Social Security Totalization Agreements

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Since the 1970s, U.S. negotiators have concluded bilateral agreements with 28 important trading partners to coordinate social security coverage and benefit provisions for individuals who live and work in more than one country in their working lives. Known as "totalization agreements," they are similar in function and structure to treaties and are legally classified as congressional-executive agreements concluded pursuant to statute. The agreements have three main purposes: to eliminate double taxation on earnings, to provide benefit protections for workers who have divided their careers between the United States and another country, and to permit unrestricted payment of benefits to residents of the two countries. This article briefly describes totalization agreements, relates their history, and considers proposals to modernize and enhance them.

Introduction

When entering into a totalization agreement, the United States and a partner country agree to coordinate social security coverage and benefit payment provisions for individuals who have worked in both of the countries over the course of their working lives. Totalization agreements have three main purposes. First, they eliminate double social security taxation, which occurs if a worker and his or her employer are required to pay social security taxes to two countries on the same earnings. Second, they help fill gaps in the coverage records of people who have divided their careers between two countries by combining, or totalizing, the periods of coverage earned in each country. Finally, totalization agreements permit unrestricted payment of benefits to residents of the two countries. Although these three purposes do not constitute the entire scope of totalization agreements, they are by far the most visible and have the greatest effect on businesses and workers. All totalization agreements share certain features, but the complexity of and variation in our partner countries' social security laws make each agreement unique.

Determining Coverage Under Totalization Agreements

In the absence of a totalization agreement, many workers who are temporarily employed or self-employed in another country—as well as the employers of the former—face the burdensome prospect of paying social security taxes to two countries on the same earnings. For example, a U.S. employer may send a worker from the United States to another country to continue employment. If no totalization agreement is in force, both the employer and the worker generally are required to pay social security taxes to both the United States and the host country on the worker's earnings. Likewise, if a foreign employer sends a worker to the United States to continue employment, the employer and the worker will often have to pay double social security taxes unless that country and the United States have a totalization agreement in force.

This problem is particularly acute for U.S. workers because the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA) mandate more extensive coverage for U.S. residents working abroad than do the comparable social insurance programs of most other countries

Selected Abbreviations

PIA	primary insurance amount
QC	quarter of coverage
SSA	Social Security Administration

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(McKinnon 2012). Although most countries tax their own nationals only for work performed in their own territory, the United States levies taxes on a broad range of economic activity performed by U.S. nationals and permanent residents outside U.S. territory. Further exacerbating this problem, the countries to which most U.S. workers are transferred tend to levy high payroll taxes to finance relatively generous social insurance programs. In some countries, the combined employee and employer share of those taxes can approach or exceed 50 percent of payroll (IBIS Advisors 2017).

Totalization agreements are popular with U.S. businesses because they exempt employers from paying double social security taxes. According to a periodic study of net tax savings performed by the Social Security Administration's (SSA's) Office of International Programs, U.S. businesses and their employees save an estimated $1.5 billion in foreign social security taxes each year because of the agreements. Such tax savings help make U.S. business operations more viable around the world and simultaneously enhance U.S. trade competitiveness. Totalization agreements also excuse foreign workers temporarily sent to the United States from paying U.S. Social Security taxes. This results in annual savings of about $500 million for the affected foreign workers and their employers. Those tax savings make the United States a more attractive destination for foreign capital, thereby encouraging foreign direct investment.

The agreements work by assigning social security coverage and, in turn, tax liability, to only one country, as determined by the rules of the particular agreement. Those rules can vary substantially, but all agreements share certain common features, such as assigning coverage so that workers pay social security taxes to one country or the other, not both. SSA works with representatives from its totalization partner countries throughout the negotiating process and after the agreement has entered into force to ensure that workers are covered under laws of the country to which they retain the greatest economic attachment.

The general principle of all totalization agreements is that, all else being equal, a worker should pay taxes and be covered only under the social security system of the country in which he or she actually works. This simple rule is known as the territoriality rule, meaning the territory in which a person is working determines his or her tax liability. All other coverage provisions of totalization agreements constitute exceptions to this basic rule.

