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##### Publications

Social Security Act Amendments of 1950: A Summary and Legislative History, by Wilbur J. Cohen and Robert J. Myers, Social Security Bulletin— *October 1950*

The Social Security Act Amendments of 1950: Legislative History of the Coverage Provisions of the Federal Old-Age and Survivors Insurance Program, by Wilbur J. Cohen—*June 1951*

##### Director's Bulletins

No. 161, Provisions of the Administration Bill, H.R. 2893—*March 4, 1949*

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**REVENUE ACT OF 1950**

*(excerpts only)*

# Calendar No. 1680

81ST CONGRESS }  
2d Session }

SENATE

{ REPORT  
{ No. 1669

## SOCIAL SECURITY ACT AMENDMENTS OF 1950

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MAY 17 (legislative day, MARCH 29), 1950.—Ordered to be printed with illustrations

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

### REPORT

[To accompany H. R. 6000]

The Committee on Finance, to whom was referred the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes, having considered the same, report favorably thereon with an amendment in the nature of a substitute and recommend that the bill as amended do pass.

#### INTRODUCTION AND SUMMARY

##### I. PURPOSE AND SCOPE OF THE BILL

More than a decade has passed since the Congress amended the Social Security Act and established the present benefit provisions under old-age and survivors insurance. In the interim, tremendous changes have taken place in our economy. The onrush of broad social and economic developments has completely unbalanced the Nation's social security system. Congressional action is, therefore, urgently needed to reestablish the proper relationship among the basic programs in this system.

Your committee is greatly disturbed by the increasing burden on the general revenues caused by dependency in the United States. Currently Federal expenditures are running at a rate of \$1.1 billion a year for public assistance as contrasted to expenditures of less than \$800 million under the old-age and survivors insurance program.

Total expenditures for the three State-Federal public assistance programs in calendar year 1949 were \$2.0 billion. The cost to the Federal Treasury for assistance to needy persons was \$1.0 billion in 1949. This was \$235 million more than in 1948 and \$350 million more

than in 1947. More than three-fourths of the costs of public assistance grants from the Federal Treasury are for dependent old people. In 1949 the Federal Government spent \$795 million for payments to needy old people alone, and the combined amounts spent by Federal, State, and local governments for old-age assistance was \$1.4 billion. The magnitude of expenditures for old-age dependency gives us special concern because of the growing number of aged in the population. The number of persons age 65 and over has increased from 7½ million in 1935 when the Social Security Act was passed to 11½ million today. By 1960 we may expect 14 to 15 million aged persons and 25 years from now 17 to 20 million.

Your committee's impelling concern in recommending passage of H. R. 6000, as revised, has been to take immediate, effective steps to cut down the need for further expansion of public assistance, particularly old-age assistance. Unless the insurance system is expanded and improved so that it in fact offers a basic security to retired persons and to survivors, there will be continual and nearly irresistible pressure for putting more and more Federal funds into the less-constructive assistance programs. We consider the assistance method to have serious disadvantages as a long-run approach to the Nation's social-security problem. We believe that improvement of the American social-security system should be in the direction of preventing dependency before it occurs, and of providing more effective income protection, free from the humiliation of a test of need. Accordingly your committee recommends action designed to immediately bolster and extend the system of old-age and survivors insurance by extension of coverage, increasing benefit amounts, liberalizing eligibility requirements, and otherwise improving this basic system for dealing with income losses.

Your committee recognizes that the bill which it is recommending for passage does not do the whole job. Public assistance can be reduced to a minimum only if the present aged have their needs met through some other program. It is not enough to provide for those who will retire in the future. We believe that the problem of providing income to those who have already retired and who are ineligible for insurance should be studied further. Your committee has not been able to arrive at definite conclusions on this problem in the time available for the consideration of H. R. 6000. We are, therefore, recommending that further study be given to this and other problems not resolved by this bill.

To keep assistance at a minimum in the future will also require even further extension of coverage than is provided in this bill. We recommend particularly that further extension of coverage to farm groups be given attention. In the absence of clear-cut expressions on the part of farm operators that they want this protection the provisions of the committee-approved bill seem to us to be as far as it is desirable to go without fuller consultation with the farm groups. This should be a matter for further study.

Another question which is not resolved by this bill but which will be a matter of increasing importance is the relationship of the public social-security program to private pension plans, particularly those now being established through collective bargaining to cover major groups of industrial workers. Your committee is aware that there are many disadvantages in the collective-bargaining approach to retirement

plans. From the standpoint of the worker, as well as the economy, these plans have serious weaknesses. Most of these plans do not give the worker rights which he can take with him from job to job. They tend to discourage the hiring of older workers. They require long periods of service with one employer and, in addition, employment with the particular employer just before retirement. Most younger workers will never qualify for benefits because they will not meet these long-service requirements. The long-run relationship between the Federal program and the movement in collective bargaining deserves the most careful study.

Your committee has not included permanent and total disability insurance or assistance provisions in the bill. We recognize that the problem of disabled workers is one which requires careful attention, especially because of the increasing proportion of older workers and the rising rate of chronic invalidity in the population. Moreover, the problem is not limited to the feasibility of providing income or pensions merely to maintain disabled workers. At least of equal significance is the need for assuring fullest use of rehabilitation facilities so that disabled persons may be returned to gainful work, whenever this is possible. Your committee believes that the Federal Government should increase the grants-in-aid to the States for vocational rehabilitation and that further study should be made of the problem of income maintenance for permanently and totally disabled persons.

Your committee believes that further study should also be given to the problems involved in the long-range financing of an old-age and survivors insurance system, particularly the issue of reserve financing versus pay-as-you-go.

Although your committee recognizes that the bill does not solve all the problems, we believe that its passage would constitute a very significant step forward in the establishment of a sound social-security program.

## II. BACKGROUND AND HISTORY OF LEGISLATION

### A. *Social Security Act of 1935*

This act provided a system of old-age insurance for persons working in industry and commerce as a long-run safeguard against the occurrence of old-age dependency. To help alleviate immediate needs, Federal grants were provided to States for three forms of public assistance: For the needy aged, the needy blind, and dependent children. The old-age insurance plan provided monthly benefits (beginning in 1942) only for the insured worker in his old age and also lump-sum death benefits. A tax was imposed on employers and employees at a rate of 1 percent each for 1937-39, 1½ percent for 1940-42, 2 percent for 1943-45, 2½ percent for 1946-48, and 3 percent thereafter. An old-age reserve account was created, to which Congress annually appropriated funds in amounts "determined on a reserve basis in accordance with accepted actuarial principles"; in actual practice these appropriations closely approximated the tax receipts less administrative costs which were met out of the General Treasury.

### B. *1939 revision of the Social Security Act*

The amendments considerably broadened the protection of the old-age insurance system. Supplementary benefits were provided for the

eligible wife and children of a retired worker and for the surviving widow and children (in certain instances also for surviving dependent parents). The beginning date for payment of monthly benefits was advanced to January 1940. Benefits payable in the early years were increased, while benefits were reduced for unmarried workers with high earnings who would retire after many years of coverage. This was accomplished by basing the benefits on average covered wages rather than on total covered wages. The tax rate on employers and employees was held at 1 percent each through 1942, and was then to follow the original schedule. Further, it was provided that an amount equal to the tax collections would be appropriated to the fund and the requirement as to annual appropriations being "determined on a reserve basis in accordance with accepted actuarial principles" was removed.

The 1939 amendments also liberalized the assistance provisions by increasing the individual maximums for the needy aged and for the needy blind, upon which the matching by the Federal Government is based, from \$30 per month to \$40. Also the Federal matching proportion for aid to dependent children was increased from one-third to one-half, and the age limit was raised from 16 to 18. Further, it was required that States in determining need for assistance take into account income and resources of applicants.

#### *C. Legislation during 1940-45*

In 1943 and in subsequent years legislation was passed to maintain the old-age and survivors insurance contribution rate at 1 percent each on employers and employees, rather than letting it rise as scheduled in the 1939 amendments. In 1943 the law was changed to authorize appropriation from general revenues to the trust fund of "such additional sums as may be required to finance the benefits and payments under the insurance program" (to date no appropriations have been made under this provision).

#### *D. The 1946 amendments*

Provision was made for survivors insurance benefits in respect to World War II veterans who die within 3 years of discharge from the armed forces, provided that such survivors are not entitled to pensions under veterans' laws. The amendments also froze the old-age and survivors insurance contribution rate at 1 percent for 1947 and made a number of technical changes which slightly liberalized benefits and simplified certain aspects of the program.

The funds available to States for public assistance were increased substantially. For the period October 1946 through December 1947 the Federal matching proportion for the aged and the blind was raised from a straight one-half to two-thirds of the first \$15 per month of the average payment and one-half of the remainder, while at the same time the maximum individual grant upon which matching could be made was raised from \$40 to \$45. For aid to dependent children the Federal share was raised from a uniform one-half to two-thirds of the first \$9 of the average payment and one-half of the remainder, with the individual maximums being raised from \$18 for the first child and \$12 for each additional child to \$24 and \$15 respectively.

*E. Amendments after 1946*

In 1947 the old-age and survivors insurance contribution rate was again frozen at 1 percent effective through 1949; the rate was to be 1½ percent in 1950-51 and 2 percent thereafter. The increased grants for public assistance provided in the 1946 amendments, scheduled to expire in December, were extended through June 1950.

In 1948 Congress amended the Social Security Act by passing two bills over the President's veto. Public Law 492, Eightieth Congress, excluded certain newspaper vendors from the coverage of old-age and survivors insurance. Public Law 642, Eightieth Congress, amended the definition of "employee" so as to retain the usual common-law rules for determining the employer-employee relationship. The public assistance provisions were again liberalized. For the aged and the blind, the Federal Government would pay three-fourths of the first \$20 of the average payment and one-half thereafter, with the individual matchable maximum raised to \$50 per month. The matching grants for aid to dependent children were raised to three-fourths of the first \$12 of the average payment per child and one-half thereafter, with the individual matchable maximum payments being \$27 for the first child and \$18 for each additional child.

*F. Hearings of 1949-50*

H. R. 6000 was referred to your committee on October 6, 1949. Its passage by the House of Representatives followed extensive hearings on social security before the Committee on Ways and Means. These hearings lasted from February 28 through April 27, 1949, and consideration by the House committee in executive session continued for a period of 16 weeks.

This year, your committee conducted public hearings from January 17 through March 23. Your committee has received and printed 2383 pages of testimony and additional information submitted for the record by individuals and groups interested in various phases of welfare activities and old-age and survivors insurance and considered the bill in executive session from April 3 through May 17.

In considering the House-approved bill your committee also had the benefit of a comprehensive report prepared by an outstanding advisory council appointed under authority of a Senate resolution of June 23, 1947.

### III. SUMMARY OF PRINCIPAL PROVISIONS OF THE COMMITTEE-APPROVED BILL

*A. Old-age and survivors insurance*

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be extended to about 10 million persons during the course of an average week; 8.3 million of them would be covered on a compulsory basis, and the remainder on a voluntary basis (at the election of the employer). The specific additions to coverage are as follows:

(a) Nonfarm self-employed: Covered if self-employment yields annual net income of at least \$400, except for physicians, lawyers, dentists, osteopaths, chiropractors, optometrists, Christian Science practitioners, naturopaths, veterinarians, certified public accountants, architects, and professional engineers.

(b) Agricultural workers: Covered if on a farm and regularly employed (defined as employment by a single employer for at least 60 days in a calendar quarter, with cash wages of at least \$50 for services in the quarter). Certain agricultural processing work off the farm and certain essentially commercial or industrial border-line agricultural labor are also covered.

(c) Domestic workers: Covered if in a private home (but not on a farm operated for profit) and if employed by a single employer for at least 24 days in a calendar quarter with cash wages of at least \$50 for service in the quarter. (If employed on a farm operated for profit, would be covered as agricultural workers—see above.)

(d) Employees of nonprofit organizations: Covered on a compulsory basis both as to employers and employees, except for employees of religious denominations and of organizations owned and operated by a religious denomination. A religious denomination would be afforded an opportunity to obtain coverage for its lay employees on a voluntary basis if it so desired, but ministers and members of religious orders would continue to be excluded on a mandatory basis.

(e) Employees of State and local governments: Covered only if not under a retirement system and if State enters into an agreement with the Federal Government. All public employees under a retirement system would be excluded on a mandatory basis.

(f) Employees outside of the United States: Covered if United States citizens employed by an American employer outside of the United States. Certain employees on American aircraft outside the United States are covered irrespective of citizenship.

(g) Employment in Puerto Rico and Virgin Islands: Employment and self-employment in the Virgin Islands covered, and also in Puerto Rico, if requested by the Puerto Rican legislature.

(h) Federal civilian employees: Employees serving under temporary appointment pending final determination of eligibility for permanent or indefinite appointment and other Federal employees not under a retirement system, except certain temporary workers, elective officials, certain policy-making committee members, etc., are covered. Also covered are employees of farm loan and production credit associations, employees of post exchanges and similar organizations, employees of Federal credit unions, etc.

(i) Tips and gratuities: Excluded as in present law.

(j) Definition of employee: Retains definition based on usual common-law rules, and extends coverage as employees to full-time life insurance salesmen and certain agent-drivers.

(k) Effective date: For coverage changes, January 1, 1951.

## 2. Liberalization of benefit amounts.—

(a) Current beneficiaries: About 2.9 million persons currently receiving old-age and survivors insurance benefits would have their monthly benefits increased on the average by about 85 to 90 percent. Increases would range from about 60 percent for highest-benefit groups to over 100 percent for low-benefit groups. The average primary benefit of approximately \$26 per month for retired workers now on the rolls would be increased to over \$48.

Present primary insurance benefit	New primary insurance amount	
	House-approved bill	Committee-approved bill
\$10.....	\$25	\$20
\$15.....	31	31
\$20.....	36	37
\$25.....	44	48
\$30.....	51	56
\$35.....	55	62
\$40.....	60	68
\$45.....	64	72

(b) Future beneficiaries: An alternative formula is provided for persons retiring or dying in the future which would be applicable to those who have at least six quarters of coverage after 1950.

The formula for the primary insurance amount is 50 percent of the first \$100 of average monthly wage, plus 15 percent of the next \$150 (based on the maximum wage and tax base of \$3,000 per year). For example, for an average monthly wage of \$200, the primary insurance amount would be \$65 (50 percent of the first \$100 of average wage, plus 15 percent of the next \$100 of average wage, or \$50 plus \$15).

Under the bill, individual benefit amounts payable in the next decade, on the whole, would be about 110 percent higher than under existing law. The bill would result in total payments under old-age and survivors insurance of about \$2 billion in the first year of operation as against about \$900 million under present law for the same period.

The minimum primary benefit under existing law of \$10 per month would be increased to \$25, except that for those with very low wages (averaging under \$34 per month) the minimum would be \$20.

The maximum family benefit under existing law of \$85 per month would be increased to \$150, but the maximum benefit could not exceed 80 percent of the average monthly wage of the insured person.

(c) Computation of average wage: The average wage of an insured worker would be computed the same as under present law, except that if a larger benefit would result, the individual's average would be computed over the period following 1950 rather than after 1936. In order to have such a "new start" average wage, the individual would have to acquire six quarters of coverage after 1950.

3. *Eligibility for benefits.*—In order to qualify for old-age and survivors insurance benefits under present law, an individual must have either (a) quarters of coverage (calendar quarters with \$50 or more of wages paid) equal to at least one-half of the number of quarters elapsing since 1936 and before age 65 or death, or (b) 40 quarters of coverage. Under the bill eligibility requirements are greatly liberalized by providing a "new start." Quarters of coverage would be required for only one-half of the number of quarters since 1950 (with a minimum of six quarters of coverage required), but such quarters of coverage may include those earned before 1951. Thus any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time.

4. *Benefit categories.*—The bill retains the present benefit amounts (as related to the worker's primary insurance amount) payable to wives, widows, and parents, but increases the amount payable to surviving children. As at present, no benefits would be provided for permanent and total disability.

A lump-sum death payment of 3 times the primary insurance amount (amounting to approximately the same as 6 times the primary benefit under present law) is made, as at present, when no survivor is immediately eligible for monthly benefits. In addition, provision is included to assure that, where less than this amount is paid in monthly benefits in the year following death, a lump-sum amounting to the difference is payable.

The bill also makes the following additional major benefit changes in present law:

(a) *Dependent children of women workers:* Benefits to children are payable on a more liberal basis in respect to deaths of insured married women. Thus, if a woman is currently insured at the time of her death (has 6 quarters of coverage out of the 13-quarter period ending with the quarter of death), her children will be eligible for monthly survivor benefits even though the father of the children is present in the household. Under existing law such children would be ineligible for benefits.

(b) *Dependent husbands and widowers:* A new category of benefits is added for dependent husbands, age 65 or over, of retired or deceased women workers. No benefits are paid under present law to dependent husbands and widowers.

(c) *Former wife divorced:* Benefits are payable to a divorced wife caring for entitled children of her deceased former husband.

5. *Limitation on earnings of beneficiaries.*—The amount the beneficiary may earn in covered employment without loss of benefits is increased from \$14.99 to \$50 per month. After age 75, benefits are payable regardless of amount of earnings from employment.

6. *Veterans.*—World War II veterans are granted wage credits under the old-age and survivors insurance program of \$160 per month for the time spent in military or naval service between September 16, 1940, and July 24, 1947, except that such wage credits would not be provided if the period of service in the Armed Forces is credited for civil service, military, railroad, or any other Federal retirement system. The additional cost of the benefits arising from these wage credits would be borne by the trust fund.

7. *Effective date.*—All changes in benefit provisions are effective for the second month following the month of enactment.

8. *Financing of old-age and survivors insurance.*—(a) *Taxable wage base:* The total annual earnings on which benefits would be computed and contributions paid is retained, as at the present, at \$3,000.

(b) *Contribution schedule:* Employers and employees will continue to share equally, with the rate on each being as follows:

Calendar years:	Rate (percent)
1950-55.....	1½
1956-59.....	2
1960-64.....	2½
1965-69.....	3
1970 and after.....	3¼

The self-employed who are covered would pay 1½ times the above rate for any year after 1950.

### *B. Public assistance*

1. *Old-age assistance.*—Existing law is retained except that State supplementary old-age assistance payments would be shared in by the Federal Government only on a 50-50 basis in those cases where a retired worker becomes a primary old-age and survivors insurance beneficiary after the effective date of the bill. Thus, the maximum Federal share in these cases would be \$25. Under existing law the Federal Government provides three-fourths of the first \$20 and one-half of the balance of an assistance payment within \$50 maximums, or \$30 if the State provides at least \$20 in all instances.

2. *Aid to dependent children.*—In order to assist the States to improve this program the maximum payments in which the Federal Government would share are increased from \$27 to \$30 per month for the first child and from \$18 to \$20 for each additional child in a family. Thus the maximum Federal funds are increased from \$16.50 to \$18 for the first child and from \$12 to \$13 for each additional child.

3. *Aid to the blind.*—Beginning July 1952 all States administering federally approved aid-to-the-blind programs would be required to disregard earned income, up to \$50 per month, of claimants for aid to the blind in determining eligibility for and the amount of aid. Prior to July 1952 the exemption of earnings is discretionary with each State. Thus the State legislatures will be afforded an opportunity to make any necessary changes in their aid-to-the-blind laws to conform to the new Federal requirement.

4. *Direct payment for medical care.*—States would be authorized to make direct payments to doctors or others furnishing medical care, and would be authorized to make direct payments to anyone providing recipients with remedial care as authorized under State laws. Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to recipients.

5. *Medical institutions.*—The Federal Government would share in the costs incurred by the States in furnishing assistance to the needy aged and blind recipients in public medical institutions. Existing law limits Federal participation to recipients residing in private institutions.

### *C. Service programs for children*

1. *Child-welfare services.*—To assist the States to strengthen and improve the Federal-State cooperative programs for services to neglected children and children in danger of becoming delinquent, the bill increases the authorization for child-welfare services from the \$3½ million per year in existing law to \$12 million.

2. *Maternal- and child-health services.*—To assist the States to extend and improve their programs to promote better health for mothers and children, the bill increases the authorization for Federal grants from the \$11 million per year in existing law to \$20 million.

3. *Services for crippled children.*—To assist the States to reduce the number of crippled children now awaiting medical, surgical, or other necessary service, the bill increases the authorization for Federal grants from the \$7½ million per year in existing law to \$15 million.

*D. Unemployment insurance*

Title XII of the Social Security Act allowing advances to the accounts of States in the Unemployment Trust Fund which expired on January 1, 1950, is reenacted for a 2-year period.

## OLD-AGE AND SURVIVORS INSURANCE

## IV. EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE COVERAGE

*A. General*

The old-age and survivors insurance program now covers 35 million workers during the course of an average week. The committee-approved bill would cover about 10 million additional workers; 8.3 million of them would be covered on a compulsory basis, and coverage would be available to the remainder on a voluntary basis. Table 1 gives a detailed breakdown of the new coverage provided by the committee-approved bill as compared with the House-approved bill. Each of the new groups covered is discussed in detail under the appropriate headings below.

Coverage under the present law is limited entirely to workers in industry and commerce in the continental United States, Alaska, and Hawaii.

Under the committee-approved bill, coverage would be extended to self-employed persons other than farmers and certain named professional groups; employees of State and local governments at the election of the State, provided the employees are not under an existing retirement system; certain border-line agricultural labor; paid farm workers and domestic servants on a farm who are employed by a given employer for at least 60 days in a calendar quarter; nonfarm domestic servants who are employed by a given employer for at least 24 days in a calendar quarter; employees of nonprofit organizations (those employed by religious denominations and organizations owned and operated by a religious denomination would be covered only if the religious denomination elected such coverage; employees of other nonprofit organizations would be covered compulsorily); United States citizens employed outside the United States by an American employer; certain employees on American aircraft outside the United States; and certain Federal civilian employees not under an existing retirement system (excluding various short-term and policy-making employees). Full-time life-insurance salesmen and certain agent-drivers are specifically designated as employees for coverage purposes. In addition, employees and self-employed persons in Puerto Rico and the Virgin Islands would be covered on the same basis as those in the United States.

The committee-approved bill would not cover farmers; farm workers and domestic servants who are not regularly employed by an employer; Federal, State, and local government employees covered under retirement systems; members of the Armed Forces; railroad employees; the self-employed professional groups mentioned previously; and certain other smaller groups of workers.

TABLE 1.—Comparison of increases in old-age and survivors insurance coverage

Category	House-approved bill	Committee-approved bill
Nonfarm self-employed.....	4,500,000	5,000,000
Agricultural workers.....	200,000	1,000,000
Borderline employment.....	(200,000)	(200,000)
Regularly employed on farm.....	(.....)	(800,000)
Domestic workers.....	950,000	1,000,000
Employees of nonprofit organizations.....	600,000	600,000
Compulsory coverage.....	(600,000)	(400,000)
Voluntary coverage.....	(.....)	(200,000)
Employees of State and local governments.....	1,300,000	1,400,000
Voluntary, not under a retirement system.....	(1,400,000)	(1,400,000)
Voluntary, under a retirement system.....	(2,400,000)	(.....)
Federal civilian employees not under a retirement system.....	100,000	200,000
Employees outside the United States.....	150,000	150,000
Employment in Puerto Rico and Virgin Islands.....	350,000	400,000
New definition of "employee".....	650,000	150,000
Total under compulsory coverage.....	7,500,000	8,300,000
Total under voluntary coverage.....	3,800,000	1,600,000
Grand total.....	11,300,000	9,900,000

<sup>1</sup> Exclusive of a relatively small number of transit workers who would be compulsorily covered.

NOTE.—Figures in parentheses are subtotal figures.

Your committee has given extensive consideration to the advisability of extending coverage to the farm workers, domestic workers, and professional self-employed groups excluded under the committee-approved bill and, as well, to farm operators. Your committee believes, however, that further study must be given to the special problems involved in covering these groups.

The House-approved bill would cover substantially the same new groups as the committee-approved bill. The differences are as follows: Under the House bill, regular farm workers would not be covered, and coverage would be permitted for State and local government employees who are under an existing retirement system if the employees and the beneficiaries of the system voted for such coverage. Under the House-approved bill, employees of all nonprofit organizations, including the religious, would be covered on a compulsory basis, but the employer could elect whether or not to pay his share of the tax. Under the committee-approved bill, employees of a religious organization would not be covered unless the organization elects coverage, in which case both would pay the required taxes, and employees of other nonprofit organizations would be covered compulsorily. Both bills would continue the mandatory exclusion of ministers and members of religious orders. Under the House-approved bill, the term "employee" was defined to include many individuals who are not employees under the usual common-law rules. The definition in the committee-approved bill goes beyond the common-law rules only with respect to full-time life-insurance salesmen and certain agent-drivers. The remaining groups defined as "employees" under the House bill would be covered as self-employed under the committee bill.

#### B. Specific coverage groups added

1. *The nonfarm self-employed.*—No self-employed persons are covered by present law. Except for farmers and certain professional groups, the self-employed would be covered by the committee bill. Coverage would be compulsory. Your committee gave thorough

consideration to the possibility of coverage on a voluntary basis, but found fundamental objections to that approach. The history of voluntary social insurance in other countries indicates definitely that only a very small proportion of all eligible individuals actually elect to participate. Moreover, the ones who do elect to participate are usually not those in the greatest need of such protection; that is, those of average or below-average income. In addition, voluntary coverage would probably attract almost exclusively people who are already aged and others who can foresee a large possible return for their contributions; as a result, the program would be faced with adverse selection of risks and a serious drain on the trust fund.

Between 35 and 40 percent of the total number of nonfarm self-employed who would be covered are in the retail trade. Approximately 20 to 25 percent are proprietors of service establishments. From 12 to 15 percent are engaged in the construction industry. The remaining 25 to 30 percent are engaged in manufacturing, in wholesale trade, or in transportation, real estate, or insurance enterprises. The professional groups which are excluded—namely, doctors, dentists, osteopaths, chiropractors, naturopaths, Christian Science practitioners, optometrists, veterinarians, lawyers, certified public accountants, architects, and professional engineers—number approximately 425,000 persons.

Practicable administrative procedures for coverage of the self-employed have been developed. An individual would report his self-employment income by transferring certain information from the trade or business schedule of his income-tax return to a social-security schedule on the same return. If the individual's net earnings from self-employment amounted to less than \$400 in any year, he would pay no self-employment tax on such income and receive no credit toward old-age and survivors insurance benefits. Thus, collection of taxes from persons whose self-employment is of a casual nature would be avoided. Any wages paid the individual in covered employment would be deducted from the \$3,000 annual maximum in determining the amount of net earnings from self-employment taxable and creditable in any year.

Under the House-approved bill, coverage of the self-employed would be virtually the same as in the committee-approved bill except that publishers would be excluded by the former and covered by the latter, while naturopaths, certified public accountants, architects, and certain classes of professional engineers would be covered by the House bill and excluded by the committee bill.

2. *Agricultural labor.*—In general, present law excludes from coverage all service performed on a farm (defined to include plantations, ranches, nurseries, ranges, greenhouses, and orchards), in connection with cultivating the soil or harvesting any agricultural or horticultural commodity or in connection with the operation and maintenance of a farm and its equipment. Also excluded are border-line agricultural activities such as the production of maple sirup, maple sugar, and naval stores; mushroom growing; poultry hatching; cotton ginning; the operation of irrigation systems used exclusively for farming purposes; postharvesting services performed in the employ of a farmer; services performed in the employ of a farmers' cooperative; and, in the case of fruits and vegetables, services performed in the employ of a commercial handler.

