>
<td>709</td>
<td>762</td>
</tr>
<tr>
<td>Reduction in exempt age from 72 to 70 in 1982</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>403</td>
<td>641</td>
<td>---</td>
</tr>
<tr>
<td>Elimination of monthly measure</td>
<td>-213</td>
<td>-228</td>
<td>-226</td>
<td>-236</td>
<td>-217</td>
<td>-222</td>
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<tr>
<td>Establish the retirement test exempt amount for beneficiaries aged 65 and over as a measure of substantial gainful activity for blind disabled workers</td>
<td>---</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Elimination of retroactive payments of actuarially reduced benefits</td>
<td>-339</td>
<td>-536</td>
<td>-550</td>
<td>-559</td>
<td>-565</td>
<td>-569</td>
</tr>
<tr>
<td>Limitation on increases in actuarially reduced benefits</td>
<td>-90</td>
<td>-280</td>
<td>-500</td>
<td>-751</td>
<td>-948</td>
<td>-1,157</td>
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<tr>
<td>Increase in benefits of surviving spouses, resulting from deceased workers’ delayed retirement credits</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Delayed retirement credits for workers with actuarially reduced benefits</td>
<td>---</td>
<td>14</td>
<td>22</td>
<td>24</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>Offset to benefits of spouses receiving public retirement pensions</td>
<td>-68</td>
<td>-106</td>
<td>-108</td>
<td>-110</td>
<td>-112</td>
<td>-116</td>
</tr>
<tr>
<td>Eliminate reduction in widowed spouses benefits due to remarriage after age 60</td>
<td>-130</td>
<td>155</td>
<td>166</td>
<td>178</td>
<td>189</td>
<td>---</td>
</tr>
<tr>
<td>Reduction in duration of marriage required for divorced spouses benefits from 20 years to 10 years</td>
<td>---</td>
<td>67</td>
<td>80</td>
<td>86</td>
<td>92</td>
<td>98</td>
</tr>
<tr>
<td>Increase in special minimum benefits</td>
<td>-12</td>
<td>14</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>---</td>
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<tr>
<td>Changes in annual wage reporting provisions</td>
<td>(2/)</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Authorization to enter into totalization agreements</td>
<td>(3/)</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Increases in contribution and benefit base</td>
<td>---</td>
<td>(3/)</td>
<td>21</td>
<td>62</td>
<td>161</td>
<td>281</td>
</tr>
</tbody>
</table>

---

1/ Except amount increased for beneficiaries aged 65 and over to $4,000 in 1978, $4,500 in 1979, $5,000 in 1980, $5,500 in 1981, and $6,000 in 1982.

2/ The estimates represent additional OASDI benefit payments that would result from implementation of totalization agreements already signed with Italy and West Germany. No agreement can become effective if either House of Congress disapproves the agreement within 90 days after it is submitted to Congress.

3/ Less than $500,000.

Note.—A positive figure represents additional benefit payments, and a negative figure represents a reduction in benefit payments.

Social Security Administration
Office of the Actuary
December 14, 1977
Table 4

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

OASDI Program, Modified by H.R. 9346

Estimated operations of the OASI and DI trust funds, combined, under the program as modified by the conference agreements on H.R. 9346, calendar years 1977-87

(In billions)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Income</th>
<th>Outgo</th>
<th>Net increase in funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$82.1</td>
<td>$87.6</td>
<td>-$5.5</td>
</tr>
<tr>
<td>1978</td>
<td>92.4</td>
<td>97.2</td>
<td>-4.8</td>
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<tr>
<td>1979</td>
<td>106.5</td>
<td>106.9</td>
<td>-.4</td>
</tr>
<tr>
<td>1980</td>
<td>119.1</td>
<td>117.1</td>
<td>2.0</td>
</tr>
<tr>
<td>1981</td>
<td>137.1</td>
<td>127.4</td>
<td>9.6</td>
</tr>
<tr>
<td>1982</td>
<td>150.2</td>
<td>138.3</td>
<td>11.9</td>
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<tr>
<td>1983</td>
<td>161.3</td>
<td>149.2</td>
<td>12.1</td>
</tr>
<tr>
<td>1984</td>
<td>172.9</td>
<td>161.2</td>
<td>11.7</td>
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<tr>
<td>1985</td>
<td>194.2</td>
<td>174.0</td>
<td>20.1</td>
</tr>
<tr>
<td>1986</td>
<td>209.0</td>
<td>187.6</td>
<td>21.4</td>
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<tr>
<td>1987</td>
<td>223.7</td>
<td>202.0</td>
<td>21.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds at end of year</th>
<th>Funds at beginning of year as a percentage of outgo during year</th>
<th>Funds at end of year as a percentage of outgo during year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977 $35.6</td>
<td>47%</td>
<td>41%</td>
</tr>
<tr>
<td>1978 30.8</td>
<td>37</td>
<td>32</td>
</tr>
<tr>
<td>1979 30.4</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>1980 32.4</td>
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<td>28</td>
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<tr>
<td>1981 42.0</td>
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<td>33</td>
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<td>1982 53.9</td>
<td>30</td>
<td>39</td>
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<tr>
<td>1983 66.0</td>
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<td>44</td>
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<td>1984 77.7</td>
<td>41</td>
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<td>1985 97.9</td>
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<tr>
<td>1986 119.3</td>
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<td>64</td>
</tr>
<tr>
<td>1987 141.0</td>
<td>59</td>
<td>70</td>
</tr>
</tbody>
</table>