The most notable exception to the territoriality rule is called the detached worker rule. Under that rule, a worker whose employer requires his or her temporary relocation from one country to another to work for that same company will continue to pay social security taxes and retain coverage solely in the country from which he or she transferred.[1] Under almost all totalization agreements, the period of such a transfer cannot be expected, at the time of the transfer, to exceed 5 years. This rule ensures that employees who are only temporarily working in the other country retain coverage in their home country, which will remain the country of their greatest economic attachment.[2] By contrast, workers who permanently transfer to the other country will have coverage under the destination country's system. By mutual agreement, the two countries can agree to extend the 5-year period for temporary foreign work assignments on a case-by-case basis, but extensions beyond 2 additional years are rare.

Other exceptions to the territoriality rule apply to self-employed workers. Of these, the two most common are the transferred self-employment rule and the residence rule.[3] The transferred self-employment rule, like the detached worker rule described above, provides that a self-employed worker who temporarily transfers his or her work from one country to another will retain coverage under the laws of the country from which he or she transferred.[4] The residence rule generally states that the laws of the country in which the person resides will cover his or her self-employment activity exclusively, without regard to the duration of that residence.

Additional special rules generally apply for seafarers, airline crew, diplomats, government employees, and people whose employers did not transfer them directly from one totalization country to the other, but instead from one totalization country to a third country before a subsequent transfer to the other totalization country. Totalization partner countries can also mutually agree to special exceptions for individual workers or entire classes of workers, as appropriate. However, for the United States to agree to a special exception, two underlying principles must be met: The person must be covered in only one country, and the person must retain coverage in the country to which he or she will most likely have the greatest economic attachment. For examples of common coverage situations, see Appendix A.

To provide evidence to the tax authorities in a host country that a worker is exempt from paying that country's social security taxes, he or she (or his or her employer) must retain and furnish, as required,

a certificate of coverage. The certificate is a document issued by the country whose laws will continue to apply to that person according to the rules of the agreement. The agreements designate the agencies in each country responsible for issuing such certificates.

Benefit Provisions Under Totalization Agreements

Totalization agreements protect the benefit rights of workers who divide their careers between the two countries by permitting each country to count periods of social security coverage earned in the other country, as needed, to establish benefit entitlement. Periods of coverage are combined only for people who have a certain minimum amount of coverage but not enough to meet the ordinary requirements for benefit entitlement. For example, in the United States, workers born after 1928 who have never been disabled generally must accrue 40 credits called quarters of coverage (QCs) to be entitled to a Social Security retirement benefit.[5] If a person has earned at least 6 QCs, but fewer than 40, totalization agreements stipulate that SSA will count his or her periods of work in a totalization-agreement partner country in determining benefit entitlement.

The partner country will likewise consider U.S. periods of coverage to entitle a worker to a benefit under similar circumstances. Most countries require that a worker have at least 1 year of domestic coverage to be entitled to totalization benefits. In addition, a worker's combined U.S. and domestic periods of coverage must equal or exceed the statutory minimum in effect in that country. The minimum period of combined coverage a worker must earn for totalization to apply varies from country to country. For example, Switzerland requires 1 year, Hungary requires 20 years, and Japan requires 25 years (SSA 2016, 2017).

Although many countries have multilateral totalization agreements (most notably among the members of the European Union), U.S. agreements are statutorily mandated to be bilateral only. Accordingly, if a worker has earned 6 or more QCs and has additional periods of work in each of two countries with which the United States has concluded a totalization agreement, only periods of coverage from one country or the other can be combined with the QCs to entitle that worker to benefits. The agreements also include provisions that prevent SSA from considering periods of foreign coverage that were earned before the 1937 inception of the U.S. Social Security program or that overlap with periods of coverage already credited under U.S. law.

When a person qualifies for a U.S. Social Security benefit based on combined U.S. and foreign coverage under a totalization agreement, the amount of the U.S. benefit payable is proportional only to those periods of coverage earned in the United States. The partner country similarly pays a partial, or prorated, benefit when combined coverage establishes entitlement. Thus, it is possible for a person to receive a totalized benefit under an agreement from one of the two countries or from both countries if he or she meets all the applicable requirements for entitlement. U.S. prorated benefit calculation provisions are uniform across all totalization agreements, as provided by law in 42 U.S.C. § 433 and 20 C.F.R. § 404.1918. The determination of a prorated U.S. benefit amount under a totalization agreement is a three-step process.