The committee-approved bill would extend coverage to most of the now excluded border-line agricultural employment other than the production of naval stores and the ginning of cotton. In addition, it would cover any agricultural worker who earned \$50 with an employer in a calendar quarter and was employed by that employer on at least 60 days of either that quarter or the previous quarter.

Your committee believes that its proposal with regard to regularly employed agricultural workers would cover a substantial part (about 800,000) of the agricultural labor force of the Nation without imposing an undue record-keeping burden on farm operators. It is estimated that this extension of coverage would affect only about 600,000 of the almost 6,000,000 farm operators in the country. The farm operator would know that he has no responsibility for reporting the wages of an employee and paying the tax thereon unless the employee performed services for him on 60 days or more of a calendar quarter and was paid at least \$50 in wages or was employed by him for 60 days or more in the previous quarter and earned \$50 or more in both quarters. For example, A works for Farmer B 60 days and is paid \$50 or more in cash wages during the January-March quarter; then Farmer B would have to report and pay the tax on the cash wages paid A for that period. Farmer B would also have to report wages paid to A in the April-June quarter even if A did not work for 60 days, provided that he earned cash wages in the employ of Farmer B of \$50 or more. If A left the employ of Farmer B without having worked 60 days in the April-June quarter and then returned to work in the July-September quarter, he would be covered in the latter quarter only if he then met both the days-worked and cash-wages tests.

In addition, services in connection with the operation or maintenance of an irrigation system would be covered without regard to the number of days worked or amount of wages earned by the worker if the system is operated for profit. If it is a nonprofit system used exclusively for farming purposes, the 60-day test and the \$50 cash-wages test would have to be met for the worker to be covered.

Services in connection with the ginning of cotton and the production of naval stores would continue to be excluded from coverage under all circumstances.

Under the House-approved bill, coverage of border-line agricultural employment would be virtually the same as in the committee-approved bill except that the former would cover all services in connection with the operation or maintenance of an agricultural irrigation system. With respect to agricultural labor other than in the border-line area, the House-approved bill would provide no coverage at all.

3. *Employees of State and local governments.*—Under present law, employment by State and local government units is not included in the coverage of the old-age and survivors insurance system. Under the committee-approved bill, all such employment which is not under an existing retirement system could be covered through voluntary agreements between the States and the Federal Security Administrator.

The voluntary agreements would be made with respect to defined coverage groups. In general, a coverage group would comprise all the employees of a State or of a political subdivision not under an existing retirement system. However, smaller groups made up of employees of a State or political subdivision who perform service in

connection with a proprietary function could also be covered. For instance, under a State agreement, coverage could be extended to employees of a transportation system of a given city without coverage being extended to any other employees of the city. For any group to be covered, all of the employees in the group (with certain possible specified exceptions, such as part-time workers or elected officials) would have to be covered.

Provision is also made for the orderly termination of Federal-State agreements. In order to safeguard the interest of all parties concerned, the agreement could not be terminated until it had been in force for 5 years, and then at least 2 years' advance notice of the termination would have to be given. In order to prevent in-and-out movements disadvantageous to the financing of the program, the bill would provide that if a group's coverage were terminated, the group could not be covered again.

If a State failed to pay the required contributions while an agreement was in effect, the Federal Government could deduct the amount due (plus interest) from payments otherwise due to the States under other titles of the Social Security Act (chiefly Federal grants for public assistance).

The House-approved bill has substantially the same provisions with respect to State and local government employees not covered by retirement systems as has the committee-approved bill. In addition, however, the former would permit members of an existing retirement system to be covered if such members and the beneficiaries of the system so elected by a two-thirds majority vote. Your committee received overwhelming testimony against permitting such coverage and so has specifically prohibited it. Furthermore, the House-approved bill contained a provision for the compulsory coverage of certain transportation workers. Your committee is of the opinion that all coverage of State and local employees must be on a voluntary basis.

4. *Employees in domestic service.*—This group, whose need for the protection of social insurance is very great, is not covered under present law. They have been excluded mainly because of the administrative difficulties which were believed to be involved in their coverage. Your committee is convinced that regularly employed domestic workers can now be covered without undue administrative difficulties. Domestic servants in private homes, other than those on farms operated for profit, would be covered with respect to their services in a calendar quarter for a particular employer if they earned at least \$50 in cash wages and either (a) worked at least 24 days for that employer in the current quarter or (b) had worked for the employer on 24 days or more and had earned cash wages of \$50 or more in the preceding quarter. Under this definition of a "regular" worker, most nonfarm domestic employees who are hired on a weekly or monthly basis will be covered, while most part-time workers, and all casual or intermittent workers, will be excluded from coverage. Domestic workers on farms operated for profit would be covered to the same extent as agricultural workers, that is, on the basis of a 60-day test rather than a 24-day test.

The bill also extends coverage to nonstudent domestic workers in local college clubs, fraternities, and sororities, whose remuneration is at

least \$50 in a calendar quarter. Students performing domestic work for such employers will continue to be excluded from coverage.

There are certain types of nonbusiness services which are not, strictly speaking, domestic service in private homes but which are difficult to distinguish from domestic service. To facilitate coverage determinations, the same requirements for coverage are applied to such services as to domestic service, namely, there must be cash remuneration of at least \$50 and employment on at least 24 days in the quarter.

Under the House-approved bill, coverage would be extended to domestic service and nonbusiness services in a home other than one on a farm operated for profit, in the same manner as is provided by the committee-approved bill except that the former based coverage on \$25 rather than \$50 in cash wages and on 26 days rather than 24 days of employment. The committee-approved bill would raise the \$25 requirement to \$50 to make certain that no domestic worker would be taxed unless he or she received credit for a "quarter of coverage," which under the committee bill would be given for \$50 of wages. On the other hand, the 26-day requirement was reduced to 24 days to permit coverage of the domestic worker who has "a twice-a-week job," but who misses 1 or 2 days in a 3-month period.

5. *Employees of nonprofit organizations.*—Under present law, employees of nonprofit organizations operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals, are not covered by the old-age and survivors insurance program. The committee-approved bill would cover part of this group on a compulsory basis and part on a voluntary basis. In no event, however, could members of the clergy and religious orders be covered.

Under the committee-approved bill employees of religious denominations and of organizations owned and operated by a religious denomination would continue to be excluded from compulsory coverage, but a religious denomination could elect to cover its employees and an organization owned and operated by a religious denomination could elect to cover its employees. Once a religious denomination or an organization owned and operated by a religious denomination had elected to cover its employees, they would be compulsorily covered thereafter. Other nonprofit employment would be covered on a compulsory basis.

The bill would continue to exclude service performed for nominal amounts (less than \$50 in a quarter) in the employ of nonprofit organizations, service performed by student nurses and internes, and service performed by students in the employ of colleges and universities. Those exclusions would simplify administration without depriving a significant number of people of the protection of the system. On the other hand, coverage would be extended, except where the services are performed for nominal amounts of remuneration, to certain ritualistic or dues-collecting services for fraternal beneficiary societies, to service for agricultural and horticultural organizations and for voluntary employees' beneficiary associations, and to services performed by students in the employ of nonprofit organizations other than schools, colleges, or universities.

Under the House-approved bill all employees of nonprofit organizations, including those in the employ of a religious organization,

would be covered on a compulsory basis, but payment by the employer of his share of the contribution would be voluntary. If the employer did not pay the tax, the employees would receive only half wage credits, which, on the average, would entitle them to benefits 70 percent as large as they would be entitled to on the basis of full wage credits. Your committee believes that for the nonprofit organizations—other than the religious—there is no reason why coverage should not be extended on a compulsory basis with respect to both the employer and employee contributions. On the other hand, your committee believes that voluntary coverage should be provided for employees of religious denominations and organizations owned and operated by such denominations.

6. *Federal civilian employees not covered under a retirement system.*—Under present law all employees of the Federal Government and most employees of Federal instrumentalities are excluded from old-age and survivors insurance. The committee-approved bill would extend the coverage to some of these workers who are not now under retirement systems. The new groups brought in would be:

(a) Temporary employees of the United States whether they are awaiting permanent appointment or are in positions not intended to be permanent, other than temporary employees in positions not intended to be permanent in the field service of the Post Office Department and those engaged in taking the census; (b) employees of national farm loan associations (other than directors); (c) employees of the Army and Air Force Exchange Service, Army and Air Force Motion-Picture Service, Navy ship's service stores, Marine Corps post exchanges, and similar organizations; (d) employees of the Tennessee Valley Authority other than those covered by its retirement system, (e) employees of Federal credit unions; (f) employees of county and community committees under the Production and Marketing Administration; (g) employees of production credit associations partly owned by the United States (those associations from which Federal funds have been retired are already covered).

Your committee believes that the House-approved bill requires amendment in order to clarify the coverage extension in this area. For example, there is doubt under the House-approved bill about the position of many individuals in policy-making and advisory positions such as committee members under the Production and Marketing Administration. Under the bill as approved by your committee such persons would be excluded.

The House-approved bill does not include temporary employees of the United States awaiting permanent appointment. Since many of these persons do not stay with the Federal Government but return to work in employment covered by old-age and survivors insurance, your committee believes that they should be covered by old-age and survivors insurance until they receive a permanent appointment.

Members of the legislative branch and elected officials of the Government would continue to be excluded under both the House bill and the bill as approved by your committee.

7. *Americans employed outside the United States.*—Under present law such employment outside the United States is not covered unless it is performed on or in connection with an American vessel. The committee-approved bill would cover the service of American citizens outside of the United States if performed in the employ of American

employers. This seems desirable because more and more American citizens are being sent beyond the boundaries of the United States to continue their work for American employers and the insurance protection of such persons should not be interrupted.

The committee-approved bill would also extend coverage to employment on American aircraft outside of the United States under the same conditions which now apply to American ships. Thus, there will be no tax incentive for employers to employ foreign nationals instead of American citizens on aircraft trips between the United States and foreign countries. The committee-approved bill, however, would not cover such service as that performed by a foreign national employed as a mechanic to service an American aircraft at a foreign airport if the contract of service was entered into outside of the United States and if such foreign national was not part of the flight crew of the aircraft. The House-approved bill contained the same coverage provisions as the committee-approved bill.

8. *Puerto Rico and the Virgin Islands.*—Employment in these islands is not now covered under the old-age and survivors insurance program. The committee-approved bill would cover employment in the islands in the same manner and to the same extent as similar employment is covered in the continental United States. Coverage would be effective in the Virgin Islands without any action by the Virgin Islands authorities, but in the case of Puerto Rico it would become effective only if requested by the Puerto Rican Legislature. Puerto Rico and the Virgin Islands are a part of our American economy, and their populations are clearly in need of social-insurance protection. As a result of relatively low average earnings, workers there are generally unable to provide for their own future security. Despite low wages and irregularity of employment, however, it appears that with the eligibility provisions proposed by your committee, the great majority of the workers in covered occupations would be able to qualify for insurance benefits.

Under the House-approved bill coverage was extended to these islands in the same fashion as in the committee-approved bill. However, the higher requirements for obtaining quarters of coverage in the former would have resulted in a considerable area of employment in these islands where low-paid workers would have to pay taxes and yet would not acquire benefit rights.

9. *Tips and gratuities.*—Tips and gratuities would be excluded as wages in the committee-approved bill to the same extent as in present law. On the other hand, the House-approved bill would include all tips and gratuities in the amounts reported in writing to the employer by the employee. Your committee believes that such a change would introduce administrative complications.

10. *Definition of "employee".*—In existing law the term employee is defined by reference to the usual common-law rules. Your committee believes that the common-law rules for determining the employer-employee relationship should be retained, but that the meaning of "employee" for old-age and survivors insurance purposes should be expanded to include certain categories of service which are subject to clear-cut definition. These categories are: services performed by individuals as full-time life-insurance salesmen, and services performed by agent drivers and commission drivers engaged in the distribution of bakery products, meat products, or laundry or dry-cleaning services.

Since the usual common-law rules would continue to be applicable for ascertaining the employer-employee relationship under the committee-approved bill, the inclusion of individuals performing services in these categories as "employees" for old-age and survivors insurance purposes will not have the effect of removing from coverage as an employee any individual who is covered under existing law.

The House-approved bill would continue to classify as an employee an officer of a corporation and would continue the test based on the usual common-law rules. In these respects the committee-approved bill and the House-approved bill are identical. The latter, however, would provide several additional tests which are described briefly below.

The House-approved bill would provide that full force and effect be given to a written contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of such service and that the individual, in the performance of such service (either alone or as a member of a group), is the employee of such person. This provision was designed to change the effect of the United States Supreme Court holding in *Bartels v. Birmingham* ((1947), 332 U. S. 126). Also the House-approved bill would designate as employees individuals performing seven categories of service. Moreover that bill would provide a test for determining the employer-employee relationship based on seven factors—the so-called economic reality test. Your committee has concluded on the basis of overwhelming weight of testimony that the common-law rules for determining the employer-employee relationship should be retained except for the special provisions for the categories of service performed by individuals as full-time life-insurance salesmen and services performed by certain agent drivers and commission drivers as described above.

The persons who would be covered as employees by the definition in the House-approved bill and who would not be so covered under the committee-approved bill would, in general, be covered under the latter as self-employed individuals; thus there would not be a limitation of the extent of coverage because of your committee's action.

11. *Effective date.*—Under the committee-approved bill the effective date for the coverage changes described previously would be January 1, 1951, whereas under the House-approved bill (passed on October 5, 1949), the corresponding date would be January 1, 1950.

#### V. OLD-AGE AND SURVIVORS INSURANCE BENEFITS FOR WORLD WAR II VETERANS

As a result of being removed from the civilian labor force, World War II servicemen were deprived of the opportunity for coverage under the Federal old-age and survivors insurance program. The chance for servicemen to acquire benefit rights under the program, or to increase or maintain their existing protection, was lessened. It is believed fair, therefore, that the Federal Government should give recognition under the program to wartime military service.

Under present law, limited provision has been made as to survivor benefits for veterans of World War II. Under these provisions a veteran who meets certain service requirements and who dies within 3 years after separation from service is considered to have died fully

insured with an average monthly wage of not less than \$160. The committee-approved bill would leave this provision unchanged.

The present provision does not apply if the veteran died in service or if the Veterans' Administration determines that any pension or compensation is payable, by reason of the death of the veteran, under any law administered by that agency. Moreover, the 3-year protection provided under present law has now expired in the great majority of cases.

Your committee believes that World War II servicemen should have the same status under old-age and survivors insurance as they might have had if military service had not interfered with their employment. Accordingly, the bill would give servicemen wage credits of \$160 for each month of military service performed during the World War II period. These wage credits would be given regardless of whether death occurred in service and whether veterans' benefits were payable. If the protection provided under present law and that provided by the military-service wage credits overlap, the provisions that would result in the most favorable treatment would apply. However, your committee believes that war-service wage credits should be withheld when retirement or survivor insurance credit is given for the same period of military service under another governmental system, such as railroad retirement, civil-service retirement, or a military pension on account of age alone.

Your committee believes that the cost of the additional benefits resulting from the wage credits, as well as those resulting from the present provisions affecting veterans after the amendments go into effect, should be met directly out of the trust fund rather than from special appropriations from the General Treasury to the trust fund as under present law, since there is a substantial amount now in the trust fund and, as will be indicated subsequently, the trust fund will continue for a considerable time to have an excess of income from contributions over outgo for benefit payments.

In most cases where the individual died in service, the wage credits would be of real significance in providing additional benefits for his widow and children. In many cases such deceased servicemen were insured when they entered military service but, with the absence of wage credits during service, lost insured status or had their benefit amounts sharply reduced. A very real hardship, therefore, results in most death-in-service cases if wage credits are not given or if provision is made for adjustment where compensation is payable by the Veterans' Administration.

The wage credits would be taken into account in computing any monthly benefits payable for any month after the effective date (including cases where death occurred prior to then) and in determining lump-sum death payments where the veteran dies after the effective date. The bill would not provide for payment of retroactive monthly benefits or for lump sums in cases where the death has already occurred.

Under the House-approved bill the provisions for World War II servicemen were virtually the same as in the committee-approved bill except that the cost of the additional benefits resulting would be met by special appropriations from the General Treasury to the trust fund and except that the wage credits would be given even though the

period of military service were credited under other old-age, retirement, or survivor insurance benefit programs.

#### VI. OLD-AGE AND SURVIVORS INSURANCE BENEFITS LIBERALIZED

##### A. *General*

A major change provided by the committee-approved bill is to establish a level of old-age and survivors insurance benefits which would be roughly double the amounts provided in the present Social Security Act and somewhat higher, for some time to come, than the amounts provided in H. R. 6000 as passed by the House of Representatives. For retired workers who are already on the benefit rolls, the range of benefits (exclusive of any benefits for their eligible dependents) would be between \$20 and \$72.50 per month, as compared with the present range of from \$10 to \$45.60. Corresponding increases would be made for eligible dependents of retired workers and for survivor beneficiaries now on the roll.

The average payment for a retired worker without regard to supplementary dependent's benefits is now about \$26 per month. Under the committee-approved bill the average payment will be increased to over \$48 per month. The average increase in the benefits of all those now on the rolls would be about 85 to 90 percent. Under the House-approved bill the average increase for those now receiving benefits would be about 70 percent.

For workers who retire in the next few years, the average benefit would be about \$50 to \$55. Several factors contribute to this increase. The new benefit formula itself gives a much higher proportion of the average monthly wage than the present formula; another factor of significance is the increase in the minimum benefit from \$10 to \$20. An increase in benefits would also result from the provision for basing benefits solely on wages earned after 1950 if such wages result in a higher benefit than that derived from all wages earned under the program.

Benefits under the committee-approved bill would replace a higher proportion of the average monthly wage above \$100 than would the House-approved bill—15 percent as compared with 10 percent.

##### B. *Computation of benefits*

1. *Increase of existing benefits.*—There are compelling social and economic reasons for liberalizing benefits for those now on the rolls. Present beneficiaries, no less than persons who become beneficiaries in the future, need benefits which are revised to take into account that the 1939 benefit formula proved to be inadequate soon after its enactment and that prices have risen since then. This type of adjustment is common practice in private pension plans and in retirement plans of State and local governments. In liberalizing the railroad retirement system and the civil-service retirement system, the Congress has increased the benefits of those already on the rolls as well as the benefits of those who become eligible in the future.

The increase in benefit amounts for persons now on the rolls would be accomplished by the use of a conversion table included in the bill (a summary of this table is presented in table 2). This would avoid the necessity of recomputing benefit amounts individually, a procedure which would be extremely time consuming and expensive.

In order that benefits for those now on the rolls will not be higher on the average than for persons coming on the rolls in the future, the table has been constructed to yield a slightly lower average benefit than the new formula will produce.

TABLE 2.—*Summary of conversion table for computing monthly benefits for those now on the roll (or retiring in the future)*<sup>1</sup>

[All figures rounded to nearest dollar]

Primary benefit computed under present law	New primary insurance amount		Maximum family benefits payable <sup>2</sup>
	House-approved bill	Committee-approved bill	
\$10	\$25	\$20	\$40
15	31	31	50
20	36	37	59
25	44	48	78
30	51	56	113
35	55	62	145
40	60	68	160
45	64	72	150

Examples:

(a) Retired worker now receiving \$30 per month will receive \$56 after effective date under committee-approved bill as against \$51 under House-approved bill. Amount he receives plus supplementary benefits for his eligible dependents or amount for his survivors cannot exceed \$113 per month.

(b) Widow age 65 or over now receiving \$30 per month (based on three-fourths of deceased husband's primary benefit of \$40) will receive \$51 after effective date under committee-approved bill (¾ of \$68) as against \$45 under the House-approved bill.

<sup>1</sup> For those retiring in the future, this table is used either if they do not have sufficient quarters of coverage to qualify for the "new start" average wage or if the table produces a more favorable result.

<sup>2</sup> Same for both House-approved bill and committee-approved bill.

The conversion table will apply not only to present beneficiaries but to all future beneficiaries who do not have six quarters of coverage after 1950 and therefore, as explained below, cannot qualify for the "new start" on the average monthly wage and the new benefit formula. Furthermore, even those who qualify for the "new start" will have the alternative available to them of applying the benefit formula in the present law (except no increment would be given for years after 1950) to an average monthly wage starting with 1937 and then using the conversion table. In the great majority of cases, however, the "new start" would be more advantageous.

Under the House-approved bill the same general procedure of a conversion table for existing beneficiaries would be followed. However, the increases are, on the whole, only about 70 percent higher than under present law, as compared with the 85 to 90 percent increase in the committee-approved bill. Thus the House-approved bill creates a sharp dividing line between those who retire or die just before the effective date as compared with those retiring or dying just after the effective date. Furthermore, under the House-approved bill, the conversion table does not apply to future beneficiaries even though in some instances it would be to their advantage.

2. *Average monthly wage.*—In the present law, the average monthly wage is obtained by dividing the individual's total taxable wages by the number of months after 1936, when the program began, excluding months occurring in any quarter before the individual attained age 22 in which his wages were less than \$50, and up to the time his benefit is calculated at age 65 or later, or at death. Thus periods

during which the individual was out of covered employment for any reason after age 22 and before age 65 reduce the average monthly wage and therefore the insurance benefit. The committee-approved bill, in general, continues this method of calculating the average monthly wage and provides for an alternative "new start."

Persons whose occupations have been excluded from coverage under the present program will suffer serious disadvantage after coverage is extended unless such an alternative is permitted. Otherwise, a worker who has been in an employment hitherto excluded from coverage will always be penalized for his former lack of coverage since, in effect, his wages from newly covered employment will be averaged over all the months elapsed since 1936 or since he reached age 22, if later. His low average wage, in turn, will result in a low benefit amount.

Your committee believes that an appropriate way to eliminate this handicap for newly covered groups would be to have their average wages computed from the date of the coverage extension, just as the average wage now disregards periods before January 1, 1937, for those in employments first covered as of that date. Since large numbers of workers have been in both covered and noncovered employment, however, it would be almost impossible to establish a sound basis for determining which individuals should be treated as belonging to a newly covered group. The opportunity to profit from the provisions designed for the newly covered groups must therefore be open to all persons.

Unless previously covered workers also have the alternative of a "new start," many will fare worse than those newly covered, since the relatively low wages paid in the later thirties and early forties will tend to reduce their average wages and thus yield benefit amounts lower than those of newly covered persons in comparable jobs. Accordingly, the "new start" average wage should be made available to all those with six quarters of coverage after 1950.

Some insured persons will have little or no covered employment after the date coverage is extended; others will have too small an amount to form a fair basis for determining an average; and others may have employment after the "new start" at wages much lower than their previous earnings. The starting point of January 1937 specified in the present law should therefore be retained as an alternative and the individual worker's average wage computed from that date if it gives a higher benefit amount than would the "new start."

Under the House-approved bill the method of computing the average monthly wage would be drastically changed from present law, which has been in effect for the past decade and has been generally well understood by the interested public. Moreover, under the House-approved bill the complicated so-called continuation factor would be introduced in conjunction with the new method of calculating the average monthly wage. In the immediate future, this continuation factor would have little effect, but eventually it would produce some very severe reductions in benefits for those—for example, insured women—who did not engage in covered employment during all their potential working lifetimes.

3. *Benefit formula.*—The primary benefit is the amount payable to a retired insured worker and is also the amount used as a basis for determining supplementary benefits for his dependents or, in the

event of his death, for his survivors. The benefit formula in the present Social Security Act provides a primary benefit representing 40 percent of the first \$50 of average monthly wage and 10 percent of the next \$200 of average monthly wage, the total then being increased by 1 percent for each year of coverage.

This is a weighted formula designed to favor workers whose average wages are low. As a result of increases in wage rates, the effect of the original weighting, however, has been substantially reduced. As a recognition of the effect of wage increases on the original weighting, the committee-approved bill provides for a change in the benefit formula to make \$100 the upper limit for that part of the average monthly wage to which the higher percentage is applied.

This change, however, will not in itself sufficiently increase the primary benefits of low-wage workers. The committee-approved bill therefore provides that the benefit formula shall be 50 percent of the first \$100 of average monthly wage rather than 40 percent. These changes are identical with those in the House-approved bill.

Under the committee-approved bill the percentage applied to the proportion of average monthly wage above \$100 would be increased to 15 percent. If that percentage remains fixed at 10 percent as provided in the House-approved bill, there will be too little spread between the benefit amounts of low-income and high-income workers. Thus, under the House-approved bill for an average monthly wage of \$100, the basic primary benefit would be only \$10 less than that for an average wage of \$200, a differentiation that we believe is insufficient.

We believe that benefits should be related to the continuity of the worker's coverage and contributions to the system, as well as to the amount of his earnings. Under our recommendations, accordingly, benefits will continue to vary—as they now do—with both these factors. Thus, in figuring the average monthly wage, a worker's total wage credits are—and would continue to be—divided by the total number of months that he might have been contributing to the system after 1950 or after 1936. His average wage, and consequently his primary benefit, will therefore be the smaller for each month lacking in his record of covered employment. In our opinion, this method of adjusting benefits permits sufficient differentiation between workers who are steadily employed in covered jobs and those whose covered employment is only brief or intermittent. An increment, the 1-percent increase for each year of coverage, is not needed for this purpose.

There is no need for the increment moreover to provide equitable treatment as between persons now of the same age. A young worker who contributes to the system for his entire working lifetime will under the committee-approved bill receive a larger benefit than a worker of the same age who was in covered employment for only part of the time, but at the same wage level while employed; the latter will, as explained previously, have a lower average monthly wage for benefit purposes and, correspondingly, a lower benefit. Thus the increment is not needed to distinguish between members of the same generation who have different covered-employment continuity histories.

With coverage broadly extended, the increment would serve largely to reward younger workers for their greater contributions by paying them higher retirement benefits than those paid to persons who were

old when the system started. To us, such an advantage seems undesirable. The older worker should not be penalized for the fact that he could not contribute throughout his life. We propose, in effect, that, as in many private pension plans, the older worker receive credit for his past service and acquire rights to the full rate of benefits now.

The benefit formula of the present program, with its automatic increase of 1 percent for each year of coverage, in effect postpones payment of the full rate of benefits for more than 40 years from the time the system began to operate. Under such provisions, if the benefit amount of a retired worker after he has had a lifetime of coverage represents a reasonable proportion of his average wage, that for older workers who have been in the system for only a few years and for the survivors of younger workers will almost of necessity be inadequate. Thus, the survivors of a man who began working at age 20 and dies at age 30 will have rights to benefits only about three-fourths as large as those which the same average monthly wage would have provided if he had lived to age 65. Yet the worker who dies at an early age has had less opportunity than have older workers to accumulate savings and other resources to supplement the benefits payable to his survivors. Your committee believes that adequate benefits should be paid immediately to retired beneficiaries and survivors of insured workers, but considers it unwise to commit the system to automatic increases in the benefit for each year of covered employment.

Under the House-approved bill, the increment is retained but is reduced from the 1 percent for each year of coverage in the present law to one-half of 1 percent. Under the House-approved bill, wages up to a maximum of \$300 average monthly wage would be counted instead of \$250 as under present law and under the committee-approved bill. However, for the immediate future, the primary insurance amount for the individual at the \$250 maximum wage under the committee-approved bill would be higher than for the individual at the \$300 maximum under the House-approved bill.