Note.—The above estimates are based on the intermediate set of assumptions shown in the 1977 Trustees Report.

Social Security Administration
Office of the Actuary
December 15, 1977
Table 5

Changes in Actuarial Balance of the OASDI Program Over the Long-Range Period (1977-2051)

(Percentage of payroll costs: preliminary estimates)

<table>
<thead>
<tr>
<th>Description of Item</th>
<th>OASI</th>
<th>DI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of social security system under present law</td>
<td>15.51</td>
<td>3.68</td>
<td>19.19</td>
</tr>
<tr>
<td>Balance under present law</td>
<td>-6.06</td>
<td>-2.14</td>
<td>-8.20</td>
</tr>
<tr>
<td>Changes of the bill:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage-indexed decoupling</td>
<td>3.19</td>
<td>.95</td>
<td>4.13</td>
</tr>
<tr>
<td>5 percent reduction in benefit level</td>
<td>.53</td>
<td>.13</td>
<td>.66</td>
</tr>
<tr>
<td>Freeze minimum at 1978 level (including change in special minimum)</td>
<td>.07</td>
<td>.02</td>
<td>.08</td>
</tr>
<tr>
<td>Government pension offset</td>
<td>.04</td>
<td>-</td>
<td>.04</td>
</tr>
<tr>
<td>Retirement test</td>
<td>-1.11</td>
<td>-</td>
<td>-1.11</td>
</tr>
<tr>
<td>Delayed retirement credit (including DRC for widows)</td>
<td>-.06</td>
<td>-</td>
<td>-.06</td>
</tr>
<tr>
<td>Marriage/remarriage effect after age 60</td>
<td>-.01</td>
<td>-</td>
<td>-.01</td>
</tr>
<tr>
<td>No retroactive benefit actuarially reduced benefits</td>
<td>.01</td>
<td>-</td>
<td>.01</td>
</tr>
<tr>
<td>Actuarial reduction applied to general benefit increase</td>
<td>.24</td>
<td>-</td>
<td>.24</td>
</tr>
<tr>
<td>Miscellaneous 1/</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Annual reporting of earnings</td>
<td>-.01</td>
<td>-</td>
<td>-.01</td>
</tr>
<tr>
<td>Total net effect of benefit changes</td>
<td>3.88</td>
<td>1.09</td>
<td>4.97</td>
</tr>
<tr>
<td>Change wage base</td>
<td>.45</td>
<td>.08</td>
<td>.54</td>
</tr>
<tr>
<td>Self-employed tax rate to 1 1/2 times employee tax rate</td>
<td>.08</td>
<td>.02</td>
<td>.10</td>
</tr>
<tr>
<td>Tax schedule</td>
<td>.57</td>
<td>.57</td>
<td>1.14</td>
</tr>
<tr>
<td>Total net effect of financing changes (including wage base)</td>
<td>1.11</td>
<td>.67</td>
<td>1.78</td>
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<tr>
<td>Total net cost effect</td>
<td>4.98</td>
<td>1.75</td>
<td>6.74</td>
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<tr>
<td>Balance under bill</td>
<td>-1.08</td>
<td>-.38</td>
<td>-1.46</td>
</tr>
</tbody>
</table>

1/ Includes change in SGA definition for blind, employer tax on tips deemed to be wages, provision on limited partnership coverage, tax relief for affiliated corporations, reduction of 20-year marriage requirements to 10 years for certain beneficiaries.

NOTE: Totals may not add due to rounding.
Based on intermediate set of assumptions shown in the 1977 Trustees Report.