First, SSA creates a theoretical earnings record. This is done by dividing the worker's actual earnings in the United States for each year recorded on his or her earnings record by the national average wage for all U.S. workers in that year.[6] The average value of these results, known as the worker's relative earnings position, is then multiplied by the national average wage in each of the worker's benefit computation years (generally, the years from the attainment of age 22 to the attainment of age 61, disability onset, or death) to derive the theoretical earnings record. This record thus projects what the worker would have earned over an entire career in the United States, assuming a constant earnings position relative to the average wage.

To the theoretical earnings record, SSA applies the standard U.S. Social Security benefit computation method (described in 20 C.F.R. § 404.210) to determine the worker's theoretical primary insurance amount (PIA). This is the PIA to which a worker and his or her auxiliary beneficiaries (the spouse or children of a retired worker or the survivor[s] of a deceased retired worker) would have been entitled had his or her entire career been worked under U.S. law.

The final step in calculating the benefit is to determine the prorated PIA. Although the theoretical PIA assumes an entire career under U.S. law, the prorated PIA reduces that amount in proportion to the ratio of the QCs earned under U.S. law to the QCs that would constitute an entire career under U.S. law, expressed as follows:

$$\text{Prorated PIA} = \text{Theoretical PIA} \times \frac{\text{QCs earned}}{\text{QCs equal to an entire career}}$$

The prorated PIA constitutes the PIA of record for the entitled worker and all auxiliary beneficiaries. For

an example of a totalized benefit computation, see Appendix B.

Totalization partner countries likewise compute a prorated benefit when a worker's periods of U.S. coverage must be added to his or her domestic coverage to establish entitlement to the partner country's benefits, but the theoretical-benefit computation methods vary considerably. However, the partner countries use a fairly uniform prorating computation, which differs slightly from the U.S. formula:

$$\text{Prorated benefit} = \text{Theoretical benefit} \times \frac{\text{Coverage earned under the partner country's laws}}{\text{Coverage earned in both countries}}$$

Benefit Portability Under Totalization Agreements

Most totalization agreements remove restrictions on the payment of benefits to residents of the partner countries. Under current law, U.S. nationals are generally eligible to receive U.S. Social Security benefits regardless of their country of residence.[7] However, nonresident aliens who have been absent from the United States for 6 or more consecutive calendar months are generally ineligible to receive benefits unless they meet a statutory exception to this requirement.[8] The most common exceptions involve:

- The citizen of a country with a generally applicable social insurance system in effect that pays periodic old-age or death benefits (or the actuarial equivalent thereof) to U.S. nationals outside its borders without restriction;
- The citizen of a country without a generally applicable social insurance system in effect that pays periodic old-age or death benefits (or the actuarial equivalent thereof), but the nonresident alien has earned at least 10 years or 40 QCs under the U.S. system; and
- A U.S. treaty obligation to pay that country's nationals outside its borders.

These exceptions, which are based on the worker's country of citizenship or nationality, are provisions of the Social Security Act. In most cases, totalization agreements further expand benefit portability based on residence.

A nonresident alien auxiliary benefit claimant who has been absent from the United States for 6 or more consecutive months must also have resided with the worker for a 5-year period in the United States, during which his or her relationship to the worker existed. For example, a nonresident alien entitled to a spousal benefit who has been absent from the United States for 6 consecutive calendar months may be a citizen of a country that will pay unrestricted benefits to U.S. nationals outside that country's borders. However, the spouse must also have been married to the worker for 5 years while residing in the United States in order to receive benefits abroad.[9] Under U.S. law (42 U.S.C. § 402(t)(11)(E)), totalization agreements may include provisions that remove payment restrictions to all residents of countries with which the United States has an agreement in effect, including third-country nationals and nonresident alien auxiliary beneficiaries.[10]

Legislative History and Background

Labor shortages in Europe immediately after World War II led to an unprecedented period of labor migration. Consequently, many workers found themselves in the previously unusual position of dividing their careers between two countries, often with unclear rules regarding tax liability. In many instances, workers and their employers were compelled to pay double social security taxes to avoid gaps in coverage that would otherwise prevent these displaced workers from receiving benefits when they retired. Accordingly, Western European countries began to conclude bilateral treaties that would clarify social security tax liability and protect workers' benefit rights.