Table 3 shows illustrative primary amounts for the committee-approved bill as compared with those of the present law and under the House-approved bill.

TABLE 3.—*Illustrative monthly old-age insurance benefits for retired workers*

[All figures rounded to nearest dollar]

COVERED IN ALL POSSIBLE YEARS

Monthly wage while working	5 possible years of coverage			40 possible years of coverage		
	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
\$50.....	\$21	\$26	\$25	\$28	\$30	\$25
\$100.....	26	51	50	35	60	50
\$150.....	32	56	58	42	66	58
\$200.....	37	62	65	49	72	65
\$250.....	42	67	72	56	78	72
\$300.....	(1)	72	(1)	(1)	84	(1)

COVERED IN HALF OF POSSIBLE YEARS

\$50.....	\$10	<sup>1</sup> \$25	\$20	\$12	<sup>2</sup> \$25	\$20
\$100.....	21	26	25	24	30	25
\$150.....	23	28	38	27	33	38
\$200.....	26	31	50	30	36	50
\$250.....	28	34	54	33	39	54
\$300.....	(1)	36	(1)	(1)	42	(1)

<sup>1</sup> Present law and committee-approved bill include wages only up to \$250 per month as creditable and taxable.

<sup>2</sup> Under conditions assumed, individual might not be able to qualify at all, depending on actual incidence of his covered employment.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment after 1950 as indicated.

An example of the method of computing benefits under the committee-approved bill and under the House-approved bill follows. A comparison indicates the much greater simplicity of the committee-approved bill.

Take a worker who retires at 65, 25 years after the "new start" date. While working, he averaged \$200 a month, and he worked 20 years out of the 25-year period. Under the committee-approved bill his average monthly wage for benefit purposes would be obtained by dividing the total wages which he had been paid by the total number of months in the 25-year period. This would yield an average monthly wage of \$160. His primary insurance benefit would be \$59 (50 percent of the first \$100 of this average monthly wage plus 15 percent of the next \$60 of average wage, or \$50 plus \$9).

Under the House-approved bill, the average monthly wage used in the computation would be an average over his years of coverage (a year of coverage is a year in which the individual was paid at least \$200 in covered wages). The average monthly wage in this case would be \$200. The next step in figuring the benefit would be to take 50 percent of the first \$100 of average wage plus 10 percent of the next \$100 of average wage, or \$50 plus \$10. This \$60 may be referred to as the base amount. Since the individual had years of coverage in only 20 out of a possible 25 years, the "continuation factor" is 80 percent. The continuation factor is then applied to the base amount giving a figure of \$48. It is then necessary to add to this \$48 one-half of 1 percent of the base amount for each year of coverage. Since there are 20 years of coverage, the increment in this case is 10 percent of \$60 or \$6. Thus the primary benefit in this case is \$48 plus \$6, or \$54.

4. *Family benefits.*—Under present law the benefits payable to dependents and survivors of insured workers are determined as certain percentages of the insured worker's primary insurance benefit (subject to certain minimums and maximums). This percentage is 50 percent for the following categories: Aged wife, child of a retired or deceased worker, and aged dependent parent of a deceased worker, while it is 75 percent for the aged widow of a deceased worker.

Under the committee-approved bill, these same relationships are maintained except that the total family benefits payable to survivor children has been increased by 25 percent of the primary insurance amount so as to give them greater protection. In effect, it might be said that the first survivor child receives 75 percent of the primary insurance amount and each additional child receives 50 percent, as in present law.

The House-approved bill increases family benefits for survivor children in the same way. In addition, under the House-approved bill, it is provided that the proportion payable to an aged dependent parent (a relatively minor category accounting for only one-half of 1 percent of the total beneficiaries) should be increased from 50 percent of the primary insurance amount to 75 percent.

Table 4 shows illustrative monthly benefits for a retired worker with an eligible wife, while table 5 gives corresponding figures for various survivor categories.

TABLE 4.—*Illustrative monthly benefits for retired workers covered for 5 years*

[All figures rounded to nearest dollar]

Average monthly wage	Present law		House-approved bill		Committee-approved bill	
	Single	Married <sup>1</sup>	Single	Married <sup>1</sup>	Single	Married <sup>1</sup>
\$50.....	\$21	\$32	\$26	\$38	\$25	\$38
\$100.....	26	39	51	77	50	75
\$150.....	32	47	56	85	58	86
\$200.....	37	55	62	92	65	98
\$250.....	42	63	67	100	72	109
\$300.....	( <sup>2</sup> )	( <sup>2</sup> )	72	108	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> With wife age 65 or over.

<sup>2</sup> Present law and committee-approved bill include wages only up to \$250 per month as creditable and taxable.

NOTE.—These figures are based on the assumption that the insured worker is in covered employment steadily each year after 1950.

TABLE 5.—Illustrative monthly benefits for survivors of insured workers covered for 5 years

[All figures rounded to nearest dollar]

Average monthly wage	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
\$50.....	\$26	\$38	\$38	\$37	\$40	\$40	\$40	\$40	\$40
\$100.....	33	77	75	46	80	80	52	80	80
\$150.....	39	85	86	55	113	115	63	120	120
\$200.....	46	92	98	64	123	130	74	150	150
\$250.....	52	100	109	74	133	145	84	150	150
\$300.....	( <sup>1</sup> )	108	( <sup>1</sup> )	( <sup>1</sup> )	144	( <sup>1</sup> )	( <sup>1</sup> )	150	( <sup>1</sup> )
	1 child alone			2 children alone			Aged widow <sup>2</sup>		
\$50.....	\$10	\$19	\$19	\$21	\$32	\$31	\$16	\$19	\$19
\$100.....	13	38	38	26	64	62	20	38	38
\$150.....	16	42	43	32	70	72	24	42	43
\$200.....	18	46	49	37	77	81	28	46	49
\$250.....	21	50	54	42	83	91	32	50	54
\$300.....	( <sup>1</sup> )	54	( <sup>1</sup> )	( <sup>1</sup> )	90	( <sup>1</sup> )	( <sup>1</sup> )	54	( <sup>1</sup> )

<sup>1</sup> Present law and committee-approved bill include wages only up to \$250 per month as creditable and taxable.

<sup>2</sup> Age 65 or over.

NOTE.—These figures are based on the assumption that the insured worker is in covered employment steadily each year after 1950.

5. *Minimum and maximum benefits.*—Under the present law, the minimum primary benefit for a retired worker is \$10 per month. For survivors there is also a minimum of \$10 per month on the total payment to the family. The maximum benefit (applicable to the total family benefits for a retired or deceased worker) is the smallest of the following: \$85 per month, twice the primary benefit, or 80 percent of the worker's average monthly wage (but the latter may not reduce benefits below \$20).

Under the committee-approved bill, the minimum primary insurance amount for a retired worker is raised to \$25, except for very low wage workers (with an average wage of less than \$34 a month) for whom the minimum is \$20. No minimum family benefit is specified. Since a widow or one survivor child could receive three-fourths of the primary insurance amount, the minimum family benefit is \$15 per month. The only exception is where the sole eligible survivor is a dependent parent, in which case as little as \$10 per month might be payable.

The maximum provisions under the committee-approved bill are the lesser of \$150 per month or 80 percent of the worker's average monthly wage (but in no case would the latter provision reduce the total family benefits below \$40). The present maximum of twice the primary benefit would be eliminated because it is unduly restrictive on survivor families at the middle-income groups.

Under the House-approved bill, the same maximum provisions would prevail as in the committee-approved bill. However, the minimum primary insurance amount under the House-approved bill is \$25 for all workers even for those with very low wage levels. Your committee, in liberalizing the eligibility requirements as to the

amount of wages needed for a quarter of coverage as compared with the action in the House-approved bill (as will be discussed in more detail subsequently), believes that accordingly those who are permitted to qualify under the committee-approved bill who would not qualify under the House-approved bill should have a somewhat lower minimum benefit provision. On the whole, individuals who would qualify under the House-approved bill would have an average monthly wage of at least \$34, and so under the committee-approved bill such individuals would have a minimum benefit provision of \$25 per month as in the House-approved bill. On the other hand, for those with lower wages, who would generally not qualify under the House-approved bill, the committee-approved bill would establish a \$20 minimum.

#### *C. New beneficiary categories*

The categories of individuals who may receive benefits as dependents of retired workers or survivors of deceased workers have been broadened under the committee-approved bill.

Under present law survivor benefits are not payable in the event of the death of the mother if both husband and wife are working and are more or less equally maintaining the home for the children. Under the committee-approved bill, such benefits are provided. Your committee believes that the revised provisions will better protect those children whose fathers were not able to give them full support and at the same time will not reduce the force of the father's legal obligation toward his children. (Also the committee believes that protection given to dependents of women and men should be made more comparable by having benefits payable to the aged dependent husband of the retired woman worker who was working at the time she became eligible for old-age benefits and to the aged dependent widower of a deceased woman worker who had been employed immediately preceding her death.

In accordance with the intention of paying benefits to individuals who have actually been dependent upon a deceased worker, the committee-approved bill permits a divorced wife, as well as a widow, to qualify for monthly survivor benefits if she has eligible children of her former husband in her care, has not remarried, and was dependent upon him.

#### *D. Lump-sum death payments*

Under present law the lump-sum death payments may be made only if the insured worker leaves no survivor who could immediately become entitled to monthly benefits. The amount of this lump-sum payment is determined as six times the primary benefit.

Under the committee-approved bill, the lump-sum death payment is paid under the same conditions as present law, but the amount thereof is determined as three times the primary insurance amount since the primary insurance amount is itself increased. Accordingly, the average lump-sum death payment will continue to be about \$160.

A new minor provision in regard to the lump-sum death payment is introduced in the committee-approved bill so as to correct an inequity now prevailing. For instance, in the case of an insured worker who dies leaving only a child aged 17 years and 10 months, if the primary insurance amount is \$60, the child could receive \$45 per month for 2 months, or a total of only \$90, as compared with the

lump-sum death payment of \$180 that would have been available if the child had been age 18 or over at the death of the insured worker. The committee-approved bill provides that where there are eligible survivors who could become immediately entitled to monthly benefits, a residual lump-sum payment will be made if within the first year after the death of the insured worker, monthly benefits paid do not total as much as the lump-sum death payment. Thus, in the example above a residual lump-sum death payment of \$90 would be available (\$180 less 2 months' payments of \$45). Furthermore, if the child in this example had been in covered employment and because of the employment income limitation (discussed subsequently) did not receive benefits in either of the two instances, then under the present law, nothing at all would be payable, but under the provision in the committee-approved bill, the residual lump-sum death payment would amount to the full \$180.

Under the House-approved bill, the lump-sum death payment would be available for all deaths of insured workers even though there is a survivor who is immediately eligible for monthly benefits. Your committee believes that in such instances, considering all of the private life insurance protection in force or available, there is no need for lump-sum death payments to be made under the social insurance program.

#### *E. Retirement age*

Under present law old-age benefits (i. e. for the retired worker and his wife, for the widow without children, and for the dependent parent of a deceased worker) are payable only after attainment of age 65. Under the committee-approved bill, as under the House-approved bill, this minimum retirement age is maintained.

Your committee carefully considered the advisability of reducing the minimum age at which old-age benefits are payable below the present age of 65. However, cost considerations make any such change inadvisable. For instance, the life expectancy at age 65 is currently 12.1 years for men and 13.6 years for women, whereas at age 60 the corresponding figures are 15.1 and 17.0 years, respectively, or about 25 percent higher. Moreover, contributions would be paid for fewer years if benefits were paid on retirement at age 60 instead of age 65.

#### VII. EMPLOYMENT INCOME LIMITATION FOR OLD-AGE AND SURVIVORS INSURANCE BENEFICIARIES

Under existing law any person on the old-age and survivors insurance benefits rolls loses his benefits with respect to any month in which he earns \$15 or more in covered employment. If a retired wage earner himself earns above this amount, not only his own benefit, but also all benefits payable to his dependents are suspended.

Complete abandonment, or too drastic modification, of the income limitation would be prohibitive in cost to the system. However, in order to enable beneficiaries to supplement their social-security benefits to a greater extent, and to encourage those who can do so to engage in productive employment, the committee-approved bill would increase to \$50 a month the amount that may be earned by a beneficiary without loss of benefits.

To place the self-employed on a comparable basis with wage earners, notwithstanding the fact that self-employment income is generally computed annually and often will not be known with respect to a single month of a year, the committee-approved bill provides that an individual with net earnings from self-employment of not more than \$600 in a full year would not thereby be deprived of his benefit for any month of that year. If a beneficiary's net earnings from self-employment exceed the exempt amount (\$600 in a taxable year of 12 months), one monthly benefit payment would be suspended for each \$50 or fraction of \$50 of income in excess of the exempt amount.

There would be no limit upon the earnings of insured persons age 75 and over, or of their dependents age 75 and over, since comparatively few persons continue to work regularly at substantial wages after that age. This provision has particular significance for self-employed persons and others engaged in occupations in which retirement is customarily deferred to an advanced age.

In view of the possibility that income from a trade or business may represent merely a return on investment, or, even if personal effort is involved, that the services may have been rendered in only some but not in all months of the year, the bill provides that there shall be no loss of benefits for any month in which an individual has not rendered substantial services in self-employment.

There is no single rule under which the determination of whether or not a beneficiary has rendered substantial services in self-employment in a particular month can be made. The factors to be considered in such determinations vary with the diverse conditions characteristic of the great variety of trades or businesses covered by the program. Such determinations must be based on the facts of the particular case with the aim of deciding whether by any reasonable standard the beneficiary can be considered to have been retired in that particular month. The bill provides for these determinations to be made in accordance with regulations of the Federal Security Administrator. The following factors, among others, would be weighed in making these determinations:

- (1) The presence or absence of a paid manager, a partner, or a family member who manages the business.
- (2) The amount of time devoted to the business.
- (3) The nature of the services rendered by the beneficiary.
- (4) The type of business establishment.
- (5) The seasonal nature of the business.
- (6) The relationship of the activity performed prior to the period of retirement with that performed subsequent to retirement.
- (7) The amount of capital invested in the business.

Illustrations of the application of these factors are given in the section-by-section analysis of this report.

To prevent lag between the rendition of services in self-employment and the deductions of benefits, beneficiaries would be encouraged to

advise the Administrator when they render substantial services and expect to earn more than the exempt amount (ordinarily \$600). On the basis of this advice, the Administrator would suspend benefits concurrently with the beneficiary's receipt of income from his trade or business. At the end of the year, the Administrator would review the action taken in the light of the beneficiary's actual earnings for the year, and make whatever adjustments are necessary.

The House-approved bill contains exactly the same provisions in respect to this element as does the committee-approved bill.

#### VIII. INSURED STATUS FOR OLD-AGE AND SURVIVORS INSURANCE

In order to qualify for old-age and survivors insurance benefits under present law, an individual must have either (a) quarters of coverage at least equal to one-half of the number of quarters elapsing since 1936 and before age 65 or death, or (b) 40 quarters of coverage.

The great majority of younger workers now in covered employment will be able to meet these requirements and thus will have retirement protection when they need it. However, that is not the case for many middle- and higher-age groups. Eligibility requirements for the older workers as difficult to meet as those of the present program (27 quarters of coverage will be required under present provisions for those attaining age 65 in July 1950) mean an unwarranted postponement of the effectiveness of the insurance method in furnishing income for the aged. In a contributory social-insurance system, as in a private pension plan, workers already old when the program is started should have their past service taken into account. The unavailability of records of past service prevents giving actual credits under old-age and survivors insurance for employment and wages before the coverage becomes effective, but, eligibility requirements and the benefit formula can and should take prior service into account presumptively. In getting the system started, it is important to make due allowance for those who, because of age, will probably continue at work for only a short period.

The committee-approved bill provides for a "new start" in the eligibility requirements. This "new start" would require the same qualifying period for an older worker now as was required for an older worker when the system began operation. The committee-approved bill would require quarters of coverage for only one-half of the number of quarters since 1950 (with a minimum of 6 quarters of coverage required), but such quarters of coverage may include those earned before 1951. Accordingly, any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least 6 quarters of coverage acquired at any time. Persons age 61 would need 8 quarters of coverage; those age 60, 10 quarters of coverage; those age 59, 12 quarters; those age 58, 14 quarters; etc., with the maximum requirement for fully insured status never exceeding the 40-quarter provision in existing law. (See table 6.)

TABLE 6.—Illustrations of quarters of coverage required for fully insured status for old-age benefits

Age attained in first half of 1951	Present law	House-approved bill	Com-mittee-approved bill	Age attained in first half of 1951	Present law	House-approved bill	Com-mittee-approved bill
76 or over.....	6	6	6	64.....	30	1 30	6
75.....	8	8	6	63.....	32	1 32	6
74.....	10	10	6	62.....	34	1 34	6
73.....	12	12	6	61.....	36	1 36	8
72.....	14	14	6	60.....	38	1 38	10
71.....	16	16	6	59.....	40	1 40	12
70.....	18	18	6	58.....	40	1 40	14
69.....	20	20	6	57.....	40	1 40	16
68.....	22	1 22	6	56.....	40	1 40	18
67.....	24	1 24	6	55.....	40	1 40	20
66.....	26	1 26	6	50.....	40	1 40	30
65.....	28	1 28	6	45 or under.....	40	1 40	40

<sup>1</sup> Or 20 quarters of coverage out of the last 40 quarters.

NOTE.—As to both the House-approved bill and the committee-approved bill, the required quarters of coverage may be acquired either before or after extension of coverage.

Not only would this liberalization enable many persons already aged to draw retirement benefits immediately if they have coverage in the past, but also would enable the newly covered groups to qualify much more quickly. As a result, about 700,000 additional persons would be paid benefits in the first year of operation, thus reducing the need for public assistance expenditures by the States.

Considerable liberalization of the present requirements is particularly necessary because of the decision to extend the program to cover additional occupations in which millions of workers are engaged. As a group, these newly covered workers will not have had the opportunity to build up wage credits. Under the provisions which the House of Representatives adopted, it would take such newly covered workers 5 years to become fully insured. Your committee believes this is too long a period. A "new start," treating those newly covered workers in the same way that the program treated other occupational groups when they were first covered, seems reasonable and fair.

The House-approved bill would also make it more difficult to obtain a quarter of coverage than under present law since the present requirement of \$50 in wages in a calendar quarter would be raised to \$100. Also under the House bill \$200 in self-employment income would be required for a quarter of coverage. Under the committee-approved bill the present \$50 requirement would be retained as to wages and \$100 would be established as the requirement as to self-employment income.

While it would theoretically be possible to liberalize requirements only for newly covered workers and to retain the present provisions for all others, this is not a practical or desirable solution. Shifts between covered and noncovered employment are so common that it would be all but impossible to establish a fair criterion for determining, for the purpose of special eligibility requirements, which individuals should be treated as belonging to a newly covered occupation. Any liberalization designed to reduce the handicap of newly covered workers must be a generally applicable provision.

The liberalization of eligibility requirements would apply only to individuals living in the second month after the enactment of the bill. This proposal is consistent with the provisions for increasing benefits

for present beneficiaries. Considerable administrative difficulty would arise if the new eligibility requirements were made applicable for survivors of individuals who died before the amendment of the law.

Of the various possible methods of adjusting the fully insured status requirement for newly covered workers, the one we recommend seems to us to offer the advantages of uniformity and simplicity and at the same time to provide a much-needed liberalization in the requirements for all older workers. It would also reduce the disadvantages which many workers normally in covered employment now face because of their work during the war in Government shipyards and munitions plants, emergency Government agencies, and other noncovered occupations.

The "new start" eligibility provisions would result in payment of retirement benefits to a much higher proportion of the aged during the early years of the system, but it would not increase beneficiary rolls and costs in the later years since the eligibility requirements would remain the same for workers now young.

#### COST OF INSURANCE PROGRAM

##### IX. ACTUARIAL COST ESTIMATES AND FINANCING OF OLD-AGE AND SURVIVORS INSURANCE

###### *A. General*

Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Your committee recognizes and, in fact, wishes to stress the difficulties involved in any attempt at precisely estimating the long-range costs for the program. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

The cost estimates are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors in the future. Both the low-cost and high-cost estimates are based on "high" economic assumptions, which are intended to represent close to full employment, with average annual wages at about the level prevailing in 1944-46, which is somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions of the committee-approved bill.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading because, for example, extension of coverage will increase not only the outgo but also the income of the system.

Your committee has very carefully considered the problems of cost in determining the benefit provisions recommended. Also your committee is of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. Accordingly, the committee-approved bill, just as the House-approved bill, elimi-

nates the provision added in 1943 authorizing appropriations to the program from general revenues. At the same time, your committee has recommended a tax schedule which it believes will make the system self-supporting as nearly as can be foreseen under present circumstances. Future experience may be expected to differ from the experience assumed in the estimates so that this tax schedule, at least in the distant future, may have to be modified slightly. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two.

*B. Basic assumptions for actuarial cost estimates*

The following estimates have been prepared on the basis of high-employment assumptions somewhat below conditions now prevailing. The estimates are based on level-wage assumptions (somewhat below the present level). If in the future the wage level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward on this account, the increased outgo resulting will, in the same fashion, be offset. The cost estimates, however, have not taken into account the possibility of a rise in wage levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, along with the assumption that the benefits nevertheless would not be changed, the cost relative to payroll would naturally be lower.

As in the cost estimates for the plan proposed by the Advisory Council on Social Security of your committee (S. Doc. 208, 80th Cong., 2d sess.), two separate cost illustrations have been developed in order to show possible ranges in benefit costs.

The low-cost and high-cost assumptions relate to the cost as a percent of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, etc.

In general, the cost estimates have been prepared according to the same assumptions and techniques as those contained in Actuarial Studies Nos. 23, 27, and 28 of the Social Security Administration, and also the same as in the estimates prepared for the Advisory Council. It may be mentioned here that in all those estimates—as well as the the present ones—there are the following important elements:

(1) In later years many women will be potentially eligible for both old-age benefits and either wife's or widow's benefits. In such instances, these individuals have been assumed to receive full old-age benefits and any residual amount from the wife's or widow's benefits, if larger than the old-age benefit. The numbers of such individuals receiving residual wife's or widow's benefits and the average sizes of such benefits are not shown, but the total amount of such benefits is included in the tables giving the amounts of benefits in dollars and as percentages of payroll.

(2) The effect of the maximum-benefit provisions will be considerable. It has been assumed that the number who would receive benefits in a particular case would include only those who would receive benefits at the full rate plus one individual who would receive partial benefits completing the maximum, and with all other potentially eligible beneficiaries being disregarded.

The assumptions as to the major elements, population, employment, and wages, may be summarized as follows:

(1) *Population.*—The low-cost estimates assume United States 1939-41 mortality rates constant by age and sex throughout all years.

The high-cost estimates are based on improving mortality similar to the National Resources Planning Board low-mortality bases, with an assumed further improvement with time for ages over 65 to allow for possible gains due to geriatric medical research.

The low-cost estimates assume birth rates which in the aggregate are about the same as those for the United States 1940-45 experience, which was relatively high. The high-cost estimates assume a decreasing birth rate in the future similar to the National Resources Planning Board's medium estimate.

For both the low-cost and high-cost estimates no net immigration is assumed.

Table 7 summarizes these population projections. In the year 2000, the total population of 199 million under the low-cost assumptions is higher than the 173 million under the high-cost assumptions due to the higher birth-rate assumption under the former. The corresponding figures for the aged group (65 and over) are 19 million and 28½ million, respectively; the high-cost figure here is higher due to the lower mortality assumption. Also shown in this table are the latest estimates for 1950. It will be observed that these are somewhat higher than either of the two projections, especially as to the total population. These two projections were prepared several years ago and have been used as the base for a number of cost estimates, including those of the Advisory Council, so as to maintain consistency in such estimates. The actual population in 1950 is higher than in either of the two estimates, principally because of the very high birth rates which have occurred since the war. The long-range cost estimates attempt to portray a trend without considering cyclical fluctuations, and so it is not disturbing that the actual population at the moment is somewhat higher than in either of the projections.

TABLE 7.—Estimated United States population in future years

[In millions]

Calendar year	Age 20-64			Age 65 and over			All ages		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Latest estimates for 1950									
1950.....	4	44	88	5.4	6.1	11.5	75	76	151
Projection for low-cost assumptions									
1950.....	43	44	87	5.3	5.9	11.2	73	74	147
1955.....	43	44	87	6.0	6.7	12.7	76	77	153
1960.....	44	45	89	6.5	7.5	14.0	79	80	159
1970.....	47	48	95	7.1	8.8	15.9	83	85	168
1980.....	50	50	100	7.8	10.1	17.9	89	90	179
1990.....	52	52	104	8.4	11.1	19.5	94	95	189
2000.....	57	56	113	8.3	10.7	19.0	99	100	199
Projection for high-cost assumptions									
1950.....	43	44	87	5.4	6.0	11.4	73	73	146
1955.....	44	45	89	6.2	6.9	13.1	75	76	151
1960.....	45	46	91	7.0	7.9	14.9	77	78	155
1970.....	49	49	98	8.5	10.0	18.5	81	82	163
1980.....	50	50	100	10.4	12.4	22.8	85	85	170
1990.....	51	50	101	12.4	14.7	27.1	86	86	172
2000.....	52	50	102	13.3	15.2	28.5	87	86	173

NOTE.—See text for description of bases of population projections

(2) *Employment.*—Both the low-cost and high-cost estimates assume close to full employment, although somewhat below the level prevailing at the end of 1949. The previous estimates were, in general, based on conditions in 1944-46. A change made in these estimates to allow partially for the higher employment since then has been to assume that all coverage figures (and thus resulting beneficiary figures) are about 5 percent higher. Civilian employment averaged about 53,000,000 in 1944-46, but in 1948 averaged 59,400,000, while in 1949 the average was 58,700,000, both increases of over 10 percent.

(3) *Wages.*—Both the low-cost and high-cost estimates are based on wage levels slightly below existing ones. An average annual wage of \$2,400 is used for men working in covered employment in all four quarters of the year, and \$1,625 for women.

The actual recorded wages for four-quarter workers may be compared with those used in the cost estimates, as follows:

	Men	Women
Used in cost estimates.....	\$2,400	\$1,625
Actual 1944.....	2,300	1,402
Actual 1945.....	2,293	1,384
Actual 1946.....	2,262	1,478
Actual 1947.....	2,372	1,598
Actual 1948.....	2,450	1,700

The table below compares the estimated proportion of the population age 65 and over who are fully insured under the present limited coverage and under the expanded coverage recommended in the House-approved bill and in the committee-approved bill:

Calendar year	Present coverage		House-approved bill		Committee-approved bill	
	Men	Women	Men	Women	Men	Women
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1951.....	34-38	4-5	37-42	5-6	43-50	7-9
1955.....	39-44	6-7	47-53	7-10	51-58	8-11
1960.....	44-49	7-10	55-63	10-13	57-64	10-13
1970.....	54-62	10-14	65-74	13-19	66-75	13-19
1980.....	64-73	16-22	73-82	20-27	73-83	20-27
1990.....	72-81	27-34	78-87	30-37	78-87	30-37
2000.....	74-84	35-43	81-90	39-47	81-90	39-47

It will be noted that the above figures for women include only those insured by their own employment and not those eligible through their husband's earnings. If the latter group had also been included, the resulting figures would have been somewhat larger than those shown for men.

As in previous cost estimates, no account is taken of the 1947 amendment to the Railroad Retirement Act, which provides for coordination of old-age and survivors insurance and railroad wages in determining survivor benefits.

Under the committee-approved bill voluntary coverage is permitted for two groups, namely, State and local government employees who

are not under an existing retirement system and employees of religious denominations and organizations owned and operated by religious denominations. For the purpose of these cost estimates it has been assumed that over the long range virtually all of these groups will be covered as a result of voluntary action on the part of the employers involved.

*C. Results of cost estimates on range basis*

Table 8 gives the estimated taxable payrolls for the coverage provided under the committee-approved bill and in accordance with the assumptions made previously as to participation by State and local governments and by religious denominations. As indicated in the previous section, the assumptions made as to wage rates are on the low side (in order to be conservative) so that the total payrolls resulting here are also somewhat on the low side.

TABLE 8.—*Estimated taxable payrolls under committee-approved bill*

[In billions]

Calendar year	Low-cost estimate <sup>1</sup>	High-cost estimate <sup>1</sup>	Calendar year	Low-cost estimate <sup>1</sup>	High-cost estimate <sup>1</sup>
1951.....	\$104	\$103	1980.....	\$129	\$126
1955.....	106	106	1990.....	137	128
1960.....	110	111	2000.....	146	129
1970.....	121	121			

<sup>1</sup> Based on high-employment assumptions.

Since both the low-cost and the high-cost estimates assume a high future level of economic activity, the payrolls are substantially the same under the two estimates in the early years. Accordingly, there is little difference in the contribution income in the two estimates. The assumptions which affect benefits, however, have widely different effects even in the early years of the program. The range of error in the estimates, nevertheless, may be fully as great for contributions as it is for benefits.

The taxable payrolls under the committee-approved bill are slightly lower than under the House-approved bill. The effect of retaining the maximum taxable wage at \$3,000 per year, as in present law, rather than increasing it to \$3,600 as in the House-approved bill, more than offsets the factor of the greater coverage in the committee-approved bill.

Table 9 shows the estimated number of monthly beneficiaries in current payment status under the committee-approved bill. Because of the "new start" provision for determining insured status the number of beneficiaries under the committee-approved bill in the early years of operation is materially higher than under the House-approved bill. Thus in 1951 this increase is about 700,000 persons (including 150,000 dependents and survivors as well as about 550,000 retired workers). In subsequent years this difference decreases but even eventually it is still present, though very small, chiefly due to the somewhat larger compulsory coverage under the committee-approved bill.

TABLE 9.—Estimated numbers of monthly beneficiaries<sup>1</sup> under committee-approved bill

[In thousands]

Calendar year	Old-age beneficiaries <sup>2</sup>			Survivor beneficiaries			
	Primary	Wife's <sup>3</sup>	Child's	Widow's <sup>3</sup>	Parent's <sup>3</sup>	Mother's	Child's
LOW-COST ESTIMATE <sup>4</sup>							
1951.....	2,033	598	57	348	19	200	700
1955.....	2,203	668	60	640	28	262	956
1960.....	2,727	793	65	1,101	37	304	1,135
1970.....	4,089	1,063	88	2,031	42	349	1,317
1980.....	5,685	1,243	115	2,709	42	385	1,446
1990.....	7,750	1,260	130	3,029	39	417	1,576
2000.....	8,910	1,187	129	3,008	34	454	1,714
HIGH-COST ESTIMATE <sup>4</sup>							
1951.....	2,340	652	75	363	31	242	688
1955.....	3,000	830	83	669	48	303	871
1960.....	4,404	1,190	101	1,133	69	320	901
1970.....	6,943	1,661	119	2,074	90	302	808
1980.....	10,332	2,153	130	2,788	97	280	718
1990.....	14,539	2,474	121	3,141	94	265	653
2000.....	17,456	2,599	86	3,083	90	255	602

<sup>1</sup> As of middle of year.<sup>2</sup> I. e., for benefits paid in respect to retired workers.<sup>3</sup> Does not include beneficiaries who are also eligible for primary benefits. For wife's and widow's benefits, includes husband's and widower's benefits, respectively.<sup>4</sup> Based on high-employment assumptions.

Table 10 shows the estimated average benefits under the committee-approved bill. These are given only for the calendar years 1951, 1960, and 2000, since in general there is a smooth trend in the intervening periods. For 1951 the average old-age benefit will be over \$48 per month for a retired worker.

It will be noted that for old-age beneficiaries separate figures are given for men and women, since the results differ greatly and since a combination would obscure the trend. For men the average old-age benefit will remain relatively constant after 1960; from 1951 to 1960 there will be some increase due to the effect of the "new start" average wage. On the other hand, for women the average old-age benefit shows a decrease over the long-range future because there will ultimately be a large number of women receiving such benefits who did not engage in covered employment for their entire adult lifetime after 1950.

TABLE 10.—Estimated average monthly benefit payments and average lump-sum death payments under committee-approved bill

Category	1951	1960	2000
Old-age primary.....	\$48-\$48	\$50-\$50	\$48-\$49
Male.....	50-50	53-53	56-57
Female.....	40-40	39-39	36-38
Wife's <sup>1</sup> .....	26-26	27-27	28-29
Widow's <sup>1</sup> .....	37-37	39-39	43-43
Parent's <sup>2</sup> .....	30-30	29-29	29-29
Child's <sup>3</sup> .....	34-34	35-35	35-36
Mother's.....	42-42	43-43	44-44
Lump-sum death <sup>4</sup> .....	150-150	150-152	141-148

<sup>1</sup> Does not include those eligible for primary benefits. Includes husband's and widower's benefits.<sup>2</sup> Does not include those eligible for primary, widow's or widower's benefits.<sup>3</sup> Includes both child's benefits for children of old-age beneficiaries and child survivor beneficiaries.<sup>4</sup> Average amount per death.

NOTE.—Lower figure of range shown is for high-cost estimate, while higher figure is for low-cost estimate.

Table 11 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost shown for the committee-approved bill is roughly 4% to 7% percent of payroll, or about the same as for the House-approved bill and for the plan of the Advisory Council. These level-premium costs are somewhat higher than those for the original Social Security Act of 1935—namely, 5 to 7 percent—because of two factors not specified in the plans themselves: first, a lower interest rate is used here—namely, 2 percent against 3 percent—and, second, the program proposed is nearer maturity since the benefit roll is now quite sizable; in other words, some of the period of low cost has been passed through without building up the substantial funds which would have been accumulated if the original tax schedule or original level-premium rate had been in effect in the past.

TABLE 11.—Estimated relative costs in percentage of payroll for committee-approved bill, by type of benefit

[Percent]

Calendar year	Old-age	Wife's <sup>1</sup>	Widow's <sup>1</sup>	Parent's	Mother's	Child's <sup>2</sup>	Lump-sum death	Total
<b>LOW-COST ESTIMATE<sup>3</sup></b>								
1951.....	1.11	0.17	0.15	0.01	0.10	0.31	0.05	1.89
1955.....	1.22	.19	.27	.01	.13	.41	.06	2.30
1960.....	1.50	.24	.47	.01	.14	.48	.07	2.90
1970.....	2.11	.30	.84	.01	.15	.51	.09	4.01
1980.....	2.71	.34	1.10	.01	.16	.52	.10	4.94
1990.....	3.38	.33	1.20	.01	.16	.54	.11	5.73
2000.....	3.56	.29	1.15	.01	.17	.54	.12	5.84
Level premium <sup>4</sup> .....	2.82	.28	.95	.01	.16	.51	.10	4.83
<b>HIGH-COST ESTIMATE<sup>3</sup></b>								
1951.....	1.30	0.20	0.16	0.01	0.12	0.31	0.05	2.15
1955.....	1.67	.25	.29	.02	.14	.38	.06	2.80
1960.....	2.39	.35	.48	.02	.15	.38	.06	3.84
1970.....	3.48	.47	.87	.03	.13	.32	.08	5.36
1980.....	4.91	.59	1.17	.03	.12	.28	.09	7.19
1990.....	6.61	.68	1.35	.02	.11	.25	.11	9.13
2000.....	7.74	.73	1.38	.02	.10	.22	.12	10.32
Level premium <sup>4</sup> .....	5.47	.58	1.06	.02	.12	.28	.10	7.63

<sup>1</sup> Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

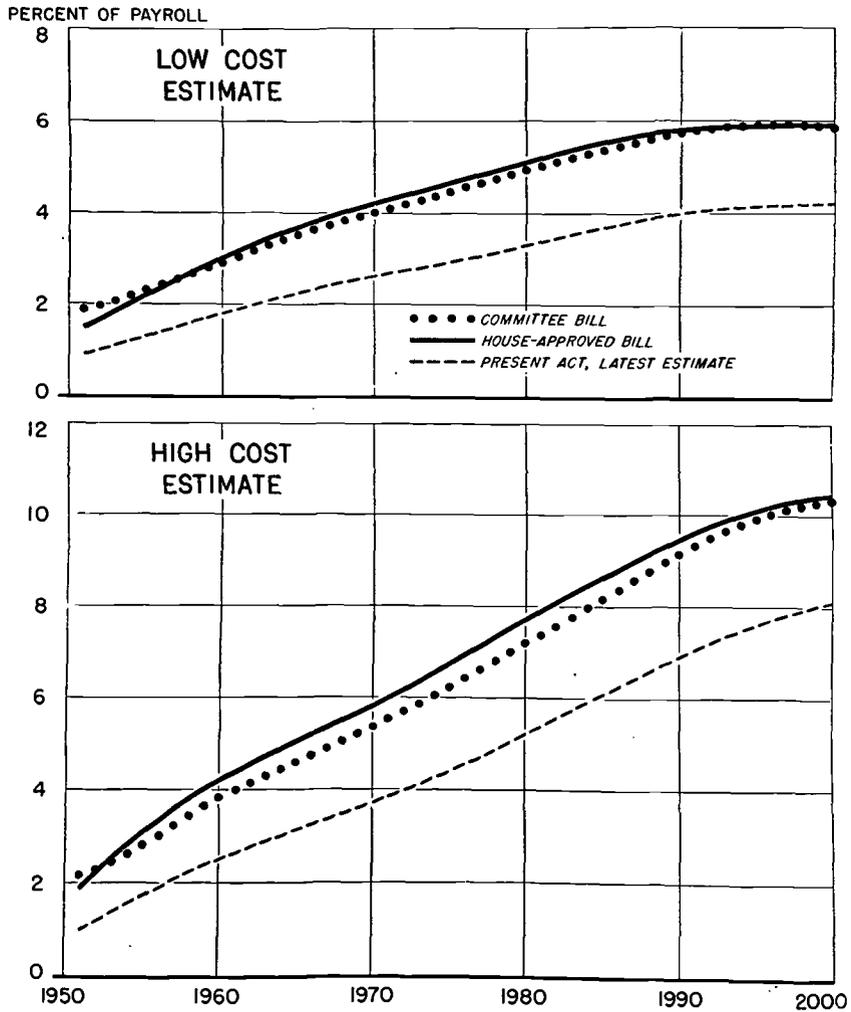
<sup>2</sup> Includes both child's benefits for children of old-age beneficiaries and child-survivor beneficiaries.

<sup>3</sup> Based on high-employment assumptions.

<sup>4</sup> Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Chart 1 compares the year-by-year cost of the committee-approved bill with that of the House-approved bill and with the latest cost estimates for the present law. As would be anticipated, the committee-approved bill has a higher cost throughout all years than the present act, since benefits are liberalized considerably. Similarly, the committee-approved bill has a higher cost in the early years and a somewhat lower cost later than the House-approved bill. This results for the early years because of the much more liberal eligibility and benefit conditions, while for the middle and later years these factors are offset by the elimination of the increment and the permanent and total-disability provisions. In the ultimate condition (year 2000) the cost under the committee-approved bill approaches

CHART I.  
**COST OF PROPOSED PLAN COMPARED WITH LATEST  
 COST ESTIMATE FOR PRESENT ACT**



more closely the cost under the House-approved bill since, under the latter, benefits for insured persons who are out of covered employment for a substantial period of time (e. g., married women) will be sharply reduced by the harsh effect of the so-called continuation factor (not incorporated in the committee-approved bill).

Table 12 gives the dollar figures for various future years for each of the different types of benefits.

Table 13 presents the estimated operations of the trust fund under the expanded program. The trust fund at the end of 1950 is estimated to be about \$13½ billion. The figures for 1950 reflect the operation of the present act for the entire year as to contribution receipts, but as to benefit disbursements the figure includes payments made under the present act for the first 8 months of the year and under the bill for the remainder of the year; the assumption is made here that the enactment date will be some time in June so that the liberalized benefit conditions will be effective in August, with the first payments coming out of the trust fund in September (some such assumption must necessarily be made in developing cost estimates although the enactment date might be somewhat earlier or later).

The future progress of the trust fund has been developed on the basis of a 2-percent interest rate; following, some consideration will be given as to the effect of a higher interest rate. Throughout, there is the assumption that no Government contribution to the system is made, since both the House-approved bill and the committee-approved bill strike out the provision of present law which would permit this.

TABLE 12.—Estimated absolute costs in dollars for committee-approved bill, by type of benefit

[In millions]

Calendar year	Old-age	Wife's <sup>1</sup>	Widow's <sup>1</sup>	Parent's	Mother's	Child's <sup>2</sup>	Lump-sum death	Total
LOW-COST ESTIMATE <sup>3</sup>								
1951.....	\$1,147	\$178	\$154	\$7	\$101	\$319	\$54	\$1,960
1955.....	1,301	207	288	10	135	437	63	2,441
1960.....	1,648	259	513	13	158	523	76	3,190
1970.....	2,545	362	1,013	15	186	611	104	4,836
1980.....	3,496	432	1,416	15	205	676	127	6,367
1990.....	4,622	447	1,646	14	222	739	149	7,839
2000.....	5,213	425	1,081	12	242	796	169	8,538
HIGH-COST ESTIMATE <sup>3</sup>								
1951.....	\$1,332	\$202	\$164	\$11	\$122	\$317	\$54	\$2,202
1955.....	1,763	263	305	17	152	400	62	2,962
1960.....	2,640	389	536	24	163	422	69	4,243
1970.....	4,201	566	1,046	31	157	388	91	6,480
1980.....	6,171	747	1,476	33	147	352	111	9,037
1990.....	8,472	876	1,726	32	139	321	136	11,702
2000.....	9,964	946	1,779	31	134	287	157	13,298

<sup>1</sup> Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

<sup>2</sup> Includes both child's benefits for children of old-age beneficiaries and child survivor benefits.

<sup>3</sup> Based on high-employment assumptions.

TABLE 13.—Estimated progress of trust fund for committee-approved bill

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund <sup>2</sup>	Fund at end of year
LOW-COST ESTIMATE <sup>3</sup>					
1950 <sup>4</sup> .....	\$2,575	\$1,118	\$65	\$268	\$13,475
1955.....	3,097	2,411	69	362	18,745
1960.....	5,167	5,190	82	530	28,002
1970.....	7,522	4,836	111	1,101	57,446
1980.....	8,127	6,367	137	1,818	93,541
1990.....	8,641	7,839	163	2,465	126,027
2000.....	9,233	8,538	176	3,113	159,024
HIGH-COST ESTIMATE <sup>3</sup>					
1950 <sup>4</sup> .....	\$2,575	\$1,118	\$65	\$268	\$13,475
1955.....	3,082	2,962	98	324	16,510
1960.....	5,189	4,213	124	403	20,967
1970.....	7,532	6,480	169	659	34,034
1980.....	7,933	9,037	219	784	39,321
1990.....	8,086	11,702	270	398	18,355
2000.....	8,129	13,298	301	( <sup>5</sup> )	( <sup>5</sup> )

<sup>1</sup> Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950-55, 4 percent for 1956-59, 5 percent for 1960-64, 6 percent for 1965-69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

<sup>2</sup> Interest is figured at 2 percent on average balance in fund during year.

<sup>3</sup> Based on high-employment assumptions.

<sup>4</sup> See text for description of assumptions made as to 1950.

<sup>5</sup> Fund exhausted in 1995.

Under the low-cost estimate the trust fund builds up quite rapidly and even some 50 years hence it is growing at a rate of \$3½ billion per year and at that time is about \$160 billion in magnitude; in fact, under this estimate benefit disbursements never exceed contribution income and even in the year 2000 are about 8 percent smaller. On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about \$40 billion in 1975 but decreases thereafter until it is exhausted in 1995; in each of the years prior to the scheduled tax increases (namely, 1955, 1959, 1964 and 1969) according to this estimate the benefit disbursements are about 10 percent lower than contribution income, while after 1975 benefit disbursements exceed contributions in all years.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice under the philosophy adopted in H. R. 6000 and as set forth in this report, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 13 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled in the committee-approved bill. At any rate, the high-cost estimate does indicate that under the

tax schedule adopted there would be ample funds for several decades even under relatively unfavorable experience.

The effects of the new eligibility conditions and the new concept of computing the average monthly wage, when combined with the large number of new persons brought into coverage, are particularly difficult to estimate during the early years of operation. The number of persons who will qualify and retire to get benefits is more uncertain on the new basis than it is under present law because the qualifying period is relatively short. While an attempt has been made to allow for the very important factor of lag in the filing of claims, the benefit estimates used for the early years in developing the trust-fund progression may be overstatements to some extent, and this might extend to the figures shown for 1960.

#### D. Intermediate cost estimates

In this section there will be given intermediate-cost estimates, developed from the low-cost and high-cost estimates of this report. These intermediate costs are based on an average of the low-cost and high-cost estimates (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). It should be recognized that these intermediate-cost estimates do not represent the "most probable" estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes.

Also, a single intermediate figure is necessary in the development of a tax schedule which will make the system self-supporting. Your committee, in setting up a specific schedule, fully recognizes that this is slightly different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, your committee recognizes that exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather that this principle of self-support should be aimed at as closely as possible.

The tax schedule contained in the committee-approved bill is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	Percent	Percent
1950-55.....	1½	1½	2¼
1956-59.....	2	2	3
1960-64.....	2½	2½	3¾
1965-69.....	3	3	4½
1970 and after.....	3¾	3¾	4½

The above schedule differs from that in the House-approved bill only in that under the latter the first increase from the present rates would occur in 1951 instead of in 1956. This tax schedule has been determined on the basis of the following actuarial cost analysis.

Table 14 gives an estimate of the level-premium cost of the program recommended by your committee, tracing through the increase in cost over the present program according to the major types of changes pro-

posed, as well as a similar comparison for the House-approved bill. A "level-premium cost" may be defined as the contribution rate charged from 1951 on, which together with interest would meet all benefit payments after 1950 (including the benefit payments to those on the roll prior to 1951 and the increases which they receive through the conversion table). This level-premium rate would produce a very considerable amount of excess income in the early years which, invested at interest, would help considerably in meeting the higher benefit outgo ultimately.

TABLE 14.—Estimated level-premium costs as percentage of payroll by type of change

	House-ap- proved bill	Committee- approved bill
	Percent	Percent
Cost of benefits of present law.....	4.50	4.50
Effect of proposed changes:		
Benefit formula.....	+1.30	+1.70
(a) New benefit percentages <sup>1</sup> .....	(+3.00)	(+3.70)
(b) New average wage basis <sup>2</sup> .....	(-.60)	(+.05)
(c) Reduction in increment.....	(-.90)	(-2.05)
(d) Increase in wage base.....	(-.20)	( <sup>3</sup> )
Liberalized eligibility conditions.....	+ .05	+ .10
Liberalized work clause.....	+ .15	+ .15
Revised lump-sum death payment.....	-.05	-.10
Additional survivor benefits <sup>4</sup> .....	+ .10	+ .15
Extension of coverage.....	-.30	-.35
Disability benefits.....	+ .55	( <sup>3</sup> )
Cost of benefits under bill.....	6.30	6.15
Administrative costs.....	+ .15	+ .15
Interest on trust fund at end of 1950.....	-.20	-.20
Net level-premium cost of bill.....	6.25	6.10

<sup>1</sup> Including minimum and maximum benefit provisions.

<sup>2</sup> For House-approved bill, including so-called continuation factor.

<sup>3</sup> Not in committee-approved bill.

<sup>4</sup> Including higher rate for first survivor child, more liberal eligibility conditions for determining child dependency on married women workers, higher rate for parents (House-approved bill only), wife's benefits for wives under 65 with children (House-approved bill only), and husband's and widower's benefits (committee-approved bill only).

NOTE.—Figures relate only to benefit payments after 1950. Figures in parenthesis are subtotal figures. These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. The computations are based on a compound interest rate of 2 percent per annum. The order in which these various changes are considered in this table affects how much of the increase in cost is attributed to a specific element.

It should be emphasized that your committee does not recommend that the system be financed by a high, level tax rate from 1951 on but rather has recommended an increasing schedule, which—of necessity—will ultimately have to rise higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will arise; this fund will be invested in Government securities (just as is much of the reserves of life insurance companies and banks, and as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future. For comparing the costs of various possible alternative plans and provisions, the use of level-premium rates is helpful as a convenient yardstick.

It should be emphasized that the order in which the various changes in table 14 are considered determines in many instances how much of the increase in cost is attributed to a specific recommendation. For

example, for the House-approved bill the increased cost arising from the revised lump-sum death payment is shown as a negative figure or, in other words, as a savings in cost. Under the House-approved bill there are three important cost factors in respect to the lump-sum death payment, namely, (1) the higher general benefit level due to the change in the benefit formula; (2) the reduction in the relation that such payment bears to the primary insurance amount (from 6 times such amount under present law to 3 times); and (3) the granting of such payment for all insured deaths, rather than only for deaths where no immediate monthly benefit is available. If the combined effect of all three factors is considered, there would be an increase in cost of 0.05 percent of payroll, but since the first of these factors had previously been considered in table 14, the net effect of the other two factors is the indicated reduction in cost of 0.05 percent of payroll. On the other hand, under the committee-approved bill, the third factor is not included, so that the net effect in reality is virtually no change in cost, but a reduction of 0.10 percent is listed in the table since an increase of about 0.10 percent was included for the lump-sum death payment in the increased cost due to the revised benefit formula shown above.

From table 14 it may be noted that the net level-premium cost of the committee-approved bill is about 0.15 percent of payroll lower than the House-approved bill. There are a number of changes in the committee-approved bill from the House-approved bill which increase costs, while there are somewhat more offsetting changes in the opposite direction. Increases in cost (taken as a whole, rather than considered in any particular order) as a percentage of payroll are approximately as follows:

Item:	Increase (percent)
New benefit formula giving 15 percent of average wage beyond \$100 instead of 10 percent.....	0. 5
More liberal basis for determining average wage, not using the so-called continuation factor.....	. 6
Retention of the maximum taxable and creditable wage base at the present \$3,000 per year.....	. 15
More liberal survivor benefits for married women.....	. 05
More liberal immediate eligibility conditions.....	. 05
Total.....	1. 35

Correspondingly, decreases in cost as a percentage of payroll for the committee-approved bill as compared with the House-approved bill are approximately as follows:

Item:	Decrease (percent)
Elimination of disability benefits.....	0. 5
Elimination of increment.....	. 9
Retention of present basis of eligibility for lump-sum death payment...	. 05
Greater extension of coverage.....	. 05
Total.....	1. 5

As will be seen from table 14, the level-premium cost of the present law—taking into account 2 percent interest—is about 4½ percent of payroll; this is considerably lower than the cost was estimated to be when the program was revised in 1939, largely because of the rise in the wage level which has occurred in the past decade (higher wages result in lower cost as a percentage of payroll because of the weighted nature of the benefit formula).

Under the committee-approved bill the level-premium cost of the benefits is increased to almost 6¼ percent of payroll. However, this figure must be adjusted slightly for two factors, namely, the administrative costs, which are charged directly to the trust fund, and the interest earnings on the present trust fund, which will be about \$13½ billion at the end of 1950. Considering all of these elements the net level-premium cost of the committee-approved bill is shown to be about 6.10 percent of payroll as compared with about 6.25 percent for the House-approved bill.

As an indication of the effect of various factors on the estimated actuarial costs, it may be pointed out that if an interest rate of 2½ percent were used rather than 2 percent, the net level-premium cost of the committee-approved bill would be reduced to about 5.8 percent. (The interest rate which determines the yield of new investments for the trust fund is now 2.23 percent, but until it rises to 2.25 percent, such investments continue to be made at 2½ percent.)

Table 15 and chart 2 compare the year-by-year cost of the benefit payments according to the intermediate-cost estimate, not only for the committee-approved bill but also for the present act and the House-approved bill. These figures are based on a level-wage trend in the future and do not consider cyclical business trends (booms and depressions) which over a long period of years will tend to average out. The dollar amount of the increased cost in 1951 of the committee-approved bill over the present act is substantial (about \$1¼ billion), but the cost as a percentage of payroll does not rise greatly. This results from the increase of the total covered payroll due to the newly covered categories. In contrast with the House-approved bill, the benefit disbursements in 1951 will be about \$400 million higher, principally due to the more liberal eligibility conditions which will bring onto the rolls many now ineligible and also in part due to the somewhat more liberal treatment accorded the existing beneficiaries now on the roll.

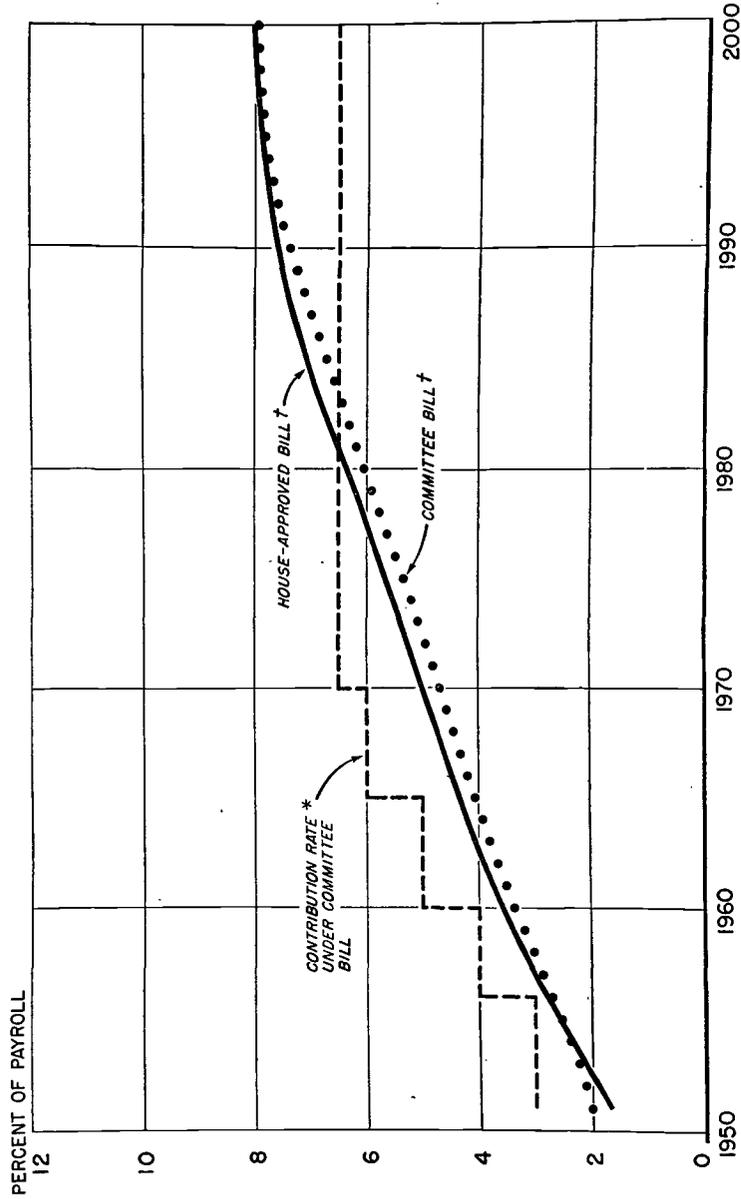
TABLE 15.—Estimated cost of benefit payments under present act, House-approved bill, and committee-approved bill, intermediate-cost estimate

Calendar year	Amount (in millions)			In percent of payroll		
	Present act	House-approved bill <sup>1</sup>	Committee-approved bill	Present act	House-approved bill <sup>1</sup>	Committee-approved bill
1951.....	\$865	\$1,715	\$2,082	Percent	Percent	Percent
1955.....	1,264	2,679	2,701	1.02	1.62	2.02
1960.....	1,766	4,061	3,716	1.59	2.46	2.55
1970.....	2,932	6,221	5,658	2.10	3.58	3.37
1980.....	4,332	8,342	7,702	3.11	5.01	4.68
1990.....	5,817	10,338	9,770	4.24	6.37	6.05
2000.....	6,768	11,328	10,919	5.41	7.59	7.37
Level-premium:				6.03	8.01	7.94
At 2 percent interest.....				4.50	6.32	6.18
At 2¼ percent interest.....				4.40	6.15	6.01
At 2½ percent interest.....				4.25	5.99	5.85

<sup>1</sup> Includes cost of permanent and total disability benefits, which are not included in committee-approved bill. These amount to about \$50 million in 1951, \$250 million in 1955, \$500 million in 1960, and \$800 to \$900 million in 1980 and after.