The United States did not immediately begin entering into similar social security agreements at the time; instead, it concluded a series of Friendship, Commerce, and Navigation (FCN) treaties with close allies and trading partners. Many of the FCN treaties provide that each country treats nationals of the other country as it treats its own nationals in the entitlement to and payment of social security benefits.[11] However, it was soon apparent that these FCN treaties did not adequately protect the benefit rights of U.S. expatriate workers and that many U.S. workers sent abroad and their employers were required to pay double social security taxes on the same earnings.

The FCN treaty with Italy, which went into force in 1949 and was amended in 1951, explicitly called for the United States and the Italian Republic to begin negotiating a bilateral social security agreement. With neither precedent in U.S. law nor a specific authorizing statute, the means of concluding such an agreement were unclear. Concluding agreements as treaties would subject them to the advice and consent clause of the U.S. Constitution and require an affirmative two-thirds

Senate vote for ratification. This was seen as unworkable, and in ratifying the FCN treaty with Italy, the Senate passed a resolution on July 21, 1953 requiring that any social security agreement arising out of it would "be made by the United States only in conformity with provisions of statute."

In 1973, Secretary of Health, Education, and Welfare Caspar Weinberger and his Italian counterpart signed the first U.S. totalization agreement. Although the Italian government quickly ratified the agreement as a treaty, Congress had not yet enacted an authorizing statute; thus, it was not possible for the United States to bring the agreement into force. After much deliberation, Congress passed the 1977 amendments to the Social Security Act, which included an authorizing statute that enabled the agreement with Italy to enter into force.[12]

The authorizing statute contained in the 1977 amendments is section 233 of the Social Security Act (42 U.S.C. § 433),[13] which permits the president to enter into bilateral totalization agreements with countries that have a social security system similar to that of the United States. Section 233 establishes totalization agreements as congressional-executive agreements, which have essentially the same force of law as treaties but do not require full Senate ratification. For an agreement to go into force, the president must transmit it to Congress, where it must rest before both houses for 60 days during which one or both houses are in session; that period must pass without either house passing a resolution of disapproval.

To date, the United States has entered into totalization agreements with 28 countries; 3 additional agreements have been signed but are not yet in force. A list of all totalization agreements appears in Appendix C.

Modernizing and Enhancing Totalization Agreements

In recent years, support has grown for expanding the geographic scope of totalization agreements beyond its current concentration in Europe. The United States has concluded agreements with several non-European countries, but the nature of the authorizing statute has restricted negotiations in many others, for reasons discussed below. However, concluding agreements with many such countries would likely reduce existing burdens on U.S. businesses, workers, and beneficiaries.

In 1977, labor migration patterns were drastically different from those of 2018, and most U.S. trade and multinational business ties then were concentrated in Western Europe. Consequently, section 233 was tailored toward the Western European social security systems of that time. The first two agreements into which the United States entered, with Italy and West Germany, predated the passage of section 233. Accordingly, that legislation was designed with the social security systems of those two countries already in mind. Both countries featured traditional Bismarckian, pay-as-you-go systems that covered virtually their entire labor forces. Section 233 stipulates that the president may only enter into totalization agreements with countries having social security systems of general application that provide periodic benefit payments or the actuarial equivalent thereof on account of old age, disability, or death.

As U.S. trade and business interests have spread across the globe, the list of important trading partners increasingly includes countries that do not have a system that meets all U.S. statutory requirements. This may disadvantage U.S. businesses, workers, and potential social security beneficiaries abroad, who could benefit from such agreements.