NOTE.—These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. For definition of "level-premium," see text.

CHART 2.  
COST OF PROPOSED PLAN



\*COMBINED RATE FOR EMPLOYEE AND EMPLOYER. SELF-EMPLOYED PAY THREE-FOURTHS OF THIS RATE.  
†AVERAGE OF LOW AND HIGH COST ESTIMATES. THIS IS NOT NECESSARILY THE "MOST PROBABLE" ESTIMATE.

Under the committee-approved bill benefit costs expressed as a percentage of payroll, according to the intermediate estimate, do not exceed the employer-employee combined tax rate until about 1985. In other words, according to this estimate, for approximately the next four decades income to the system will exceed outgo; subsequently there will be discussed the possible effects over the next few years of unfavorable economic conditions.

Table 16 presents costs of benefits under the committee-approved bill as a percent of payroll for each of the various types of benefits and is comparable with table 11 of the previous section.

TABLE 16.—*Estimated relative costs in percentage of payroll for committee-approved bill, by type of benefit, intermediate-cost estimate*<sup>1</sup>

[Percent]

Calendar year	Old-age	Wife's <sup>2</sup>	Widow's <sup>2</sup>	Parent's	Mother's	Child's <sup>3</sup>	Lump-sum death	Total
1951.....	1.20	0.18	0.15	0.01	0.11	0.31	0.05	2.02
1955.....	1.44	.22	.28	.01	.14	.39	.06	2.55
1960.....	1.94	.29	.48	.02	.15	.43	.07	3.37
1970.....	2.79	.38	.85	.02	.14	.41	.08	4.68
1980.....	3.80	.46	1.14	.02	.14	.40	.09	6.05
1990.....	4.94	.50	1.27	.02	.14	.40	.11	7.37
2000.....	5.62	.50	1.26	.02	.14	.39	.12	7.94
Level-premium <sup>4</sup> .....	4.10	.43	1.00	.02	.14	.40	.10	6.18

<sup>1</sup> Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.

<sup>2</sup> Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

<sup>3</sup> Includes both child's benefits for children of old-age beneficiaries and child-survivor beneficiaries.

<sup>4</sup> Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Table 17 gives the dollar figures for various future years for each of the different types of benefits for the intermediate cost estimate and is comparable to table 12 of the previous section. Total benefit payments are shown to rise from about \$2 billion in 1951 to \$11 billion 50 years hence.

TABLE 17.—*Estimated absolute costs for committee-approved bill, by type of benefit, intermediate-cost estimate*<sup>1</sup>

[In millions]

Calendar year	Old-age	Wife's <sup>2</sup>	Widow's <sup>2</sup>	Parent's	Mother's	Child's <sup>3</sup>	Lump-sum death	Total
1951.....	\$1,240	\$190	\$150	\$9	\$112	\$318	\$54	\$2,082
1955.....	1,532	235	296	14	144	418	62	2,701
1960.....	2,144	324	524	18	160	473	73	3,716
1970.....	3,372	464	1,030	23	172	499	98	5,658
1980.....	4,833	590	1,446	24	176	514	119	7,702
1990.....	6,547	662	1,686	23	180	530	142	9,770
2000.....	7,589	686	1,730	22	188	541	163	10,919

<sup>1</sup> Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.

<sup>2</sup> Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

<sup>3</sup> Includes both child's benefits for children of old-age beneficiaries and child survivor beneficiaries.

Table 18 presents the estimated operation of the trust fund under the committee-approved bill according to the intermediate estimate (using a 2 percent interest rate) and is comparable to table 13 of the

previous section except that figures are shown for single calendar years from 1950 to 1955. The estimated contribution receipts for 1951 are not greatly in excess of those for 1950, because for the vast majority of self-employment covered by the bill the tax return will be made on an annual basis and thus in the following calendar year (before March 15, 1952).

TABLE 18.— *Estimated progress of trust fund for committee-approved bill, intermediate cost estimate*<sup>1</sup>

[In millions]

Calendar year	Contributions <sup>2</sup>	Benefit payments	Administrative expenses	Interest on fund <sup>3</sup>	Fund at end of year
1950 <sup>4</sup> .....	\$2,575	\$1,118	\$65	\$268	\$13,475
1951.....	2,718	2,081	72	275	14,315
1952.....	3,024	2,236	75	293	15,321
1953.....	3,046	2,392	78	312	16,209
1954.....	3,068	2,547	81	329	16,978
1955.....	3,090	2,702	84	343	17,625
1960.....	5,178	3,716	103	467	24,479
1970.....	7,527	5,658	140	880	45,731
1980.....	8,030	7,702	178	1,301	66,422
1990.....	8,363	9,770	216	1,431	72,181
2000.....	8,681	10,918	238	1,276	63,836

<sup>1</sup> Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.

<sup>2</sup> Combined employer-employee contribution schedule is as follows: 3 percent for 1950-55, 4 percent for 1956-59, 5 percent for 1960-64, 6 percent for 1965-69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

<sup>3</sup> Interest is figured at 2 percent on average balance in fund during year.

<sup>4</sup> See text for description of assumptions made as to 1950.

According to table 18 the trust fund grows steadily reaching a maximum of about \$72 billion shortly before 1990, and then declines slowly thereafter. Under the House-approved bill the trust fund grows somewhat more rapidly, in part, because the first tax increase over present rates is instituted in 1951 instead of in 1956 as in the committee-approved bill and, in part, because benefit disbursements in the early years are lower than under the committee-approved bill. Thus under the House-approved bill, according to the intermediate estimate, the trust fund increases to \$25 billion by the end of 1955 as compared with \$17½ billion at the same date for the committee-approved bill; this difference of about \$8 billion is maintained for almost 25 years. The maximum size of the trust fund under the House-approved bill, according to the intermediate estimate, is about \$75 billion.

The fact that the trust fund declines slowly after 1990 indicates, that under the committee-approved bill, as is also the case in the House-approved bill, the proposed tax schedule is not quite self-supporting but is sufficiently close for all practical purposes considering the uncertainties and variations possible in the cost estimates. Thus in regard to the ultimate 6½ percent employer-employee rate, the House Ways and Means Committee stated as follows:

If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly over-financed. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional over-change—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

Your committee concurs in this statement and has acted accordingly in its bill.

Detailed calculations have also been made for the intermediate-cost estimate for the committee-approved bill to show the effect of using a different interest rate than 2-percent and the results are shown in the following table:

Calendar year	Fund at end of year (in billions)		
	2-percent interest	2¼-percent interest	2½-percent interest
1950.....	\$13.5	\$13.5	\$13.5
1960.....	24.5	25.0	25.5
1970.....	45.7	47.3	48.9
1980.....	68.4	69.9	73.6
1990.....	72.2	78.5	85.3
2000.....	63.8	73.6	84.6

If the interest rate is taken as 2½ percent (it is now very close to 2¼ percent), the trust fund would reach a peak of \$86,000,000,000 some 45 years hence and would decline very slightly thereafter. In fact, the tax schedule in the committee-approved bill would, under the assumptions used under the intermediate-cost estimate, place the system virtually on a self-supporting basis if the interest rate on the trust fund is as high as 2½ percent.

Detailed computations have also been made as to the estimated progress of the trust fund under the committee-approved bill up through 1955 under unfavorable economic conditions. (See table 19.) It is assumed that the benefit disbursements would follow those in the high-cost estimates previously presented except that further increases have been arbitrarily assumed, amounting to 20 percent relatively for 1955 and proportionately smaller relative increases in the preceding years. At the same time it has been assumed that contribution income would be decreased by 10 percent in 1951 and by 25 percent in each of the following years (it should be mentioned again that based on current conditions, it would appear that the estimates of contribution income used previously were conservative in that they tend to be somewhat on the low side anyway so that these arbitrary reductions here represent even greater actual reductions over present conditions).

TABLE 19.—Estimated progress of trust fund for committee-approved bill under unfavorable economic assumptions<sup>1</sup>

[In millions]

Calendar year	Contributions <sup>2</sup>	Benefit payments	Administrative expenses	Interest on fund <sup>3</sup>	Fund at end of year
1950.....	\$2,575	\$1,118	\$65	\$268	\$13,475
1951.....	2,456	2,290	81	270	13,830
1952.....	2,259	2,583	82	273	13,697
1953.....	2,276	2,892	88	267	13,260
1954.....	2,294	3,216	95	255	12,498
1955.....	2,312	3,554	101	237	11,392

<sup>1</sup> See text for assumptions and bases.

<sup>2</sup> Combined employer-employee contribution rate is 3 percent for all years shown. The self-employed pay 2¼ percent.

<sup>3</sup> Interest is figured at 2 percent on average balance in fund during year.

Under these unfavorable economic assumptions, the benefit payments exceed the contributions for each year after 1951, with the difference in 1955 amounting to over \$1 billion. As a result, the trust fund reaches a peak of \$13.8 billion at the end of 1951 and declines slowly thereafter, but remaining above \$13 billion until after 1953. At the end of 1955, the balance in the trust fund is \$11.4 billion, or only slightly less than the balance at the end of 1949 (\$11.8 billion). Accordingly, even with unfavorable economic conditions in the next 5 years, the trust fund, along with the tax income, will still be ample to meet the benefit obligations of those years.

The preceding cost estimates take into account the special benefits provided for veterans, since, under the committee-approved bill, the additional costs therefor are met from the trust fund from time to time as they arise; under the present law and under the House-approved bill such additional costs are met from the General Treasury as they arise. The benefits contained in present law (namely, survivor benefits for veterans who die within 3 years after discharge) are continued. Further, under the committee-approved bill it is proposed to give wage credits of \$160 for each month of military service, not only to veterans but also in respect to those who died in service.

It is estimated that the total cost of these veterans' benefits will amount to about \$300,000,000 spread over the next 50 years. There will be a very considerable outgo over the next 10 years in respect to the children and widows of men who died in service. For this group, the increased outgo from the trust fund will be about \$20,000,000 in 1951 and will average about \$15,000,000 a year over the next decade. However, since by 1960 virtually all of these children will have attained age 18, the disbursements for this group will fall off quite sharply and will not thereafter be of any significant size until about 35 years from now, when the widows will be reaching retirement age. The remainder of the cost of these veterans' benefits is in regard to veterans who did not die in service; the bulk of such cost will arise some 40 to 50 years hence.

Under the House-approved bill, the cost for these veterans' benefits would have been about \$1½ billion, all of which would be met, over the years, out of the General Treasury. Under the committee-approved bill, this benefit cost would be reduced by 80 percent (and none would be met by the General Treasury), principally because of the "new start" provisions as to average wage and insured status and because of the elimination of the increment.

#### *E. Combined withholding of income and employee social security taxes*

The committee-approved bill would make an important change in the tax-collection procedure which, however, would have no effect on the actuarial basis of the system, but would result in greater simplicity for the taxpayer and in administrative economies. This change would provide for a single combined withholding of income tax and employee social security tax applicable generally in those cases in which wages paid to the employee are subject to withholding for both classes of tax. If the employee's wages are not subject to withholding for income tax purposes, combined withholding will not apply. For example, in the case of wages paid for domestic service in a private home or for agricultural labor, combined withholding is not applicable, since such wages are not subject to withholding for income tax pur-

poses. Under these provisions for combined withholding, employers would no longer be required to make separate determinations of the amount of income tax and the amount of employee social security tax to be withheld on the same wage payments. Instead the combined employee social security tax and income tax would be determined from a wage bracket table or, at the employer's election, on the basis of the percentage method.

The total tax withheld from each employee during the calendar year would be allocated to employee social security tax and to income tax on the basis of wages subject to employee social security tax for the year. Under the allocation formula the excess of the total combined tax withheld over 1½ percent (the employee rate through 1955) of the wages subject to employee social security tax would be attributed to income tax withheld.

Under the proposed provisions, employers will furnish employees a single annual receipt covering both taxes, instead of the two separate receipts now required. The receipt will show the amount of wages subject to employee social security tax, the amount of employee social security tax, the amount of wages subject to income tax withholding, and the amount of income tax withheld. In addition, under the proposed provisions, it is contemplated that collectors will be permitted to make a single assessment of social security tax and income tax withheld, and will be relieved of dual interest and penalty computations as well as their present duty of keeping the social security tax collections segregated from the payments of income tax withheld.

Appropriations to the trust fund of amounts equal to the social security tax will be authorized on the basis of taxable wages reported to the Bureau of Internal Revenue.

## PUBLIC ASSISTANCE

### X. GENERAL STATEMENT

Under the Social Security Act of 1935, the Federal Government assumed responsibility for assisting the States and localities to provide public-assistance payments to the needy aged, to the needy blind, and to dependent children. The original provisions of the act obligated the Federal Government to match State and local expenditures on a 50-50 basis within individual maximums of \$30 a month for old-age assistance and aid to the blind; for aid to dependent children, the Federal share was one-third within maximums of \$18 for the first child and \$12 for each additional child. In 1939, the maximums for old-age assistance and aid to the blind were raised to \$40 and the Federal matching for aid to dependent children was established on a 50-50 basis.

In 1946 and again in 1948, Federal financial participation in public-assistance payments was substantially increased. In 1946, Federal funds were made available to the States under matching formulas which established the Federal share of assistance payments at two-thirds of the first \$15 of the average monthly payment per recipient plus one-half the remainder within maximums of \$45 for old-age assistance and aid to the blind. For aid to dependent children, the Federal share was two-thirds of the first \$9 of the average payment per child plus one-half the remainder within maximums of \$24 for the first child and \$15 for each additional child in a family.

In 1948, the matching formulas were revised so the Federal share was increased to three-fourths of the first \$20 of the average monthly payment per recipient plus one-half the remainder within maximums of \$50 for old-age assistance and aid to the blind. For aid to dependent children, the Federal share was increased to three-fourths of the first \$12 of the average payment per child plus one-half the remainder within maximums of \$27 for the first child and \$18 for each additional child.

Under the 1946 and 1948 amendments to the public-assistance provisions of the Social Security Act, the States were enabled to increase their monthly old-age assistance and aid-to-the-blind payments to recipients as much as \$10 per month (\$5 in 1946 and \$5 in 1948) without increasing the amount of State and local expenditures per recipient. Similarly, in aid to dependent children, the States were enabled to increase the monthly payments \$6 per child. These liberalizations of the public-assistance programs without comparable liberalization in the old-age and survivors insurance program have resulted in public assistance continuing to be the major method of affording protection against the economic hazards of old age and death.

The committee-approved bill is designed to have the insurance program become the basic method. The strengthening of old-age and survivors insurance will reduce the need for public-assistance expenditures. The broad extension of coverage, the increase in benefits, and the liberalized eligibility requirements of the insurance program will decrease the number of people who will have to depend on the assistance programs. Therefore, your committee believes that the only major modifications in the public-assistance programs necessary at this time are those outlined hereafter.

Tables 20 and 21 present data by States on the three public-assistance programs showing number of recipients, average monthly payments, and annual costs of assistance subdivided into Federal share and State and local share. These data relate to September 1949, the latest month for which data showing the source of funds for each State are available.

TABLE 20.—Old-age assistance and aid to the blind: Number of recipients and average payments for September 1949 and annual amount of assistance, by source of funds<sup>1</sup>

[Based on data for September 1949]

State	Old-age assistance					Aid to the blind				
	Number of recipients (000)	Average payment per recipient	Annual amount of assistance			Number of recipients (000)	Average payment per recipient	Annual amount of assistance		
			Total (000)	Federal funds (000)	State and local funds (000)			Total (000)	Federal funds (000)	State and local funds (000)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Total, continental United States.....	2, 678	\$43. 74	\$1, 403, 974	\$784, 037	\$619, 937	72. 4	\$46. 74	\$40, 511	\$21, 464	\$19, 047
Alabama.....	75	22. 80	20, 384	14, 656	5, 728	1. 3	25. 22	399	279	120
Arizona.....	12	52. 05	7, 592	4, 137	3, 455	. 8	62. 36	613	283	330
Arkansas.....	58	24. 76	17, 262	12, 116	5, 146	1. 8	29. 13	629	422	207
California.....	290	70. 52	210, 904	92, 459	127, 445	8. 0	82. 38	8, 794	3, 185	5, 609
Colorado.....	48	66. 79	38, 694	17, 145	21, 549	. 4	56. 46	262	127	135
Connecticut.....	18	53. 38	11, 527	5, 823	5, 704	. 2	50. 11	121	66	55
Delaware.....	2	28. 39	5, 525	362	173	. 2	39. 16	71	44	27
District of Columbia.....	3	42. 12	1, 345	797	548	. 3	45. 30	137	79	56
Florida.....	67	40. 14	32, 078	20, 035	12, 043	3. 2	42. 45	1, 607	993	614
Georgia.....	94	22. 23	25, 063	18, 169	6, 894	2. 6	26. 21	811	560	251
Idaho.....	11	46. 76	6, 117	3, 415	2, 702	. 2	51. 39	131	67	64
Illinois.....	128	43. 99	67, 521	38, 717	28, 804	4. 5	46. 24	2, 518	1, 420	1, 098
Indiana.....	50	35. 37	21, 425	13, 669	7, 756	1. 9	37. 77	840	528	312
Iowa.....	49	48. 14	28, 112	15, 593	12, 519	1. 2	52. 72	758	385	373
Kansas.....	38	49. 57	22, 451	12, 270	10, 181	. 8	52. 04	475	249	227
Kentucky.....	61	20. 71	15, 082	11, 167	3, 895	2. 1	22. 06	564	410	154
Louisiana.....	120	47. 11	67, 658	40, 849	26, 809	1. 7	42. 24	869	495	374
Maine.....	14	42. 45	7, 211	4, 455	2, 756	. 7	43. 08	341	210	131
Maryland.....	12	36. 45	5, 228	3, 247	1, 981	. 5	40. 16	225	139	87
Massachusetts.....	93	59. 87	67, 010	31, 321	35, 689	1. 4	61. 90	1, 035	471	564
Michigan.....	97	45. 81	53, 165	30, 459	22, 706	1. 7	49. 76	1, 040	577	463
Minnesota.....	56	44. 49	29, 733	17, 434	12, 299	1. 1	55. 82	741	352	389
Mississippi.....	60	18. 81	13, 599	10, 177	3, 382	2. 6	25. 86	506	559	247
Missouri.....	126	42. 91	65, 055	40, 108	24, 947	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Montana.....	11	51. 13	6, 857	3, 733	3, 124	. 5	54. 40	321	167	154
Nebraska.....	24	43. 12	12, 492	7, 516	4, 976	. 6	52. 37	375	194	181
Nevada.....	3	54. 07	1, 633	899	734	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
New Hampshire.....	7	43. 49	3, 729	2, 170	1, 559	. 3	46. 23	176	100	76
New Jersey.....	24	47. 98	13, 714	7, 461	6, 253	. 7	53. 75	450	233	217
New Mexico.....	10	33. 74	3, 881	2, 487	1, 394	. 5	37. 42	205	127	78
New York.....	117	52. 02	72, 744	36, 891	35, 853	3. 8	58. 95	2, 685	1, 253	1, 432
North Carolina.....	57	21. 79	14, 878	10, 853	4, 025	3. 8	30. 95	1, 409	932	477
North Dakota.....	9	46. 86	4, 994	2, 728	2, 236	. 1	47. 78	68	36	32
Ohio.....	126	46. 27	69, 965	41, 119	28, 846	3. 7	44. 34	1, 967	1, 165	802
Oklahoma.....	101	52. 14	63, 025	34, 869	28, 156	2. 7	53. 21	1, 727	943	784
Oregon.....	23	48. 53	13, 496	7, 231	6, 265	. 4	56. 74	263	127	136
Pennsylvania.....	89	39. 57	42, 464	25, 772	16, 692	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Rhode Island.....	10	45. 61	5, 435	2, 969	2, 466	. 2	51. 96	100	51	49
South Carolina.....	39	21. 53	9, 968	7, 298	2, 670	1. 4	28. 45	486	329	157
South Dakota.....	12	38. 29	5, 527	3, 485	2, 042	. 2	34. 90	90	58	32
Tennessee.....	63	30. 22	22, 076	15, 090	7, 586	2. 4	36. 32	1, 041	664	377
Texas.....	219	34. 21	89, 757	57, 997	31, 760	6. 2	38. 58	2, 852	1, 795	1, 057
Utah.....	10	45. 16	5, 458	3, 180	2, 278	. 2	49. 91	123	67	56
Vermont.....	6	34. 63	2, 624	1, 691	933	. 2	39. 23	83	52	31
Virginia.....	18	20. 61	4, 557	3, 384	1, 173	1. 4	28. 51	486	328	158
Washington.....	70	65. 07	54, 770	24, 294	30, 476	. 7	76. 23	671	257	414
West Virginia.....	24	27. 14	7, 933	5, 428	2, 505	. 9	30. 76	346	229	117
Wisconsin.....	50	41. 60	25, 034	15, 526	9, 508	1. 3	45. 84	742	429	313
Wyoming.....	4	55. 37	2, 692	1, 386	1, 306	. 1	55. 02	57	29	28

<sup>1</sup> Data are based on most recent dollar distributions of assistance payments and differ slightly for some States from data in publications of the Social Security Administration which are based on monthly reports of State totals on recipients and amounts of payments.

<sup>2</sup> No federally approved plan.

TABLE 21.—Aid to dependent children: Number of recipients and average payments for September 1949 and annual amount of assistance, by source of funds<sup>1</sup>

[Based on data for September 1949]

State	Number of recipients		Average payment		Annual amount of assistance		
	Families (000)	Children (000)	Per family	Per child	Total (000)	Federal funds (000)	State and local funds (000)
Total, continental United States.....	557	1,411	\$72.37	\$28.48	\$482,710	\$211,530	\$271,180
Alabama.....	14	38	36.43	13.33	6,024	4,367	1,657
Arizona.....	3	9	86.90	30.93	3,478	1,487	1,991
Arkansas.....	12	32	41.52	16.09	6,176	4,239	1,937
California.....	26	58	111.95	50.75	35,509	9,720	25,789
Colorado.....	5	14	75.08	27.36	4,596	2,141	2,455
Connecticut.....	4	9	97.64	41.07	4,645	1,508	3,137
Delaware.....	1	2	72.87	24.70	474	252	222
District of Columbia.....	2	5	80.94	26.70	1,780	836	924
Florida.....	24	59	42.06	17.08	12,060	8,149	3,911
Georgia.....	12	31	41.91	16.24	6,086	4,167	1,919
Idaho.....	2	6	96.94	38.16	2,592	916	1,676
Illinois.....	26	65	95.00	37.34	29,195	10,446	18,749
Indiana.....	10	24	61.60	24.91	7,220	3,841	3,379
Iowa.....	5	12	74.80	29.15	4,210	1,859	2,351
Kansas.....	5	13	81.72	31.64	5,105	2,118	2,987
Kentucky.....	20	50	35.20	15.16	9,092	6,345	2,747
Louisiana.....	27	70	65.89	22.77	19,210	10,643	8,567
Maine.....	3	9	66.01	24.54	2,576	1,405	1,171
Maryland.....	6	17	80.84	26.98	5,515	2,567	2,948
Massachusetts.....	12	29	112.03	45.99	15,750	4,644	11,106
Michigan.....	26	59	87.58	37.87	26,823	9,638	17,185
Minnesota.....	8	19	85.76	33.61	7,825	3,089	4,736
Mississippi.....	9	24	26.50	9.76	2,763	2,072	691
Missouri.....	25	62	53.33	20.99	15,695	10,090	5,605
Montana.....	2	6	78.08	29.89	1,993	869	1,124
Nebraska.....	4	8	84.21	35.43	3,564	1,351	2,213
Nevada.....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
New Hampshire.....	1	4	89.36	35.28	1,650	587	963
New Jersey.....	5	13	85.11	33.11	5,207	2,080	3,127
New Mexico.....	5	13	51.81	20.13	3,146	1,849	1,297
New York.....	54	125	106.29	45.78	68,559	20,288	48,271
North Carolina.....	13	36	41.76	14.82	6,367	4,472	1,895
North Dakota.....	2	5	100.35	37.40	2,059	730	1,329
Ohio.....	13	35	63.89	23.59	9,849	5,215	4,634
Oklahoma.....	24	61	52.08	20.66	15,042	9,715	5,327
Oregon.....	3	8	90.98	35.94	3,518	1,296	2,222
Pennsylvania.....	40	127	90.84	35.34	53,806	20,284	33,522
Rhode Island.....	3	8	87.59	35.99	3,660	1,348	2,312
South Carolina.....	8	22	28.85	10.14	2,684	2,013	671
South Dakota.....	2	5	64.00	26.00	1,572	804	768
Tennessee.....	20	55	48.11	17.95	11,814	7,882	3,932
Texas.....	17	48	44.99	16.13	9,332	6,402	2,930
Utah.....	3	9	94.46	36.83	3,794	1,366	2,428
Vermont.....	1	2	53.39	19.50	552	361	191
Virginia.....	7	19	44.19	15.68	3,625	2,372	1,253
Washington.....	12	27	129.70	54.78	17,902	4,501	13,401
West Virginia.....	14	37	52.76	19.50	8,668	5,668	3,000
Wisconsin.....	8	21	95.15	38.33	9,516	3,329	6,187
Wyoming.....	( <sup>2</sup> )	1	96.06	35.18	652	209	343

<sup>1</sup> Data are based on most recent dollar distributions of assistance payments and differ slightly for some States from data in publications of the Social Security Administration which are based on monthly reports of State totals on recipients and amounts of payments.

<sup>2</sup> No federally approved plan.

<sup>3</sup> Less than 500 families.

XI. AID TO DEPENDENT CHILDREN <sup>1</sup>*A. Maximum assistance payments*

Under existing law the Federal Government does not share in that part of any monthly aid to dependent-children payment which exceeds \$27 for the first child and \$18 for each additional child in a family. The committee-approved bill would raise these matching maximums to \$30 and \$20, respectively, with the result that the maximum Federal funds available to the States would be increased from \$16.50 to \$18 per month for the first child and from \$12 to \$13 for each additional child. Thus, the States would be enabled to provide a higher level of payments for their dependent children. It is estimated that the additional cost to the Federal Government for this modification in the aid to dependent-children program will range from \$15 to \$20 million a year.

*B. Notification to appropriate law-enforcement officials*

Your committee believes that all instances of desertion and abandonment of children by parents which result in the payment of aid to dependent children should be brought to the attention of the proper law-enforcement officials. The committee-approved bill, therefore, would amend title IV of the Social Security Act by adding the requirement that an approved State plan must provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children with respect to a child who has been deserted or abandoned by a parent.

XII. AID TO THE BLIND <sup>2</sup>*A. Exemption of earnings*

Under title X of the Social Security Act the States are required, in determining the need for assistance, to take into consideration the income and resources of claimants of aid to the blind. Your committee believes this requirement stifles incentive and discourages the needy blind from becoming self-supporting and that therefore it should be replaced by a requirement that would assist blind individuals in becoming useful and productive members of their communities. Accordingly, the committee-approved bill would require all States administering federally approved aid to the blind programs to disregard earned income up to \$50 per month of claimants of aid to the blind beginning July 1, 1952. The exemption of earnings would be discretionary with each State prior to that date so the State legislatures will be afforded an opportunity to make any necessary changes in their aid to the blind laws to conform to the new requirement.

Aid to the needy blind, in the judgment of your committee, is not in the same category with assistance programs for other needy individuals. Opportunities for gainful employment for blind individuals are limited and their necessary expenditures are increased by the need for special books, for special medical treatment in some cases,

<sup>1</sup> Item XIV A, which follows, relates to medical care payments for aid to dependent children as well as for old-age assistance and aid to the blind. See also section by section analysis of the public assistance provisions of the bill, beginning on p. 170.

<sup>2</sup> Items XIV and XV also relate to the aid to the blind program. See also the section by section analysis of the public assistance provisions of the bill, beginning on p. 170.

and for guide service and readers. As with concessions and special provisions for the blind in other laws, the exemption of earnings up to \$50 per month is not regarded by your committee as a precedent for similar treatment for individuals who are not blind.

*B. Temporary approval of certain State plans*

Although the 48 States, the District of Columbia, Alaska, and Hawaii all are privileged to seek Federal grants under title X to assist them in financing programs of aid to the blind, Alaska, Missouri, Nevada, and Pennsylvania are not receiving grants for this purpose. Alaska has no special program for aid to the blind, but Missouri, Pennsylvania, and Nevada are administering programs for aiding blind persons, financed without the help of the Federal Government.

Pennsylvania has been negotiating for some time with the Social Security Administration to arrive at a basis by which it could develop a plan for aid to the blind that could be approved as conforming to the requirements of the Social Security Act. To help in solving the issue which has stood in the way of accepting the plan proposed by Pennsylvania and to facilitate formulation of acceptable plans by other States that do not at the present time have approved plans, the bill would amend title X. The bill would provide that, for an interim period, the Federal Security Administrator shall approve a plan of such State for aid to the blind, even though it does not meet the requirement in title X of the act, as amended, relating to the determination of need and consideration of resources, if the plan meets all other requirements. The amendment would provide, however, that Federal participation shall be available only with respect to expenditures which would be approvable under the requirements of title X, clause (8), section 1002 (a) of the act, as amended by the bill. This amendment would be effective only for the period October 1, 1950, to June 30, 1953. Your committee believes that this period of time will enable the States concerned to amend their laws and develop aid-to-blind plans that conform in all respects with the requirements of title X.

XIII. OLD-AGE ASSISTANCE <sup>3</sup>

In view of the extensive revisions in the old-age and survivors insurance program in the bill, your committee believes that a beginning should be made in reducing the Federal participation in supplementary old-age assistance payments made to beneficiaries of old-age benefit payments under the insurance program. The committee-approved bill, therefore, would provide that old-age assistance payments made to retired workers who become entitled to old-age insurance benefits for the first time after enactment of the bill, would be shared in by the Federal Government on a 50-50 basis within the individual monthly maximum of \$50. Thus, the Federal share of old-age assistance payments in these cases would be limited to \$25 instead of \$30 as in existing law. It should be noted that this provision would apply only to the retired insured worker and not to his wife or other dependents.

<sup>3</sup> Items XIV and XV also relate to the old-age assistance program. See also the section-by-section analysis of the public-assistance provisions of the bill, beginning on p. 170.

## XIV. MEDICAL CARE

*A. Method of payment*

The definition of assistance in existing law restricts Federal participation to expenditures that are made as money payments to needy individuals. This definition limits the effectiveness of the three State-Federal public-assistance programs in assisting needy individuals to meet their medical needs. Some State assistance agencies consider it preferable to pay the medical practitioners or institutions that supplied the medical care. Others have wanted to insure the recipients with organizations for group medical care such as the Blue Cross.

The committee-approved bill would permit direct payments to persons or institutions furnishing medical care or any other type of remedial care authorized under State law to recipients of State-Federal public assistance. Federal participation in such payments would be limited, however, to amounts which, when added to any money payment made to the needy individual, do not exceed the monthly maximums of \$50 for old-age assistance and aid to the blind and \$30 for the first child and \$20 for each additional child in an aid-to-dependent-children family.

*B. Public medical institutions*

Under existing law, the Federal Government participates in the cost of assistance payments to aged and blind individuals residing in private but not in public institutions. Under the committee-approved bill, the Federal Government would share in the cost of payments to old-age assistance and aid to the blind recipients living in public medical institutions other than those for mental diseases and tuberculosis.

A serious situation has developed especially with respect to needy aged persons who are chronically ill. More than 400,000 recipients of old-age assistance are bedridden or so infirm as to require help in eating, dressing, and getting about indoors. Of this number, about 50,000 are living in private institutions including commercial boarding or nursing homes. Many of the others who are living in their own homes are in need of prolonged care in medical institutions. Private institutions with charges within the financial reach of these recipients do not have sufficient capacity to provide this care. If State-Federal old-age assistance is payable as would be provided by the bill to needy aged and needy blind persons residing in public medical institutions, it is probable that many communities would develop additional facilities for chronically ill persons and thereby assist in meeting the increasing need for such facilities.

*C. Standards for institutions*

Some States now do not have agencies authorized to establish and maintain standards for the various kinds of institutional facilities in the State. Tragic instances of failure to maintain adequate standards of care and adequate protection against hazards threatening the health and safety of residents of institutions emphasize the importance of this function of State government. The bill therefore would provide as a requirement for a State old-age assistance or aid-to-the-blind plan that, if assistance is paid to persons in public or private institutions, the State plan must also provide for the establishment or designation of a State authority or authorities which shall be

responsible for establishing and maintaining standards for such institutions. Persons who live in institutions, including nursing and convalescent homes, should be assured a reasonable standard of care and be protected against fire hazards, unsanitary conditions, and overcrowding.

#### XV. OTHER ADMINISTRATIVE AND TECHNICAL AMENDMENTS RELATING TO REQUIREMENTS FOR STATE PLANS

The provisions of the committee-approved bill discussed previously in this section of the report as well as other administrative and technical amendments are outlined in the section by section analysis of the public-assistance provisions of the bill (see pp. 170-179). The amendments contained in the House-approved bill that would be modified or deleted by the committee-approved bill are also referred to in that part of the report.

### CHILD HEALTH AND WELFARE SERVICES

#### XVI. GENERAL STATEMENT

Title V of the Social Security Act authorizes Federal grants-in-aid to the States for service programs to promote the health and welfare of children, especially in rural areas and in areas of special need. Your committee believes that the three programs—maternal and child health services, crippled children services, and child welfare services—have demonstrated the effectiveness of cooperative planning between the State and Federal Governments in these important areas. Unmet health and welfare needs of children, if ignored too long, may necessitate expensive and less effective treatment later. By providing additional Federal funds, all States would be enabled to meet these needs promptly and constructively for an increased number of children.

#### XVII. MATERNAL AND CHILD HEALTH SERVICES

Existing law authorizes an annual appropriation of \$11 million for grants to States to assist them in extending and improving services which promote the health of mothers and children, especially in rural areas and areas of special need. Half of the \$11 million (\$5½ million) must be matched by the States. Of this amount each State receives a uniform apportionment of \$35,000 and the remainder is allotted on the basis of the relative number of live births in the State. The other \$5½ million is allotted among the States on the basis of the financial need of each State after taking into consideration the number of live births in the State.

The committee-approved bill would increase the \$11 million authorization to \$20 million and would raise the uniform \$35,000 allotment to \$60,000. Otherwise, the existing provisions of law relating to the apportionment of funds would be unchanged. Thus, the States would be required to match \$10 million annually (instead of \$5½ million).

Recent reports received by the Children's Bureau from State health departments indicate that because of increased costs, 23 of the 53 States and Territories participating in the maternal and child-health program have already, or will soon, find it necessary to curtail some of

their services because of lack of funds. The health departments also indicate that demands for services are increasing because of the continued high birth rate. In 1948, for example, there were 40 percent more children under age 5 (5 million more) than in 1940, and 21 percent more children age 5 to 9 years.

#### XVIII. SERVICES FOR CRIPPLED CHILDREN

Existing law authorizes an annual appropriation of \$7½ million for grants to States to assist them in extending and improving their services for crippled children, especially in rural areas and areas of special need. Half of the \$7½ million (\$3¾ million) must be matched by the States. Of this amount each State receives a uniform apportionment of \$30,000 and the remainder is allotted on the basis of need after consideration of the number of crippled children in the State needing services and the costs of such services. The other \$3¾ million is allotted to the States on the same basis of need.

The committee-approved bill would increase the \$7½ million authorization to \$15 million and raise the uniform apportionment from \$30,000 to \$60,000. Otherwise, the existing provisions of law relating to the apportionment of funds would be unchanged. Thus, the States would be required to match \$7½ million annually (instead of \$3¾ million).

The cost of providing service to crippled children has risen sharply. Hospital costs make up a large share of expenditures under this program. Between 1939 and 1948, there was an increase from \$6.42 to \$14.06 in the average operating cost per patient-day in voluntary nonprofit hospitals. Recent reports received by the Children's Bureau from the State crippled children's agencies reveal that 37 of them are having to curtail their programs owing to lack of funds; either by closing clinics or limiting the intake of children awaiting service. The additional Federal funds that would be provided under the committee-approved bill would not only assist the States to maintain their present services but many States would be enabled to extend and improve their services. Thirty-six agencies now have plans laid to begin or extend rheumatic fever programs; 35 would start or expand care for children with cerebral palsy while others would provide more services for epileptic children.

#### XIX. CHILD-WELFARE SERVICES

Existing law authorizes an annual appropriation of \$3½ million for grants to States to assist them in extending and strengthening their child-welfare services, especially in predominantly rural areas or areas of special need. These services are for the protection and care of homeless, dependent, and neglected children and children in danger of becoming delinquent. Each State receives a uniform allotment of \$20,000 and the balance of the \$3½ million is apportioned to the States on the basis of the ratio of rural population in the State to the rural population in the United States.

The committee-approved bill would increase the \$3½ million authorization to \$12 million and the uniform allotment from \$20,000 to \$40,000. The balance of the \$12 million would be allotted to the States on the basis of rural child population so as to gear the apportion-

ment of funds more closely to the number of children to be provided services.

The committee-approved bill would also amend existing law to provide specifically that Federal child-welfare funds allotted to the States may be used for paying the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. In addition a proviso would be added to existing law to the effect that in developing the various services under the State plans the States would be free but not compelled to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements.

Testimony presented to your committee indicates that by providing \$12 million annually to the States for child-welfare services the program would be expanded to provide care and protection for a greater number of children who cannot be cared for in their own homes, as well as to afford children who are living with their parents the social services that may be required to strengthen family life.

## UNEMPLOYMENT INSURANCE

### XX. ADVANCES TO STATES

Title XII of the Social Security Act allowing advances to the accounts of States in the Unemployment Trust Fund, expired on January 1, 1950. During the operation of this title no State has been eligible for such an advance. The committee's action has continued the operation of title XII until December 31, 1951, and provisions for advances will operate retroactively with respect to calendar quarters expiring since January 1, 1950.

If the balance in the State's account in the Unemployment Trust Fund does not exceed the total contributions deposited during the higher of the two calendar years preceding the calendar quarter under consideration, the State is entitled to an advance. Such advance may equal the amount by which the unemployment compensation paid out by the State in the calendar quarter exceeded 2.7 percent of the total wages which were subject to the State's unemployment compensation law.

Advances made to a State are to be repaid, without interest, to the Federal unemployment account automatically, from the unemployment fund of that State, when and to the extent that the balance in the State's account at the end of any quarter exceeds the total contributions deposited during the higher of the two calendar years preceding that quarter.

## SECTION BY SECTION ANALYSIS OF THE BILL

The first section of the bill contains a short title, Social Security Act Amendments of 1950, and a table of contents. The remainder of the bill is divided into four titles: Title I, which amends title II of the Social Security Act; title II, which amends the Internal Revenue Code; title III, which contains the amendments to the public-assistance and child-welfare provisions of the Social Security Act; and title IV, which contains miscellaneous amendments to the Social Security Act.

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

#### OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Section 101 (a) of the bill amends section 202 of the Social Security Act. Section 202, as amended, contains provisions relating to old-age, wife's, husband's, child's, widow's, widower's, mother's, and parent's insurance benefits; lump-sum death payments; applications for benefits; simultaneous entitlement to benefits; and the effect of entitlement to survivor benefits under the Railroad Retirement Act of 1937. Subsections (b), (c), and (d) of section 101 of the bill contain provisions (explained below) relating to the effective dates of the amendments made by subsection (a), the protection of individuals now receiving benefits, the protection of individuals eligible for benefits under the Social Security Act before amendment by this bill, and the filing of applications for lump-sum death payments in the case of deaths occurring on or before the effective date. Substantive changes from the bill as passed by the House of Representatives will be discussed under the specific headings below. In addition changes have been made in the effective dates. Minor clarifications and drafting changes will be mentioned only when of some significance.

#### *Old-age insurance benefits*

The name of the benefit provided by section 202 (a) of the Social Security Act is changed from "primary insurance benefit" to "old-age insurance benefit." The conditions under which an individual may become entitled to old-age insurance benefits are the same as those for the present primary insurance benefits, i. e., fully insured status (as redefined in section 214 (a)), attainment of retirement age (age 65), and filing application. Since the payment of benefits on account of permanent and total disability as provided under the bill as passed by the House has been eliminated, the provision waiving the requirement of filing application for old-age insurance benefits in case the individual was entitled to disability benefits when he attained age 65 does not appear in the bill as reported.

Under section 101 (c) (1) of the bill, individuals entitled to primary insurance benefits under existing law will automatically become entitled to old-age insurance benefits under the amended act.

*Wife's insurance benefits*

Section 202 (b) of the Social Security Act as amended by the bill continues the conditions required by existing law for entitlement to wife's insurance benefits. In this respect this bill differs from the House bill, which would have permitted the payment of wife's insurance benefits to a woman under age 65 if she had in her care a child entitled to a child's benefit based on her husband's wage record.

*Husband's insurance benefits.*

The bill adds a new subsection (c) to section 202 of the Social Security Act to provide benefits for the dependent husband of a female old-age insurance beneficiary who was currently insured at the time of her entitlement to the old-age insurance benefit (or primary insurance benefit if she is now entitled to one). To be eligible for the husband's insurance benefit, the husband must (1) have filed an application therefor; (2) have attained retirement age; (3) be living with his wife at the time of filing application; (4) have been receiving at least one-half his support from her, as determined in accordance with regulations of the Administrator, at the time she became entitled to her old-age insurance benefit and have filed proof of such support within 2 years after the month in which she became so entitled, and (5) either not be entitled to an old-age insurance benefit on his own wage record or, if entitled to such a benefit, it must be less than one-half his wife's old-age insurance benefit.

The determination whether the husband is receiving at least one-half of his support from his wife has been made subject to regulations of the Administrator in order to permit the latitude necessary to enable him to determine the existence of true support, rather than support or lack of it resulting from income attributable to a spouse under community property laws. This is consistent with present administrative practice under section 209 (n) of the Social Security Act as now in effect which requires a determination of whether a husband was making regular contributions toward his wife's support.

As in the case of the wife's insurance benefit, the husband's insurance benefit will be paid up to the month in which he or his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of his wife's old-age insurance benefit. The husband's insurance benefit will be equal to one-half of his wife's old-age insurance benefit. If the wife is entitled to primary insurance benefits at the time the new provisions become effective, the 2-year period during which proof of dependency must be filed by the husband will start at the effective date. The bill as passed by the House did not provide benefits for dependent husbands.

*Child's insurance benefits*

Section 202 (d) of the Social Security Act as amended by the bill (sec. 202 (c) of the present law) makes several changes in the provisions relating to child's benefits. Under the present law, the benefit amount for a child entitled on the wage record of a deceased or retired insured worker is equal to one-half the primary insurance benefit of the worker. A widow with a child receives one and a quarter times an old-age insurance benefit, while a retired worker

with a child would receive one and a half times such benefit. To equalize family benefit amounts as between families of deceased and retired workers, the bill increases the total amount of the family benefits in a survivor family in which there is at least one entitled child by one-fourth of the worker's old-age benefit. If there is more than one child, this additional amount is to be divided equally among the children.

A child is entitled to child's insurance benefits only if he was dependent upon the individual on the basis of whose wage record he files application for child's insurance benefits. Paragraphs (3), (4), and (5) of subsection (d) of the Social Security Act as amended by the bill set forth the circumstances under which a child is deemed dependent upon an individual.

Paragraph (3) states the circumstances under which a child is deemed dependent upon his father or adopting father. This paragraph makes no change in existing law.

Paragraph (4) states the circumstances under which a child is deemed dependent upon his stepfather. Under existing law a child is deemed dependent upon a stepfather only if no father or adopting father was living with or contributing to the support of such child. Under the bill the child is deemed dependent upon his stepfather if the child was living with or was receiving at least one-half of his support from such stepfather.

Paragraph (5) states the circumstances under which the child is deemed dependent upon his natural or adopting mother or upon his stepmother. Under existing law, the presence of a father or adopting father in the household prevents a finding of dependency of a child on his mother. Any contributions from a father or adopting father also prevent finding a child dependent on his mother. The bill permits the payment of benefits to a child on the basis of his natural or adopting mother's wage record if she was currently insured when she died or became entitled to an old-age insurance benefit. This represents a change from the bill as passed by the House, under which a woman worker who died would have to be both fully and currently insured at the time she died to permit payment to the child on the basis of her wage record, and benefits would have been payable to the child of a retired woman worker only as provided under existing law. Benefits are also payable on the basis of a natural, adopting, or stepmother's wage record, if she was furnishing at least half of the child's support, or if she was living with or contributing to the child's support and the child has been neither living with nor receiving any contributions toward his support from his father.

Aside from the change in paragraph (5) of section 202 (c), discussed above, relating to a child's dependency on a currently insured woman worker, the bill as reported is the same as the House bill.

#### *Widow's insurance benefits*

Section 202 (e) (sec. 202 (d) of present law) would be changed by the bill so as to permit a wife entitled to wife's insurance benefits to become entitled to widow's insurance benefits upon the death of her husband without filing a new application. All conditions of eligibility for the two benefits are the same with one exception (death in the case of widow's benefits, and entitlement of the husband to old-age insurance benefits in the case of wife's benefits). This change will

simplify administration and prevent delay in payment of widow's insurance benefits.

The bill as reported differs from that passed by the House only by reason of a drafting change necessitated by elimination of "wife's insurance benefits" for wives under age 65 (discussed above in connection with section 202 (b)).

*Widower's insurance benefits*

The bill adds a new subsection (f) to section 202 of the Social Security Act to provide benefits for the dependent widower of a woman who is fully and currently insured at the time of her death and who dies after these amendments become effective. To be eligible for the widower's benefit, the individual must (1) not have remarried; (2) have attained retirement age; (3) have filed application for the widower's insurance benefits or have been entitled to husband's insurance benefits on the basis of his wife's wage record during the month preceding the month in which she died; (4) have been living with his wife at the time of her death; (5) have been receiving at least one-half of his support from her, as determined in accordance with regulations of the Administrator, at the time of her death, or at the time she became entitled to old-age-insurance benefits if she was then a currently insured individual; (6) have filed proof of such support within 2 years after the month in which she died or became entitled to old-age-insurance benefits, as the case may be; and (7) either not be entitled to an old-age-insurance benefit or, if he is so entitled, such benefit must be less than three-fourths of the primary insurance amount of his deceased wife. The determination whether the widower was receiving at least one-half of his support from his deceased wife has been made subject to regulations of the Administrator in order to permit the latitude necessary to enable him to determine the existence of true support, rather than support or lack of it resulting from income attributable to a spouse under community-property laws. This is consistent with present administrative practice under section 209 (n) of the Social Security Act as now in effect which requires a determination of whether a deceased husband was making regular contributions toward his widow's support at his death.

The widower's insurance benefits are each equal to three-fourths of his deceased wife's primary insurance amount and are payable until he remarries, dies, or becomes entitled to an old-age-insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

The bill as passed by the House did not provide benefits for dependent widowers.

*Mother's insurance benefits*

Subsection (g) of section 202 of the Social Security Act as amended by the bill changes the title of the present widow's current insurance benefits (sec. 202 (e) of the present law) to mother's insurance benefits. It provides for payment of such benefits to the divorced wife of a deceased insured worker if she had been receiving at least half her support from the worker, and if she is caring for her son, daughter, or legally adopted child who is receiving benefits on the worker's wage record. Under section 101 (c) (1) of the bill, individuals entitled to widow's current insurance benefits under existing law will automatically become entitled to mother's insurance benefits under the new law.

*Parent's insurance benefits*

Under section 202 (h) as amended by the bill (sec. 202 (f) of present law), the requirement that a parent must have been chiefly dependent upon and supported by the wage earner is changed to require only that the parent must have been receiving at least one-half of his support from the wage earner in order for the parent to be found dependent on him. This will make it unnecessary to look to the value of any non-income-producing property a parent may own and will avoid the difficulties involved in establishing dependency in cases where the parent was receiving an equal portion of his support from two children.

The bill as reported is the same as the House bill in this respect. It differs from the House bill, however, in that the amount of the parent's benefit will be retained at one-half the deceased worker's primary insurance amount, as in the present law, whereas the bill as passed by the House would have raised the parent's benefit to three-fourths of the deceased worker's primary insurance amount.

*Lump-sum death payments*

Section 202 (i) of the Social Security Act as amended by the bill (sec. 202 (g) of existing law) makes two important changes in the provision for lump-sum death payments. The first change limits the amount of the lump-sum payment to three times the worker's primary insurance amount, instead of six times the primary benefit as now provided. As primary insurance amounts provided in the bill are about double the present primary benefits, the change made by the bill would keep lump-sum death payments at about their present dollar level.

The second major change made by the bill would provide that if the total of monthly benefits paid on the basis of the deceased insured individual's wage record for the month in which he died and the 11 succeeding months is less than three times his primary insurance amount, a lump-sum equal to the difference between the two amounts is to be paid. Payment is to be made to the same persons and to the same extent as is provided under existing law and under the bill in cases in which there are no such monthly benefits payable in the month of death (to the widow or widower, or if there is none, to the person who paid the burial expenses). This change would prevent the anomalous situation possible at present when a deceased worker is survived by a widow with a child who is within a few months of attaining age 18, and the total amount of monthly benefits payable to the family within the year beginning with the month of his death is less than the lump-sum payment would have been.

The bill as reported differs on this matter from the bill as passed by the House in one substantive respect. Under existing law a lump-sum death payment is payable only where there is no surviving spouse, child, or parent who would, on filing application in the month of the insured individual's death, be entitled to monthly benefits on the basis of such individual's wage record. Under the bill as passed by the House, a lump-sum death payment would have been payable for the death of every insured individual. The circumstances under which the bill as reported would provide for payment of a lump-sum death payment even though monthly benefits are payable on the deceased's wage record are indicated in the preceding paragraph.

*Application for benefits*

Paragraph (1) of section 202 (j) as amended by the bill (sec. 202 (h) of present law) is the same as existing law except that it increases from 3 to 6 the number of months for which benefits may be paid retroactively to individuals who failed to file their applications as soon as they were otherwise eligible, but this applies only to benefits payable for months after the effective date of the new provisions.

Paragraph (2) of this subsection continues the provision of the present law (sec. 205 (m)) which makes ineffectual any application filed more than 3 months before entitlement, and adds the provision that an application filed during the 3-month period before the month in which the individual is first eligible for benefits shall be deemed to have been filed in the first month in which he is eligible. This gives a definite date of reference for the application.

The bill as reported makes no change in the House bill on this matter.

*Simultaneous entitlement to benefits*

Subsection (k) brings together in one subsection the provisions relating to simultaneous entitlement to benefits now spread throughout section 202. Paragraph (1) of the new subsection provides that whenever a group of children could all be entitled, upon application, to child's insurance benefits based on the same two or more wage records, all of them (entitled on at least one of the records) will be deemed entitled on all of such records with respect to which at least one of such children has filed an application. Paragraph (2) (A) of the new subsection complements the new paragraph (1) by providing that a child entitled to child's insurance benefits on more than one wage record will be entitled only on the record which produces the highest primary insurance amount.

The effect of these two paragraphs is to make all children, who could be entitled to child's insurance benefits on the same two or more wage records (and who are actually entitled on at least one of these records), entitled only on the one of such records with respect to which at least one of them has filed application and which produces the highest primary insurance amount. This is substantially the same as the effect of section 205 (c) of existing law which restricts a child, entitled to more than one child's insurance benefit, to the one of such benefits which is based on the record of the individual with the highest primary benefit. (It will, however, produce substantially different results than present law because of the amendments to sec. 203 (a) of the Social Security Act, described hereafter, under which all the wage records on which the group of children could be entitled, and with respect to which at least one of the group has filed application, will be combined for purposes of determining the maximum amount of benefits payable to such children and any other persons entitled to benefits on such records.) On the other hand, this differs from the provision on the same subject in the bill as passed by the House. Under the latter (sec. 202 (i) of the Social Security Act in the bill as passed by the House) a child, as well as any other individual, entitled to more than one monthly benefit (other than an old-age insurance benefit) would have been entitled only to the largest of these. The House bill would also have continued the requirement in existing law

that a specific application by a child with respect to a wage record be made before he can become entitled on that record.

Under the House bill, there could be fortuitous losses to families if the children chose the wrong wage record on which to file a claim. For example, total orphans may be able to file claims on the wage records of both deceased parents. The amount received by the several children might be different, under the House bill, depending on how many children actually filed on each record, because of the application of the maximum in section 203 (a) to the total benefits payable on one wage record or because the additional one-fourth of a primary insurance amount payable to all children filing on a wage record is divided among such children. Additional complications would arise if one of the children were to suffer a loss of benefits for some months because of work for wages in excess of the \$50 per month maximum. In such cases, the family would have to determine under the House bill whether it would be more advantageous in the long run for another child who has not already done so to claim benefits on the same wage record as that on which the working child is entitled, or to continue receiving benefits on another wage record. The necessity for these difficult decisions, and their fortuitous results, have been eliminated by the changes made by your committee. These changes, together with the amended section 203 (a) (mentioned above and described more fully below), will produce results which are both more equitable than existing law or the House bill and more easily administered than the provisions of the House bill.