Most U.S. totalization partners have more social security agreements in force than does the United States, with its 28 as of November 2018. By comparison, in 2014, Canada, France, Germany, and the United Kingdom—which conclude totalization agreements as treaties and thereby avoid some of the legislative constraints of the U.S. process—had 57, 80, 50, and 53 agreements, respectively (Leeuwenhaag 2014). As noted earlier, removing the double taxation of earnings in additional countries could encourage greater foreign direct investment in the United States. Additionally, thousands of beneficiaries who are currently ineligible to receive a pension from one or both countries could tangibly benefit from an expanded totalization program.

There have been attempts in recent years to move forward legislative proposals to amend section 233 to broaden the scope of totalization to benefit U.S. interests while retaining the program's traditional focus on actuarial balance and financial prudence. Such legislative proposals have not, however, gained much traction, and to date, totalization partnerships remain concentrated in Europe, with a few notable exceptions.

Appendix A: Some Common Coverage Situations

Although totalization agreements vary according to the partner country's social security system, Table A-1 summarizes some common coverage situations for U.S. workers sent abroad to work. In general, a worker is covered under the social security system of the

Table A-1.
U.S. totalization agreements: Social security coverage provisions for U.S. nationals who work in other countries under selected circumstances

Circumstance	Country of social security coverage
Temporary[a] overseas assignment	
U.S. employer sends worker hired in United States abroad to continue working for the same firm or an affiliate	United States
Self-employed worker transfers work activity to another country	United States
Permanent overseas assignment	
U.S. employer sends worker hired in United States abroad to continue working for the same firm or an affiliate	Partner country
Self-employed worker transfers work activity to another country	Partner country
Occupational travel	
Worker is a crewmember on a seafaring vessel that flies the flag[b] of one of the partner countries	Country of the vessel's flag
Worker is employed by an airline and—	
Resides in one of the partner countries	Country of residence
Does not reside in one of the partner countries	Country of airline headquarters
Diplomatic or government employment	
Worker is a diplomat and is covered under the Vienna Conventions on Diplomatic and Consular Relations (VCDCR)	Determined by VCDCR
U.S. government worker is stationed in a partner country but is not covered under the VCDCR	United States

SOURCE: 42 U.S.C. § 433.

a. Expected to last no longer than 5 years at the time of the assignment.

b. The United States considers a ship that flies the flag of the United States to be an “American vessel” as defined in section 210(c) of the Social Security Act (42 U.S.C. § 410(c)).

country in which he or she works. However, totalization agreements specify exceptions for certain classes of U.S. workers. Because totalization agreements are inherently reciprocal in nature, these exceptions apply similarly to foreign workers in the United States.

Appendix B: Hypothetical Totalization Benefit Calculation

Assume a worker born on January 2, 1951 filed for retirement benefits in January 2017. The worker was employed for 8 years in the United States—from 1980 through 1987—and earned the maximum amount subject to Social Security taxes each year. The worker has therefore accrued 32 QCs, which is not enough to qualify for retirement benefits with U.S. coverage alone. However, this worker also accrued coverage in Switzerland. Because the United States and Switzerland have a totalization agreement in place and the worker has at least 6 QCs, the worker’s Swiss coverage can be credited toward entitling him or her to a totalized benefit. The worker’s U.S. benefit is computed in the steps outlined below.

The process begins with the calculation of a theoretical earnings record. For each year in which the worker earned at least one QC, SSA divides the worker’s actual earnings by the average wage for all U.S. workers. Table B-1 shows the results for our hypothetical worker.

The overall average of the ratios (in this example, an 8-year average) is called the relative earnings position, which equals 2.2871073 for our hypothetical worker. That amount is then multiplied by the national average wage for each year in what would constitute an entire career. That period begins with the year in which the worker attained age 22 (in this case, 1973) and ends with that in which the worker attained age 61 (2012). The result is called the theoretical earnings record; this represents the U.S. Social Security–covered earnings the worker would have accrued if he or she had worked his or her entire 40-year career in the United States assuming a constant relative earnings position of 2.2871073.

The theoretical earnings record is subject to the standard benefit calculation rules. Earnings for each year from age 22 through age 61 are indexed, and

Table B-1.
Constructing a theoretical earnings record: Actual earnings, national average wage, and ratio of actual earnings to average wage, 1980–1987

Year	Actual earnings	National average wage	Ratio
1980	25,900	12,513.46	2.0697713
1981	29,700	13,773.10	2.1563773
1982	32,400	14,531.34	2.2296636
1983	35,700	15,239.24	2.3426365
1984	37,800	16,135.07	2.3427230
1985	39,600	16,822.51	2.3539888
1986	42,000	17,321.82	2.4246875
1987	43,800	18,426.51	2.3770101
Relative earnings position (8-year average)	. . .	. . .	2.2871073

SOURCES: Authors' calculations and SSA 2018 (Table 2.A8).

NOTES: "Actual earnings" are for a hypothetical worker whose annual earnings were equal to the Social Security taxable maximum.

. . . = not applicable.

5 "dropout" years—those with the lowest indexed earnings—are subtracted from the worker's entire career of 40 years. The benefit formula thus considers 35 *computation years.* The sum of the indexed earnings for each of the 35 computation years is divided by 420 (12 months × 35 years) to calculate the worker's average indexed monthly earnings (AIME). After indexing, the hypothetical worker's theoretical earnings record for all 35 computation years sums to $3,387,761.56; dividing that amount by 420 results in an AIME of $8,066.

The next step is to determine the theoretical PIA. The U.S. Social Security benefit formula uses two AIME thresholds, called bend points, to ensure that benefits replace a greater proportion of preretirement earnings for lower lifetime earners than they do for higher lifetime earners. The PIA consists of 90 percent of AIME to the first bend point plus 32 percent of AIME between the first and second bend points plus 15 percent of AIME exceeding the second bend point. Bend points are adjusted annually. The benefit computation uses the bend points for the year in which the claimant reached age 62, regardless of age at which the benefit is claimed. The bend points for 2013, when our hypothetical worker reached age 62, were $791 and $4,768. Thus, for the hypothetical worker with AIME of $8,066:

$$\begin{aligned}\text{Theoretical PIA} &= (0.9\times 791)+(0.32\times 3{,}977)+(0.15\times 3{,}298)\\ &= \$2{,}479.20\end{aligned}$$

This worker's theoretical PIA is the amount to which he or she would have been entitled had he or she worked an entire career under U.S. Social Security coverage and retired in 2013. However, by deferring her or his claim for retirement benefits until 2017, this worker is also entitled to cost-of-living adjustments (COLAs) for the intervening years. The annual COLAs for 2013–2016 were 1.5 percent, 1.7 percent, 0.0 percent, and 0.3 percent, respectively; thus, the cumulative effect of the four COLAs brings the worker's final theoretical PIA, as of January 2017, to $2,566.60.

SSA prorates this amount based on the periods worked in the United States to determine the PIA of record. The worker's 8 years of U.S. employment (1980–1987) provided 32 QCs, equivalent to about 23 percent of an entire career worked in the United States (which would have amassed 140 QCs, or 4 × 35 computation years). SSA calculates that proportion of the theoretical PIA:

$$2{,}566.60\times\frac{32}{140} = 586.65$$

Thus, the hypothetical worker's prorated PIA, rounded down to the nearest dime based on the benefit formula, is $586.60. The worker would be entitled to a U.S. Social Security benefit of $586.60 per month beginning in January 2017.

Appendix C

Table C-1.
U.S. totalization agreements as of October 31, 2018, by partner country