Paragraph (2) (B) of the new subsection (k) deals with other situations of entitlement for a month to more than one monthly insurance benefit (other than an old-age insurance benefit) under the preceding provisions of section 202. Under it, only the largest of such benefits will be paid to such individual. This amendment makes uniform the provisions for avoiding duplicate benefit payments, and it will allow each individual the amount of the largest single benefit to which he can become entitled. The effect of paragraph (2) (B) is the same as the analogous provisions of the bill as passed by the House.

Paragraph (3) of the new section 202 (k) replaces the clause in the subsections on wife's, widow's, widow's current (mother's), and parent's benefits in existing law which provides for reducing the amount of such benefits by the amount of the old-age insurance benefit to which the individual becomes entitled on his own wage record. (It is of course, also made applicable to the new husband's and widower's insurance benefits.) This is merely a language simplification, retaining the principle in the present law. It is identical with the provisions of section 202 (i) (2) in the bill as passed by the House.

#### *Entitlement to survivor benefits under Railroad Retirement Act*

Subsection (l) of section 202 is a new subsection which provides that if any person could become entitled to an annuity under section 5 of the Railroad Retirement Act of 1937, or a lump-sum payment under subsection (f) (1) of that section, with respect to the death of an employee, no lump-sum death payment or monthly survivors benefits shall be payable under the Social Security Act on the basis of the wages or self-employment income of that employee. This amendment is necessary to continue the existing coordination of survivors benefits under the railroad retirement and old-age and survivors

insurance programs. As survivors benefits are based on a combination of the wage records under the programs, it is necessary to specify that eligibility for survivors benefits under one program will preclude the payment of survivors benefits under the other program. Section 205 (o) of the Social Security Act, as amended by the bill, contains the corresponding provisions for counting railroad compensation in computing survivors benefits under the Social Security Act.

The provisions of this new subsection are the same as the provisions on this matter in the bill as passed by the House.

*Effective date of amendment made by section 101(a)*

Subsection (b) of section 101 of the bill provides that the preceding changes in section 202 of the Social Security Act shall, with one exception, be effective on the first day of the second calendar month following the month of enactment. The term "effective date" after which the new benefits are first payable, is defined as the day preceding that first day. The new section 202 (j) (2), which relates to the filing of applications, becomes effective on enactment, and the present section 205 (m), which it replaces, is repealed with respect to monthly benefits for months after the effective date. Thus, applications for benefits for months after the effective date will be filed only under the new section 202 (j) (2). Under the bill as passed by the House, the changes would have become effective on January 1, 1950.

*Saving provisions*

Subsection (c) of section 101 of the bill is a saving clause for persons already entitled under the present law so that they will not lose their entitlement to benefits on account of enactment of the bill. It would also protect the rights of individuals who would be entitled to benefits under existing law for the first month after the month of enactment of the new provisions, or any prior month, upon filing application for such benefits within 3 months after the month of entitlement to such benefit, in accordance with the present retroactive filing provisions of section 202 (h).

Section 101 (d) of the bill continues existing law with respect to lump-sum death payments on the wage records of persons who died on or before the effective date. There is, however, one exception. The Social Security Act amendments of 1946 extended to August 10, 1948, the period for claiming the lump sum in the case of insured persons who died outside the 48 States, Alaska, Hawaii, and the District of Columbia between December 6, 1941, and August 10, 1946. The bill would extend for 2 years after the effective date the period for claiming lump-sum death payments in the case of such deaths and in the case of deaths occurring in Alaska and Hawaii.

These saving provisions are the same in substance as the provisions of subsections (c) and (e) of section 101 of the bill as passed by the House. The bill as reported omits (as unnecessary in view of other differences between the two bills) the provisions of section 101 (d) of the House bill. Under the latter bill, the definition of a fully insured individual was amended so that an individual could be fully insured if he had 20 quarters of coverage in the 40-quarter period ending with the quarter of death or any quarter in which he was 65 years of age or older. In death cases this new method of attaining fully insured

status was made applicable whether the death occurred before or after enactment of the new provisions. Consequently, the House bill contained a provision extending the 2-year period within which a parent must file proof of dependency on a wage earner if the latter died within the period (June 1947 through December 1949) in which the wage earner could have been insured under the new provisions of that bill but not under existing law. Since under the bill as reported by your committee the provisions on fully insured status under existing law will continue to be applicable in cases of death in or prior to the first month following the month of enactment of the bill, the provisions of section 101 (d) of the House bill have been deleted.

#### MAXIMUM BENEFITS

Section 102 of the bill replaces subsections (a), (b), and (c) of section 203 of the present Social Security Act with a new section 203 (a). The new subsection liberalizes the maximum amount of monthly benefits payable, for months after the first calendar month following the month in which the bill is enacted. Under the House bill, the new provisions would have been effective for months after 1949.

Under existing law, the benefits payable on the basis of an individual's wages, if they exceed \$20 for any month, are reduced for such month to \$85, to twice his primary benefit, or to 80 percent of his average monthly wage, whichever is smallest, but not below \$20. The bill increases the figure of \$85 to \$150, eliminates the limitation of twice the primary insurance benefit, and raises the figure of \$20, below which the total of benefits may not be reduced, to \$40. This result was accomplished in the House bill by establishing a minimum average monthly wage of \$50, so that application of the 80-percent maximum could not reduce family benefits below \$40. Your committee has eliminated the provision for a minimum average monthly wage and it thus becomes necessary to restore to the bill a specific dollar minimum below which the operation of the maximum of 80 percent of the average monthly wage will not reduce benefits.

The subsection further provides that when the beneficiary group includes children who would be entitled to child's benefits on the basis of more than one wage record (but for the provisions concerning simultaneous entitlement to benefits in section 202 (k) (2) (A)), the total benefits payable shall be reduced to the lesser of \$150 or 80 percent of the sum of the average monthly wages of all the insured individuals on whose wage records such benefits would otherwise be payable, but in no case to less than \$40. This provision complements the provisions on simultaneous entitlement to benefits in paragraphs (1) and (2) (A) of section 202 (k) of the Social Security Act as amended by the bill. Under the simultaneous entitlement provisions all children entitled to child's insurance benefits on the same two or more wage records would be restricted to benefits based on only the one of such records which produces the highest primary insurance amount. To prevent this restriction from unduly limiting the total amount payable to children in the same family, the above provision for combining all the wage records, on which any of the family are entitled, for determining the maximum benefit was inserted. It did not appear in the bill as passed by the House. It is, however, an essential

companion to the changes made in existing law (and in the House bill) by paragraphs (1) and (2) (A) of section 202 (k).

Under the present law, the total of the family benefits for a month is reduced to the maximum permitted by section 203 (a) prior to any deductions on account of the occurrence of any event specified in the law (such as work for wages in excess of the maximum permitted). Section 203 (a) as amended by the bill reverses this procedure and provides that the reduction in the total of benefits for a month is to be made after the deductions. As a result, larger family benefits will be payable in many cases. For example, if a worker with a primary insurance amount of \$40 and an average monthly wage of \$80 dies leaving a widow and two children, all of whom have filed claims and are entitled to benefits, the maximum of the benefits payable to these survivors for any month is \$64 (80 percent of \$80). Prior to the application of the maximum, the widow would be entitled to a benefit of \$30 and each child to a benefit of \$25 (three-fourths of the primary insurance amount for the widow and one-half of such amount for each child, with an additional one-fourth of such amount divided equally between the two children). Under the procedure in existing law, these amounts would be reduced to \$24 for the widow and \$20 for each child (so as to total \$64). The reduction in these amounts applies even though one beneficiary, such as the widow, suffers a loss of her benefit because she earns more than the permitted amount for services in covered employment. Under section 203 (a) as amended by the bill, the maximum would be applied for any month after any deductions for that month so that, where the widow works as in the above case, each child would receive the full \$25.

The bill eliminates as unnecessary the present provision of section 203 (b) that benefits payable on any wage record shall not be less than \$10 per month. Since the bill establishes a minimum primary insurance amount of \$20 in any case where the average monthly wage is less than \$34, the minimum benefit payable on such wage record is \$10 if the only benefit payable is a parent's benefit and \$15 in the case of any other single survivor benefit payable on such wage record; in the case where the average monthly wage is \$34 or more, corresponding figures are \$12.50 and \$18.75, respectively. The provision of the existing section 203 (c) under which each benefit, except the old-age insurance benefit, is proportionately decreased when there is a decrease in the total family benefits is transferred by the bill (as was true in the case of the House bill) to section 203 (a).

Except for the combination of wage records for purposes of the family maximum in cases of children entitled on more than one wage record, which did not appear in the bill as passed by the House, and for the change in effective dates, the bill as reported by your committee and the House bill are the same on this matter.

#### DEDUCTIONS FROM BENEFITS

Section 103 of the bill revises rather extensively the provisions of the present Social Security Act relating to deductions from benefits. Subsections (d), (e), (f), (g), and (h) of section 203 of the present act are replaced by subsections (b), (c), (d), (e), (f), (g), (h), (i), and (j) of section 203 of the amended act.

*Deductions on account of work or failure to have child in care*

Paragraphs (1) and (2) of section 203 (b) provide that deductions are to be made from benefits for any month in which a beneficiary is under the age of 75 and either renders services for wages of more than \$50, or is charged (under the provisions of the new subsection (e) of section 203) with net earnings from self-employment of more than \$50. This provision replaces the provision of the present law under which deductions from benefits are made, regardless of the age of the beneficiary, for any month in which the beneficiary renders services for wages of \$15 or more.

Three principal changes are effected by these provisions. First, the amount of wages a beneficiary is permitted to earn in covered employment in a month without suffering a deduction from benefits is raised from \$14.99 to \$50. Second, since coverage under the act has been extended to certain of the self-employed, the bill provides for deductions to be made when beneficiaries engage substantially in covered self-employment and derive net earnings from self-employment in excess of that permitted (see the discussion of section 203 (e) below). Third, deductions have been eliminated if the beneficiary is 75 years old or over.

It is made clear by paragraph (1) that, for deduction purposes, wages are to be determined without regard to section 209 (a) which limits the meaning of the term "wages" for all other purposes to \$3,000 in a calendar year. Thus, an individual who earns \$3,000 in wages in the first few months of a year (for which deductions would be imposed under section 203 (b) (1)) will not receive benefits for any succeeding month of the year in which he renders service in covered employment for remuneration of more than \$50, even though the latter remuneration is not considered as wages for other purposes of title II of the Social Security Act.

Paragraphs (3) and (4) provide that deductions are to be made for any month in which a widow, entitled to a mother's insurance benefit does not have in her care a child of her deceased husband entitled to a child's insurance benefit (this is existing law); or in which a former wife divorced, entitled to a mother's insurance benefit, does not have in her care a child (of her deceased former husband) who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband. The provision in the House bill relating to deductions on account of the failure of a wife under age 65 to have a child beneficiary in her care has been deleted, since wife's benefits are not payable to her under the bill as approved by your committee.

*Deductions from dependents' benefits because of work by old-age beneficiary*

Section 203 (c) provides for the making of deductions from dependents' benefits for any month in which the old-age beneficiary suffers a deduction with respect to his own benefit. Paragraph (1) of this subsection, which is similar to existing law, provides that deductions from a wife's, husband's, or child's benefits are to be made for months in which the old-age beneficiary suffers a deduction under section 203 (b) (1) (which relates to the rendition of services for wages of more than \$50). Paragraph (2) adds a comparable provision so as to deduct a

wife's, husband's, or child's benefit for months in which the old-age beneficiary suffers a deduction under section 203 (b) (2) (which relates to the charging to a month of net earnings from self-employment of more than \$50).

*Occurrence of more than one event*

The first sentence of section 203 (d), which is similar to present law, provides that if more than one of the events specified in subsections (b) and (c) of section 203 occurs in any month, which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit is to be deducted. The second sentence provides that the charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

*Months to which net earnings from self-employment are charged*

Section 203 (e) provides the method for charging net earnings from self-employment to particular months of the taxable year for the purposes of determining the deductions required under the provisions of sections 203 (b) (2) and 203 (c) (2).

Paragraph (1) provides that if an individual's net earnings from self-employment for the taxable year are not more than the product of \$50 times the number of months in such year, no month in such year is to be charged with more than \$50 of net earnings from self-employment. Thus, if an individual has net earnings from self-employment of less than \$600 (for a taxable year of 12 months) no deduction would be imposed under section 203 (b) (2) or 203 (c) (2) even though all of the net earnings from self-employment may have been earned during a period of a few months in such year at a rate in excess of \$50 per month.

Paragraph (2) provides the method for determining the months of a taxable year to be charged with net earnings from self-employment in the case of an individual whose net earnings from self-employment for his taxable year exceed the product of \$50 times the number of months of such year. In this case, each month of the year is first to be charged with \$50 of net earnings from self-employment, then the amount of net earnings in excess of the product is to be charged in units of \$50, beginning with the last month of the taxable year and progressing toward the first month of the taxable year. The paragraph provides further that no part of the excess net earnings from self-employment is to be charged to any month in which the individual was not entitled to a benefit under title II; in which an event described in paragraph (1), (3), or (4) of section 203 (b) occurred; in which the individual was age 75 or over; or in which the individual did not engage in self-employment.

In connection with the charging of the excess, it should be noted that, in the case of an excess amount of net earnings which is not divisible by \$50, it is possible to charge a unit of excess which is less than \$50. For example, an individual who has a full 12-month taxable year and has net earnings from self-employment of \$651 would have two units of excess net earnings from self-employment, one of \$50 and one of \$1, and would thus be potentially subject to deductions for 2 months of the year.

Generally, the taxable year of an individual will be a calendar year, or a fiscal year, containing 12 months. The most common case of a

taxable year of less than 12 months will occur by reason of the death of a beneficiary. If, for example, a beneficiary having a taxable year which is a calendar year should die on June 2, his taxable year for the year of his death would begin on January 1 and end on June 2. If his net earnings from self-employment for the short taxable year are not more than \$300 (\$50 times 6 months), no month in such taxable year would be charged with more than \$50. If his net earnings from self-employment for such year exceed \$300, paragraph (2) of subsection (e) would be applicable in determining whether deductions from benefits are to be made.

The months to which the excess net earnings from self-employment may not be charged include those during which the individual performed services for wages of more than \$50, and those during which an individual under retirement age drawing benefits as a widow or former wife divorced did not have a child in her care. These provisions prevent the charging of the excess to months for which a deduction has already been imposed. The excess net earnings from self-employment are not to be charged to months during which the beneficiary was age 75 or over, because no deductions are imposed for such months. These provisions and the provision that the excess net earnings from self-employment may not be charged to months during which the individual was not entitled to benefits under this title prevent the dissipation of the excess net earnings from self-employment through charging them to months for which deductions may not be imposed.

It should be noted that a deduction for a particular month may be imposed under section 203 (b) (2) by reason of an individual's net earnings from self-employment for the taxable year even though the individual, as a matter of fact, may not have earned \$50 from his trade or business in that particular month. For example, if an individual entitled to old-age insurance benefits engaged throughout the taxable year in business as a real-estate broker and earned more than \$1,150 for the entire year, he will suffer a deduction under section 203 (b) (2) for each month of the year even though during several months of the year he may have operated at a loss through an inability to negotiate any sales in those months.

The following example will illustrate the charging to months of net earnings from self-employment for the purposes of paragraph (2) of section 203 (e). Beneficiary X, who was entitled to old-age insurance benefits during the entire year and was under 75 years of age, owned and actively operated a fruit stand during the entire year. His net earnings from the business amounted to \$740. During the month of December he worked a few hours a day as an employee at a store in connection with the Christmas trade, and received wages therefor in excess of \$50. Under paragraph (2), each month of the year would be charged with \$50, and the excess (\$140) would be charged as follows: \$50 to November, \$50 to October, and \$40 to September. The month of December, for which a deduction would be imposed under section 203 (b) (1) by reason of wages earned in excess of \$50, would not be charged with any part of the \$140 excess. Beneficiary X, therefore, would suffer deductions under section 203 (b) (2) for the months of September, October, and November, since more than \$50 of net earnings from self-employment is charged to each of those months.

The individual is to be given an opportunity to show that he did not render substantial services with respect to any trade or business during certain months of the year. In that case, the excess net earnings from self-employment are not to be charged to those months but are to be charged to any other months during which he did render substantial services, and to which the charging of the excess is not prohibited by paragraph (2). Thus, benefit deductions would be imposed for any month, as a result of the self-employment of a beneficiary, only when the beneficiary both had substantial net earnings from self-employment in the year and rendered substantial services in a trade or business in that month.

Paragraph (3) (A) defines the term "last month of such taxable year" as the last calendar month of the taxable year to which the charging of net earnings from self-employment in excess of the exempt amount is not prohibited under paragraph (2). An application of the function of paragraph (3) (A) is shown by the following example: John, who attained 18 years of age in July 1960, was entitled to child's insurance benefits for the months of January through June of that year. In May he started a radio repair business, and from May through December he had net earnings of \$900. In applying paragraph (2), each month of the entire year would be charged with \$50 of the net earnings and the excess (\$300) would be charged as follows: \$50 to June, and \$50 to May; the remainder amounting to \$200 would be disregarded (in any event, it could be charged only to May and June and would then have no effect since the charging already done would result in no benefits being paid for those months anyhow). The month of June is considered as the last month of the taxable year, for the purposes of paragraph (2), since John was not entitled to child's insurance benefits for months after June. No part of the \$300 excess would be charged to months prior to May, since John was not engaged in self-employment for any months prior to May.

Paragraph (3) (B) provides that for the purposes of determining whether a month was one in which an individual did not engage in self-employment within the meaning of clause (D) of paragraph (2), an individual will be presumed to have engaged in self-employment in any month until it is shown to the satisfaction of the Administrator that the 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 his net earnings from self-employment for any taxable year.

Paragraph (3) (B) also authorizes the Administrator to prescribe, by regulation, the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business. This authority has been given the Administrator because there is no single rule under which the determination of whether or not a beneficiary has rendered substantial services in self-employment can be made. The determinations are to be based on the facts in each particular case, consideration being given to the particular factors applicable to the trade or business of the individual. Exemplary of the factors to be considered are: The presence or absence of a paid manager, a partner, or a family member who manages the business; the amount of time devoted to the business; the nature of the services rendered by the beneficiary; the type of business establishment; the seasonal nature of the business; the relationship

of the activity performed prior to the period of "retirement" with that performed subsequent to retirement; and the amount of capital invested by the beneficiary in the business.

The following examples will illustrate the intent of your committee with respect to the application of paragraph (3) (B).

*Example 1.*—Jones became entitled to benefits on the basis of wages earned in covered employment. Since becoming a beneficiary, Jones rents a truck and sells frozen confections from June through August each year. Throughout the rest of each year, Jones does not work. As a result of his summer work, he reports net earnings from self-employment of \$850 which without the application of paragraph (3) (B) would result in 5 months' deductions. Jones should suffer deductions only for the months of June, July, and August.

*Example 2.*—Smith operated a retail grocery store and became entitled to benefits on the basis of his earnings from that store through the years. Upon reaching retirement age, he turned over the management of the store to his son, although Smith retained ownership of the store. Smith received the net earnings from the store, which were more, each year, than \$600. While his son carried on the management of the business, he did find it necessary on some occasions to discuss the business with his father. Because the income from the store did not warrant the hiring of paid labor, Smith did relieve his son in the store during the latter's lunch hour. On the basis of these facts, Smith renders no substantial services in any month with respect to self-employment.

*Example 3.*—White became insured on the basis of net earnings from self-employment derived from sales of heating fuel and from the servicing of oil burners. Upon becoming entitled to benefits in December 1960, White turned over the business to his son, retaining ownership, under an agreement that he would receive a third of the net earnings. He would not spend any time in the business except to help service burners if calls were excessive during the height of the winter months. During November and December of 1961 he spent about 5 hours a day servicing burners. Also in April of that year, while his son was ill, he had spent some 80 hours in servicing burners and selling fuel oil. His share of net earnings for the year was \$1,700. White should suffer deductions for the months of April, November, and December 1961, but he is entitled to benefits for the other months in the year.

#### *Penalty for failure to report certain events*

Section 203 (f) continues the present provision requiring the reporting of any event which causes a deduction from benefits. As at present, the penalty for failure to report such event, when the individual has knowledge of the event and of his obligation to report it, is an additional deduction of 1 month's benefit for each month for which deductions are required because of the occurrence of the deduction event. For the first failure to report, however, only one penalty deduction is to be imposed, even though the failure to report is with respect to more than 1 month.

Because different treatment is accorded net earnings from self-employment, the requirement for reporting such earnings is treated separately in section 203 (g).

*Report to Administrator of net earnings from self-employment*

Section 203 (g) describes the circumstances under which beneficiaries with net earnings from self-employment are required to file reports with the Federal Security Administrator. Paragraph (1) provides that, if an individual entitled to any benefits under section 202 has net earnings from self-employment in excess of the product of \$50 times the number of months in his taxable year, he is to file a report within 2½ months after the close of his taxable year. In the report the beneficiary is to include the amount of his net earnings from self-employment and such other information as the Administrator may by regulation require. The paragraph further provides that such reports are not required for any taxable year during all of which the individual was 75 years of age or over.

Paragraph (2) provides that where an individual fails to report within the time prescribed and any deduction is imposed under section 203 (b) (2) (which relates to the charging of a month with net earnings from self-employment of more than \$50) one additional deduction, equal in amount to a monthly benefit, would be imposed as a penalty if the report is no more than 1½ months late. An additional penalty deduction would be imposed for each subsequent calendar month during all or any part of which the failure to report continues. The paragraph provides, however, that the number of penalty deductions may not exceed the number of benefit payments under section 202, which the individual received and accepted during the taxable year and for which deductions are imposed under section 203 (b) (2). The paragraph also provides that for the first failure to file a timely report not more than one penalty deduction may be imposed regardless of the length of the period between the due date of the report and its actual filing.

Paragraph (3) authorizes the Administrator to make current suspensions from benefits to which an individual is entitled under section 202 when there is reason to believe that, after the report of net earnings from self-employment for the taxable year is available, deductions will be imposed under section 203 (b) (2) by reason of the individual's net earnings from self-employment for the taxable year. The suspensions so made are in the nature of temporary deductions. After the report for the year becomes available and the deductions to be imposed are finally established, any necessary adjustment for the difference between the current suspensions and the deductions imposed by section 203 (b) would then be made. The purpose of this provision is to assure that, to the extent possible, an individual's loss of benefits as a result of his engaging in self-employment occurs at the same time he is receiving his earnings from self-employment, and to prevent the loss of benefits from occurring at a time when the individual may no longer be receiving earnings from self-employment.

In order to carry out the provisions of this paragraph, the Administrator is authorized to request, before the end of the individual's taxable year, a declaration of the individual's estimated net earnings from self-employment for the taxable year and other pertinent information with respect to his net earnings from self-employment. The paragraph further provides that any failure by an individual to comply with such a request is, in itself, justification for a determination by

the Administrator that it may reasonably be expected that the individual will suffer deductions imposed under section 203 (b) (2) by reason of his net earnings from self-employment for such year.

*Circumstances under which deductions not required*

Section 203 (h) indicates the circumstances under which deductions otherwise required under subsections (b), (f), and (g) will not be made. No deduction will be made in cases in which the amount of benefits payable to all beneficiaries entitled on the same record and living in the same household would still be equal to the maximum of the benefits payable on one record even though the benefit of one of the beneficiaries is subject to deduction. This is a situation which can arise because of the provision in section 203 (a) of the act as amended by the bill for making any reductions required by the maximum after, rather than before, deductions from benefits have been made. For example, take the case of a widow and three children entitled to benefits on the wage record of a deceased worker whose average monthly wage is \$100 and whose primary insurance amount is \$50. As computed, the benefits would be \$37.50 for the widow and \$29.17 for each of the three children. However, this would bring the total benefits above the \$80.00 maximum amount payable in respect to an average monthly wage of \$100. The benefits are therefore reduced to \$24.00 for the widow and \$18.70 for each child. This results in total benefits of \$80.10. (The 10 cents above the maximum is permitted by the provision of sec. 215 (h), discussed hereafter, covering rounding of benefits, which is performed after the application of the maximum benefit provision.)

If one child goes to work while under age 18 for wages in excess of \$50 per month, his benefit would, but for the new subsection (h), be withheld under the provisions of subsection (b) and the benefits for the widow and the other two children would be increased so that the total benefits based on the same wage record would again be at the maximum. Accordingly, except for the new subsection (h), the widow's benefit would be raised to \$31.30 and each of the other two children to \$24.40, which gives the family the \$80.00 maximum (again, subject to the rounding provision, which brings the total to \$80.10). Instead of requiring these changes, the new subsection (h) provides for continuing to pay the widow \$24.00 and each of the three children \$18.70, making no deductions in this case, inasmuch as the total amount payable to the family would remain the same whether or not the deduction is made.

Similarly, the new subsection (h) provides for making a reduction in a benefit subject to deduction under subsection (b) where the result of making such a deduction would be to leave the family in the same position as if only a partial reduction had been made. For example, assume a widow and three children entitled to benefits on the wage record of a deceased worker whose average monthly wage is \$150 and whose primary insurance amount is \$57.50. The benefits as computed would be \$43.13 for the widow and \$33.54 for each child. This, however, would bring the total benefits above the \$120.00 maximum amount payable on an average monthly wage of \$150.00. The benefits are therefore reduced to \$36.00 for the widow and \$28.00 for

each of the three children. If one child goes to work while under age 18 for wages in excess of \$50 a month, his benefit would (but for the new subsection (h)) be withheld under the provisions of subsection (b) and the benefits for the widow and the other two children would then be raised to the full amount to which they are entitled (after rounding, \$43.20 for the widow and \$33.60 for each of the other two children), since the total of \$110.40 is below the maximum for the family. However, rather than have the full benefit for the working child suspended and checks recomputed for the new amounts for the widow and the other two children, the new subsection (h) provides for continuing to pay the widow a benefit of \$36.00 and the two nonemployed children benefits of \$28.00 each, a total of \$92.00. The employed child's benefit would be subject to a deduction of \$9.60, and his remaining amount, \$18.40 would bring the total benefits paid to the family to the \$110.40 which they would receive even if the full amount of the deduction imposed with respect to the employed child had been made.

The new subsection (h) will apply only as to beneficiaries on one wage record who are all living in the same household. It, therefore, does not result in a loss to members of one household when the benefits of a beneficiary on the same wage record who lives in another household are subject to deduction under subsection (b), (f), or (g).

This change in existing law has been made in the interest of administrative efficiency and economy. It would prevent the unjustifiable costs resulting from applying deductions to one member of a household and recomputing the benefits payable to the remaining members of the same household entitled on the same wage record when the total amount payable to the group as a whole would be as great as though the deductions had not been made at all, or had been made only in part, from the individual against whom deductions are otherwise assessable under subsection (b), (f), or (g).

There was no comparable provision in the bill as passed by the House.

#### *Deductions with respect to certain lump-sum payments*

Section 203 (i) continues the provision of present law which requires the amount of any lump sum paid under section 204 of the original Social Security Act to be deducted from any benefits payable on that individual's wage record.