Country and type	Date—		Identifier[a]
	Signed	Effective	
Australia			
Agreement and administrative arrangement	27 Sep 2001	1 Oct 2002	TIAS 13169
Austria			
Agreement and administrative arrangement	13 Jul 1990	1 Nov 1991	TIAS 12037
Supplementary agreement	5 Oct 1995	1 Jan 1997	TIAS 12696
Belgium			
Agreement	19 Feb 1982	1 Jul 1984	TIAS 11175
Administrative arrangement	23 Nov 1982	1 Jul 1984	TIAS 11175
Protocol	23 Nov 1982	1 Jul 1984	TIAS 11175
Brazil			
Agreement and administrative arrangement	30 Jul 2015	1 Oct 2018	Pending
Canada			
Agreement	11 Mar 1981	1 Aug 1984	TIAS 10863
Administrative arrangement	22 May 1981	1 Aug 1984	TIAS 10863
Supplementary agreement	10 May 1983	1 Aug 1984	TIAS 10863
Understanding and administrative arrangement with the province of Quebec	30 Mar 1983	1 Aug 1984	TIAS 10863
Second supplementary agreement	28 May 1996	1 Oct 1997	TIAS 12759
Chile			
Agreement and administrative arrangement	16 Feb 2000	1 Dec 2001	TIAS 01-1201
Czech Republic			
Agreement and administrative arrangement	7 Sep 2007	1 Jan 2009	TIAS-09-101.2
Supplementary agreement	23 Sep 2013	1 May 2016	TIAS 16-501
Denmark			
Agreement and administrative arrangement	13 Jun 2007	1 Oct 2008	TIAS 08-1001.1
Finland			
Agreement and administrative arrangement	3 Jun 1991	1 Nov 1992	TIAS 12105
France			
Agreement	2 Mar 1987	1 Jul 1988	TIAS 12106
Administrative arrangement	21 Oct 1987	1 Jul 1988	TIAS 12106
Germany [b]			
Agreement	7 Jan 1976	1 Dec 1979	30 UST 6099; TIAS 9542
Administrative arrangement	21 Jun 1978	1 Dec 1979	30 UST 6099; TIAS 9542
Supplementary agreement and administrative arrangement	2 Oct 1986	1 Mar 1988	TIAS 12115
Second supplementary agreement and administrative arrangement	6 Mar 1995	1 May 1996	H. Doc. 104-123
Greece			
Agreement and administrative arrangement	22 Jun 1993	1 Sep 1994	H. Doc. 103-198
Hungary			
Agreement and administrative arrangement	3 Feb 2015	1 Sep 2016	TIAS 16-901
Iceland			
Agreement and administrative arrangement	27 Sep 2016	Pending	Pending

(Continued)

Table C-1.
U.S. totalization agreements as of October 31, 2018, by partner country—*Continued*

Country and type	Date— Signed	Date— Effective	Identifier[a]
Ireland			
Agreement and administrative arrangement	14 Apr 1992	1 Sep 1993	TIAS 12117
Italy			
Agreement	23 May 1973	1 Nov 1978	29 UST 4263; TIAS 9058
Administrative protocol	22 Nov 1977	1 Nov 1978	29 UST 4263; TIAS 9058
Supplementary agreement	17 Apr 1984	1 Jan 1986	TIAS 11173
Japan			
Agreement and administrative arrangement	19 Feb 2004	1 Oct 2005	TIAS-05-1001
Korea (South)			
Agreement and administrative arrangement	13 Mar 2000	1 Apr 2001	H. Doc. 106-243
Luxembourg			
Agreement and administrative arrangement	12 Feb 1992	1 Nov 1993	TIAS 12119
Mexico			
Agreement	29 Jun 2004	Pending	Pending
Netherlands			
Agreement and administrative arrangement	8 Dec 1987	1 Nov 1990	H. Doc. 100-182
Protocol	7 Dec 1989	1 Nov 1990	State Department Archives
Second protocol	30 Aug 2001	1 May 2003	H. Doc. 107-234
Norway			
Agreement and administrative arrangement	13 Jan 1983	1 Jul 1984	TIAS 10818
Superseding agreement and administrative arrangement	30 Nov 2001	1 Sep 2003	TIAS 13177
Poland			
Agreement and administrative arrangement	2 Apr 2008	1 Mar 2009	TIAS-09-301
Portugal			
Agreement and administrative arrangement	30 Mar 1988	1 Aug 1989	TIAS 12121
Slovak Republic			
Agreement and administrative arrangement	10 Dec 2012	1 May 2014	TIAS 14-501
Slovenia			
Agreement and administrative arrangement	17 Jan 2017	Pending	Pending
Spain			
Agreement and administrative arrangement	30 Sep 1986	1 Apr 1988	TIAS 12123
Sweden			
Agreement and administrative arrangement	27 May 1985	1 Jan 1987	TIAS 11266
Supplementary agreement	22 Jun 2004	1 Nov 2007	TIAS-07-1101
Switzerland			
Agreement with protocol	18 Jul 1979	1 Nov 1980	32 UST 2165; TIAS 9830
Administrative arrangement	20 Dec 1979	1 Nov 1980	32 UST 2165; TIAS 9830
Supplementary agreement and administrative arrangement	1 Jun 1988	1 Oct 1989	TIAS 12126
Superseding agreement and administrative arrangement	3 Dec 2012	1 Aug 2014	H. Doc. 113–75

(Continued)

Table C-1.
U.S. totalization agreements as of October 31, 2018, by partner country—*Continued*

Country and type	Date— Signed	Date— Effective	Identifier[a]
United Kingdom			
Agreement and administrative arrangement	13 Feb 1984	[c] 1 Jan 1985	TIAS 11086
Supplementary agreement and administrative arrangement	6 Jun 1996	1 Sep 1997	TIAS 12776
Uruguay			
Agreement and administrative arrangement	10 Jan 2017	1 Nov 2018	Pending

SOURCES: Department of State and U.S. House of Representatives.

a. Most agreements are identified according to one or more of the following sources: *Treaties and International Acts Series* (TIAS), published by the State Department; *United States Treaties and Other International Agreements* (UST), also published by the State Department; and Documents of the U.S. House of Representatives (H. Docs.).

b. Agreements signed prior to October 3, 1990 were negotiated with the Federal Republic of Germany (West Germany) and were extended to include the former German Democratic Republic (East Germany) as of that date.

c. Applies to provisions to eliminate double social security taxation. Provisions that enabled individuals who worked in both countries (and met certain conditions) to qualify for totalized benefits were effective January 1, 1988.

Notes

[1] This also applies to workers whose employers temporarily transfer them to a company that has entered into an agreement with the Treasury Department under section 3121(l) of the Internal Revenue Code. These companies are typically referred to as "affiliates" and must pay U.S. Social Security taxes on behalf of all U.S. nationals or residents employed abroad by that affiliate.

[2] One exception to this rule is the agreement with Italy, which permits certain transferred workers to elect the social security system under which they will be covered. No other U.S. totalization agreement contains a similar rule.

[3] An agreement can only contain one of these rules, not both. Thus, agreements assign self-employment coverage based either on transferred work activity or on residence.

[4] Like the detached worker rule, this period is considered temporary if it is not expected to exceed 5 years from the time the worker transfers his or her self-employment activity to the other country.

[5] A QC is an earnings amount rather than a period of time. The amount is adjusted annually. In 2018, earnings of $1,320 constitute a QC. A worker can earn no more than 4 QCs in a calendar year, but the worker can reach that threshold by earning $5,280 ($1,320 × 4) in any span within that year.

[6] For the national average wage for each year from 1951 through 2016, see SSA (2018, Table 2.A8).

[7] The Treasury Department will not issue payments to persons residing in Cuba or North Korea.

[8] For a full list of these exceptions, see 20 C.F.R. § 404.460 (b).

[9] Auxiliary beneficiaries of countries with which the United States has a Friendship, Commerce, and Navigation treaty obligation are exempt from this additional requirement.

[10] Although most agreements remove payment restrictions that apply to all residents of the two countries, the agreements with Austria, Belgium, Denmark, Germany, Sweden, and Switzerland remove payment restrictions only for nationals of the two countries, or stateless persons and refugees residing in the two countries.

[11] Almost all of the FCN treaties are still in effect today and nullify the payment restrictions on nonresident aliens outside the United States stipulated in section 202(t) of the Social Security Act. Thus, German, Greek, Irish, Israeli, Italian, Japanese, and certain Dutch nationals are treated the same as U.S. nationals with respect to payment of benefits outside U.S. territory.

[12] In the intervening years, the United States had also concluded an agreement with West Germany, which was likewise in legal limbo until the 1977 amendments were enacted.

[13] Note that section 233 of the Social Security Act is codified at 42 U.S.C. § 433.

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