#### *Attainment of age 75*

Section 203 (j) provides that for the purposes of section 203 an individual shall be considered as 75 years of age during the entire calendar month in which he attains such age.

#### *Effective date*

Section 103 (b) provides that all of the changes made by section 103 (a) of the bill are to be effective on the first day of the second calendar month after the month of enactment, except that the provisions of subsections (d) and (e) of section 203 of the Social Security Act as in effect prior to the date of enactment of this bill shall be applicable for months prior to such first day. The bill as passed by the House made the amendments in this section effective January 1, 1950.

## DEFINITIONS AND COMPUTATIONS

Section 104 (a) of the bill strikes out section 209 of the Social Security Act and inserts eight new sections (209-216) each of which is explained below. Section 104 (b) of the bill provides for the effective date of the amendment made by subsection (a) and is explained below at the end of the explanation of the new section 216.

## DEFINITION OF WAGES

Section 209 of the Social Security Act as amended by the bill defines the term "wages."

Under existing law (section 209 (a)) the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, with certain specific exceptions. The bill does not change existing law with respect to remuneration paid prior to 1951. In the case of remuneration paid after 1950 the bill changes existing law as explained in the following paragraphs.

Like the corresponding subsection in the bill as passed by the House, subsection (a) clarifies existing law by providing expressly that remuneration specifically excepted from wages under other subsections of section 209 shall be disregarded in computing the amount of remuneration with respect to employment which constitutes wages. Thus, if during a calendar year an employee receives remuneration from his employer on account of medical or hospitalization expenses in connection with sickness or accident disability, and if such remuneration is excluded from the definition of wages under the provisions of section 209 (b) or (d) (as amended by the bill), such remuneration paid to the employee is not taken into account in applying the \$3,000 limitation.

The bill differs from the House bill in that the House bill raised the maximum limitation to \$3,600 whereas the bill as reported by your committee retains the present maximum of \$3,000 a year. Moreover, the bill does not contain two amendments of existing law made by the House, one of which would apply the maximum to remuneration received from each employer in a calendar year, rather than all remuneration received during such year, and the other providing that, for the purpose of determining whether an employer has paid remuneration in excess of the maximum to an employee during the calendar year, any remuneration paid the employee by a predecessor should be considered as having been paid by the successor employer. These two amendments were inserted by the House only because of the provisions, also contained in that bill, extending special treatment to wages received from nonprofit institutions. Since under the bill as reported no such special treatment of wages from nonprofit institutions is necessary, these two amendments of the maximum on creditable remuneration are unnecessary.

Section 209 (b) as amended by the bill retains the provisions of the existing section 209 (a) (4) which excludes from the term "wages" the amount of any payment made to or on behalf of an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities,

or into a fund, to provide for any such payment), on account of (1) an employee's retirement, or (2) an employee's sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee, or (4) the death of an employee. Under present law, payments made under a plan or system providing for death benefits are not excluded from wages if the employee had certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The amended section 209 (b), as in the House bill, removes such conditions imposed under existing law with respect to payments providing for death benefits. Your committee has further amended section 209 (b) so as also to exclude from wages any payment made to, or on behalf of, any dependents of an employee (including husbands, wives, children, and other members of the immediate family) under a plan or system established by an employer which makes provision for his employees generally and their dependents or for a class or classes of his employees and their dependents (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of (1) an employee's retirement, or (2) sickness or accident disability of an employee or any of his dependents, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee or any of his dependents, or (4) the death of an employee or any of his dependents. Payments of the prescribed character under a plan or system established by an employer solely for the dependents of his employees are not within this exclusion from wages.

Section 209 (c) as amended by the bill excludes from wages any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement, irrespective of whether such payment is made pursuant to a plan or system such as is contemplated under section 209 (b). The same provision was contained in the House bill.

Section 209 (d) as amended by the bill excludes from wages any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer. This provision of law will have application in any instance in which any such payment is not made pursuant to a plan or system and therefore is not excepted from wages by section 209 (b). In order for a payment to be excepted under this provision, the payment made by the employer to, or on behalf of, the employee must be made by reason of the employee's sickness or accident disability or by reason of medical or hospitalization expenses in connection with such employee's sickness or accident disability and there must have elapsed immediately prior to the calendar month in which the payment is made at least six consecutive calendar months during which the employee did no work for the employer. The same amendment appeared in the House bill.

Section 209 (e) as amended by the bill contains an additional exclusion from the term "wages" with respect to certain payments from or into a trust exempt from tax under section 165 (a) of the Internal Revenue Code or under or to an annuity plan which meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code. Under this paragraph a payment made by an employer into a trust or annuity plan is excepted from wages at the time of such payment, if the trust is exempt from tax under section 165 (a) of such code or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code at the time the payment is made thereto. A payment to, or on behalf of, an employee from a trust or under an annuity plan is also excepted from wages under this paragraph if at the time of the payment to, or on behalf of, the employee, the trust is exempt from tax under section 165 (a) or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6). Your committee has made a clarifying amendment to section 209 (e) to assure the exclusion from wages of a payment of the prescribed character made to or on behalf of a beneficiary of an employee. A payment made to an employee of an exempt trust as remuneration for services rendered as such employee and not as a beneficiary of the trust is not within the exclusion.

Section 209 (f) as amended by the bill continues without change the existing exclusion from wages (sec. 209 (a) (5) of existing law) of payments by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employees' tax imposed by section 1400 of the Internal Revenue Code and employee contributions under State unemployment compensation laws.

The new subsection (g) of section 209 of the Social Security Act as amended by the bill excludes from wages the remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer. Subsection (h) of section 209 as added by your committee excludes from wages remuneration paid in any medium other than cash for agricultural labor. Remuneration in any medium other than cash includes, for example, lodging, food, clothing, agricultural or horticultural commodities, or car tokens or weekly transportation passes. Except for a purely technical change, subsection (g) is the same as that contained in the House bill. The new subsection (h) had no parallel in the bill as passed by the House. It has been added by the bill as reported because your committee has extended coverage to agricultural labor performed by individuals regularly employed by the same employer.

Subsection (i) eliminates from the term "wages" the remuneration (other than vacation or sick pay) of a stand-by employee who has attained age 65 and whose employment relationship has not terminated, if the employee does no work for the employer in the period for which such remuneration is paid.

Section 209 as amended by the bill contains no provision comparable to section 209 (a) (6) of existing law which excludes from the term "wages" dismissal payments which the employer is not legally required to make. Therefore, a dismissal payment (any payment made by an employer on account of involuntary separation of the employee from the service of the employer) will constitute wages

subject, of course, to the \$3,000 limitation, irrespective of whether the employer is, or is not, legally required to make such payment.

The bill as reported omits an amendment contained in the bill as passed by the House which expressly included, as remuneration paid to an employee by his employer, cash tips or other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him.

#### DEFINITIONS RELATING TO EMPLOYMENT

Section 210 of the Social Security Act as amended by section 104 (a) of the bill defines the terms "employment," "included and excluded service," "American vessel," "American aircraft," "American employer," "agricultural labor," "farm," "State," "United States," "citizen of Puerto Rico," and "employee."

##### *Definition of employment*

Section 210 (a) of the Social Security Act as amended by the bill defines the term "employment." (Sec. 209 (b) of existing law provides the definition of employment.) Under the amendment the term "employment" is defined to mean any service performed after December 31, 1936, and prior to January 1, 1951, which constituted employment under the law applicable to the period in which such service was performed; and also to mean (1) any service performed after December 31, 1950, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel or American aircraft (defined in subsecs. (c) and (d), respectively, of sec. 210) under a contract of service entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States (including an airport, in the case of an aircraft), if the employee is employed on and in connection with the vessel or aircraft when outside the United States, and (2) any service performed outside the United States after December 31, 1950, by a citizen of the United States as an employee of an American employer (as defined in sec. 210 (e)).

That portion of section 209 (b) of existing law which precedes the numbered paragraphs (these contain the exceptions from the term "employment") is changed substantively in only two respects. First, the definition of employment is extended to include service on or in connection with an American aircraft to the same extent as service, already included in the definition, on or in connection with an American vessel. With respect to service performed on or in connection with an American vessel or American aircraft where the contract of service is entered into outside the United States, your committee has made a clarifying amendment which expressly requires that, in order that the service constitute employment, the employee be employed on the vessel or aircraft when it touches at a port within the United States at some time during the performance of the contract of service. Second, the definition is extended to include service performed outside the United States by a citizen of the United States as an employee of an American employer (the definition of the term "American employer" is discussed below in the explanation of subsection (e))

of this section in the bill). Under existing law the citizenship or residence of the employer or employee has no effect upon the determination of whether or not service constitutes employment, except as the citizenship or residence of the employer may have a bearing in determining whether a vessel is an American vessel. Under the amendment this is true with respect to service performed either within the United States or on or in connection with an American vessel or American aircraft, but in the case of service performed outside the United States, other than on or in connection with an American vessel or aircraft, only service (which otherwise constitutes employment) performed by a citizen of the United States for an American employer is covered.

The definition of the term "employment" under the amendment, as applied to service performed prior to January 1, 1951, is subject to the pertinent exceptions under the law applicable to the period in which the service was performed. The definition applicable to service performed on and after that date continues unchanged some of the exceptions contained in the present law, omits or revises others, and adds certain additional ones. The committee bill with respect to the exceptions from employment differs from the House bill in certain respects as discussed below.

Paragraph (1) of section 210 (a) of the committee bill takes the place of the exceptions contained in paragraphs (1) and (2) (A) of such section under the House bill. Paragraph (1) under the House bill would have continued the existing exception of agricultural labor with certain modifications in the definition of the term, and paragraph (2) (A) would have excepted from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit. Service of the latter mentioned character is, by reason of an amendment made by your committee to the definition of the term "agricultural labor" (which is discussed under subsection (f) of this section of the bill), included within the definition of such term.

Subparagraph (A) of paragraph (1) under the committee bill excludes from employment agricultural labor (as defined in section 210 (f)) performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than \$50 or the service is performed by an individual who is not regularly employed by the employer to perform such service. The cash test of at least \$50 refers to cash paid for services performed during a calendar quarter, regardless of when paid. As used in subparagraph (A), the term "cash remuneration" includes checks and other monetary media of exchange. Subparagraph (A) provides that an individual shall be deemed, for the purposes of such subparagraph, to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during the calendar quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (determined in accordance with the test in the preceding clause) by such employer in the performance of service of the prescribed character during the preceding calendar quarter.

Subparagraph (B) of paragraph (1) in the bill as reported excludes from employment service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity

in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. Service of the character prescribed in this subparagraph is excepted from employment, regardless of the amount of the remuneration paid for, or the regularity of the performance of, such service. With respect to service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, the exception under this subparagraph will apply only to service performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, provided such processing is carried on by the original producer of such crude gum.

Paragraphs (2) and (3) under the committee bill correspond to paragraphs (2) (B) and (3) under the House bill. Paragraph (2) of existing law excludes from employment domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; paragraph (3) of existing law excludes from employment casual labor not in the course of the employer's trade or business. Paragraph (2) under the committee bill, which is the same as paragraph (2) (B) under the House bill, excludes from employment domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university.

Paragraph (3) under the committee bill excludes from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than \$50 or such service is performed by an individual who is not regularly employed by the employer to perform such service. The amendment substitutes a cash and regularity-of-employment test for the test set forth in existing law governing casual labor. The cash test refers to the cash paid for services performed during a calendar quarter, regardless of when paid. The term "cash remuneration" includes checks and other monetary media of exchange. Paragraph (3) provides that an individual shall be deemed, for the purposes of such paragraph, to be regularly employed by an employer during a calendar quarter only if (A) on each of some 24 days during such quarter such individual performs for such employer for some portion of the day service of the prescribed character, or (B) such individual was regularly employed (determined in accordance with the test in the preceding clause) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. Since the definition of agricultural labor as amended by your committee includes service not in the course of the employer's trade or business, and domestic service in a private home of the employer, if performed on a farm operated for profit, paragraph (3) under the committee bill has practical application only to service of the prescribed character performed other than on a farm operated for profit. Paragraph (3) under the committee bill differs from such paragraph under the House bill in several material respects. Your committee has increased the cash test from \$25 to \$50 per quarter and has substituted 24 days for 26 days in the regularity-of-employment

test, together with a clarifying amendment to such latter-mentioned test.

Paragraph (4), which is the same as under the House bill, continues without change the present family employment exclusion.

Paragraph (5), which is the same as under the House bill, continues without change the present exclusion of service performed on or in connection with a vessel not an American vessel, but extends the exclusion to service performed by an individual on or in connection with an aircraft, not an American aircraft, if such individual is employed on and in connection with such aircraft when it is outside the United States.

Paragraphs (6) and (7) of the bill supersede paragraph (6) of existing law. The existing paragraph excludes from employment service in the employ (1) of the United States or (2) of an instrumentality of the United States which is either wholly owned by the United States or exempt from the employers' tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law. The effect of the new paragraphs (6) and (7) is to include as employment a portion of the Federal services excluded from employment under existing law.

The new paragraph (6), which is the same as in the House bill, excludes from employment service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the employers' tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law which specifically refers to such section 1410 in granting the exemption from the tax imposed by such section. (In connection with par. (6), see the explanation of sec. 1412 of the Internal Revenue Code, added by sec. 202 (a) of the bill.) Paragraph (6) will not operate to exclude from employment the services referred to therein unless and until the Congress grants to a Federal instrumentality a specific exemption from the tax imposed by section 1410.

The new paragraph (7) contains four separate subparagraphs. Subparagraph (A) excepts from employment service performed in the employ of the United States, if the service is covered by a retirement system established by a law of the United States or by a retirement system established by the agency for which such service is performed.

In the case of service performed in the employ of an instrumentality of the United States, subparagraph (B) excepts such service from employment, if the service is covered by a retirement system established by a law of the United States. Subparagraph (C) excepts from employment, with certain exceptions hereinafter referred to, service performed in the employ (1) of a wholly owned instrumentality of the United States or (2) of an instrumentality of the United States which (i) has a general tax exemption (i. e., an exemption which does not specifically refer to the tax imposed by section 1410 of the Internal Revenue Code) in effect at the time the service is performed and (ii) was, on December 31, 1950, exempt from the tax imposed by such section 1410. The exception from employment under subparagraph (C) does not apply to (i) service performed in the employ of a national farm loan association, a production credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission, or (ii) service

performed in the employ of the Tennessee Valley Authority unless such service is covered by a retirement system established by such Authority, or (iii) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such establishment.

Subparagraph (D) contains 12 special classes of excepted services performed in the employ of the United States or of any instrumentality of the United States, which are in addition to the general exceptions contained in subparagraphs (A), (B), and (C). These special classes of excepted services are as follows:

(i) Service performed as the President or Vice President of the United States or as a Member of the Congress of the United States, a Delegate to the Congress, or a Resident Commissioner;

(ii) Service performed in the legislative branch of the United States Government (service in the judicial branch of the United States Government is excluded from employment under paragraph (7) (A) by reason of the fact that all service performed in such branch is covered by a retirement system established by congressional enactment);

(iii) Service performed in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) Service performed in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the actual taking of any census (exclusive of clerical or other employees employed for work other than in the actual taking of the census);

(v) Service performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because of payment on a contract or fee basis;

(vi) Service performed by an individual as an employee for nominal compensation of \$12 or less per annum;

(vii) Service performed in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) Service performed by any individual as a consular agent appointed under the authority of section 551 of the Foreign Service Act of 1946;

(ix) Service performed by student nurses, medical or dental interns, residents-in-training, student dietitians, student physical therapists, or student occupational therapists, assigned or attached to a hospital, clinic, or medical or dental laboratory operated by any department, agency, or instrumentality of the Federal Government, or by certain other student employees described in section 2 of the act of August 4, 1947;

(x) Service performed by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

(xi) Service performed by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

(xii) Service performed as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States.

Under the committee bill service performed in the employ of the United States which is not covered by a retirement system established either by a law of the United States or by the agency for which the service is performed constitutes employment, unless such service is excepted from employment by 1 of the 12 special classes of excepted services or by some provision of section 210 (a) other than paragraph (7). Service performed in the employ of a wholly owned instrumentality of the United States constitutes employment under the amendment, if the service is specifically mentioned in subparagraph (C) as one of the classes of services to which the basic provisions of such subparagraph shall not be applicable, unless the service (1) is covered by a retirement system established by a law of the United States (subpar. (B)), or (2) is excepted from employment by one of the twelve special classes of excepted services (subpar. (D)), or (3) is excepted from employment by some provision of section 210 (a) other than paragraph (7).

Service performed in the employ of an instrumentality which has a blanket tax exemption and which had such an exemption on December 31, 1950, is covered under the same conditions as those applying to service performed in the employ of a wholly owned instrumentality. Service performed in the employ of any other instrumentality of the United States constitutes employment, unless the service (1) is covered by a retirement system established by a law of the United States (subpar. (B)), or (2) is excepted from employment by one of the twelve special classes of excepted services (subpar. (D)), or (3) is excepted from employment by some provision of section 210 (a) other than paragraph (7). Determinations as to whether services are covered by a retirement system of the requisite character are to be made as of the time the services are performed.

Service performed by most civilian and all military personnel of the United States will be excepted from employment under the amendment since such service is covered by a retirement system established by a law of the United States. On the other hand, the amendment has the effect of extending coverage to certain Federal employees, such as temporary employees of the United States who are excluded from coverage under the Federal civil-service retirement system pending permanent or indefinite appointment, and certain other short duration employees likewise excluded from coverage under the Federal civil-service retirement system. Service (which otherwise constitutes employment) performed by certain civilian employees in the employ of some instrumentalities of the United States, such as national farm loan associations, production credit associations, Federal credit unions, and

certain military post exchanges and similar organizations, will be covered employment under the amendments made by the bill.

Paragraph (8) of the committee bill continues the existing exception from employment of service performed for State governments, their political subdivisions, and certain of their instrumentalities except as such service may be included under an agreement under section 218. Your committee has restored that portion of the existing section 209 (b) (7) which was omitted from the House bill, relating to the exception from employment of service (not included in an agreement under sec. 218) performed in the employ of an instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the employers' tax imposed by section 1410 of the Internal Revenue Code. Your committee has eliminated that provision of the House bill which would have extended coverage on a compulsory basis to certain employees of publicly owned transit systems.

Paragraph (9) of the committee bill takes the place of the existing exception from employment of service performed for certain religious, charitable, scientific, literary, educational, or humane organizations (sec. 209 (b) (8)). Subparagraph (A) of paragraph (9), which is the same as paragraph (9) of the House bill, excepts from employment service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of the duties required by such order. The exception contained in subparagraph (A) applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

Subparagraph (B), which was added by your committee to the House bill, excepts from employment (1) service performed in the employ of a corporation, fund, or foundation, which is exempt from income tax under section 101 (6) of the Internal Revenue Code and is organized and operated primarily for religious purposes; and (2) service performed in the employ of a corporation, fund, or foundation, which is exempt from income tax under section 101 (6) of the code and is owned and operated by one or more of the corporations, funds, or foundations referred to in clause (1) of this sentence. This exception from employment, however, is not applicable to service in the employ of any organization described in either clause (1) or (2) of the preceding sentence which is performed on or after the first day of the calendar quarter following the calendar quarter in which such organization files with the Commissioner of Internal Revenue a statement that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees. The statement provided for under subparagraph (B) must be filed by each organization which desires coverage for its employees and must apply to all its employees other than those to which subparagraph (A) is applicable. Subparagraph (B) further provides that such statement may be filed on, before, or after January

1, 1951; however, because the effective date of section 104 (a) of the bill (in which this subparagraph is included) is January 1, 1951, the election will not be effective with respect to services performed prior to January 1, 1951. Service with respect to which an election is in effect constitutes employment, unless excepted from employment under some provision of section 210 other than paragraph (9) (B). An election once having been duly made cannot be revoked.

The effect of the new paragraph (9) will be (a) to extend coverage on a compulsory basis to service which is excepted under present law by the provisions of section 209 (b) (8), other than service performed in the employ of the organizations described in subparagraph (B) of paragraph (9) or service otherwise excluded under section 210; and (b) to extend coverage on an elective basis to service performed in the employ of the organizations described in subparagraph (B) of paragraph (9), except as to service by ministers and members of religious orders referred to in subparagraph (A) of paragraph (9), or service otherwise excepted under section 210.

Paragraph (9) under the committee bill eliminates the necessity for the special provision which would have been added as section 205 (c) of the Social Security Act by section 109 (c) of the House bill, relating to the crediting of wages paid for service in the employ of religious, charitable, educational, or similar nonprofit employers.

Paragraph (10), which is the same as under the House bill, continues without change the existing exclusion of service performed by an employee or employee representative covered by the railroad retirement system.

Paragraph (11) revises certain exclusions contained in paragraph (10) of existing law, and omits others. Subparagraph (A) of paragraph (11) excludes service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than \$50 (\$45 or less, under existing law, and less than \$100 under the House bill). The dollar test under subparagraph (A) is the amount earned in a calendar quarter and not the amount paid in a calendar quarter. Subparagraph (B) excludes service performed in the employ of a school, college, or university, whether or not exempt from income tax under such section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university.

Paragraphs (12) and (13), which are the same as under the House bill, continue without change the present exclusion of service performed in the employ of a foreign government or of a wholly owned instrumentality of a foreign government under certain prescribed conditions.

Paragraph (14), which is the same as under the House bill, continues without change the exclusion of service performed by certain student nurses and interns.

Paragraph (15), which is the same as under the House bill, continues without change the present exclusion of certain fishing services.

Paragraph (16), which is the same as under the House bill, continues without change the present exclusion of services performed in the delivery and distribution of newspapers, shopping news, and magazines under certain prescribed conditions.

Paragraph (17), which is the same as under the House bill, continues without change the present exclusion of service performed for an international organization.

Your committee has eliminated paragraph (18), contained in the House bill, which would have excepted from employment service performed by a particular type of salesman. The exception is no longer necessary in view of the action of your committee in eliminating paragraph (4) of the definition of the term "employee" contained in section 210 (k).

*Included and excluded service*

Section 210 (b) of the Social Security Act as amended by the bill sets forth, without change, the existing law (sec. 209 (c)) relating to the included-excluded rule for determining employment.

*Definition of "American vessel"*

Section 210 (c), which is the same as under the House bill, sets forth, without change, the existing law (sec. 209 (d)) defining the term "American vessel."

*Definition of "American aircraft"*

Section 210 (d), which is the same as under the House bill, defines the term "American aircraft" to mean, for the purposes of title II of the Social Security Act, an aircraft registered under the laws of the United States.

*Definition of "American employer"*

Section 210 (e), which is the same as under the House bill, defines the term "American employer." Such term means, for the purposes of title II of the Social Security Act, an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

*Definition of "agricultural labor"*

Section 210 (f) in the bill defines the term "agricultural labor" for the purposes of title II of the Social Security Act and is the same as section 210 (f) in the House bill, except for a change in paragraph (3), the addition of paragraph (5), and a minor technical change. The section of existing law which defines this term (sec. 209 (l)) contains four numbered paragraphs. The new subsection (f) of section 210 contains five numbered paragraphs. Paragraph (1) of existing law relates to service performed on a farm, in the employ of any person, in connection with cultivating the soil or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife. Paragraph (2) of existing law relates to service performed in the employ of the owner, tenant, or other operator of a farm in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or

clearing land of brush and other debris left by a hurricane, if the major portion of the service is performed on a farm. The new paragraphs (1) and (2) continue without change the provisions of paragraphs (1) and (2) of existing law.

Paragraph (3) of existing law includes as agricultural labor the following services even though not performed on a farm: Services performed in connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended; or in connection with the raising or harvesting of mushrooms; or in connection with the hatching of poultry; or in connection with the ginning of cotton; or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The new paragraph (3) of the committee bill includes as agricultural labor only services performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended; or in connection with the ginning of cotton; or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes. Your committee has added to the House bill the provision with respect to the operation of ditches, canals, reservoirs, or waterways.

The effect of the amended paragraph (3) is to exclude from the definition of agricultural labor services performed in connection with the production or harvesting of maple sap, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, unless such services are performed on a farm (as defined in sec. 210 (g)). Thus, services performed in connection with the operation of a hatchery, if not operated as part of a poultry or other farm, will be covered employment. Under the amendment services performed in the processing (as distinguished from the gathering) of maple sap into maple sirup or maple sugar do not constitute agricultural labor, even though such services are performed on a farm. Services performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes, constitute agricultural labor under the amendment made by your committee. Services referred to in the preceding sentence would not constitute agricultural labor under the House bill, unless the major part of such services were performed on a farm and such services were performed in the employ of the owner, tenant, or other operator of a farm, in connection with the operation, conservation, improvement or maintenance of such a farm.

Paragraph (4) of existing law includes as agricultural labor service performed in the handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits or vegetables, as an incident to the preparation of such fruits and vegetables for market. Subparagraphs (A) and (B) of the new paragraph (4) are a complete revision of the afore-mentioned provisions of para-

graph (4) of existing law. Under such subparagraph (A) the term "agricultural labor" includes service performed in the employ of the owner-operator, tenant-operator, or other operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity in its unmanufactured state, provided such operator produced more than one-half of the commodity with respect to which such service is performed during the pay period. Under such subparagraph (B) the term "agricultural labor" includes service of the character described in the preceding sentence performed in the employ of a group of operators of farms (other than a cooperative organization), provided such operators produced all of the commodity with respect to which such service is performed during a pay period. The tests "as an incident to ordinary farming operations" and "as an incident to the preparation of fruits or vegetables for market" have been stricken by the amendment and in lieu thereof three tests have been substituted, namely, the status of the person for whom the service is performed, the state of the commodity with respect to which the service is performed, and the extent to which such commodity was produced by the operator or group of operators in whose employ the service is performed.

Under existing law, service of the prescribed character performed with respect to fruits or vegetables in the employ of any person constitutes agricultural labor, provided such service is performed "as an incident to the preparation of such fruits or vegetables for market"; and such service with respect to all other agricultural or horticultural commodities constitutes agricultural labor, if the service is performed "as an incident to ordinary farming operations." Under the amendment service of the character prescribed therein is included as agricultural labor only if performed in the employ of the operator of a farm or a group of operators of farms (other than a cooperative organization). The term "operator of a farm" as used in paragraph (4) means an owner, tenant, or other person, in possession of a farm and engaged in the operation of such farm. Service of the prescribed character performed in the employ of a cooperative organization does not constitute agricultural labor. The term "organization" as used in subparagraph (B) includes corporations, joint-stock companies, and associations which are treated as corporations under the Internal Revenue Code. For the purposes of such subparagraph, any unincorporated group of operators will be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar quarter in which the service involved is performed.

Under the amendment service of the prescribed character with respect to an agricultural or horticultural commodity constitutes agricultural labor only if the service is performed with respect to such commodity in its unmanufactured state. The effect of this provision is to exclude from the definition of agricultural labor under paragraph (4) any service of the prescribed character performed with respect to a commodity the character of which has been changed from its raw or natural state by a processing operation. For example, the slicing and sun-drying or dehydration of apples are not processing operations which change the character of the apples, but the grinding of dried apples or the pressing of raw apples into cider is a processing opera-

tion which changes the character of the apples from their raw or natural state. Where the service of the prescribed character is performed in the employ of the operator of a farm, such service does not constitute agricultural labor under the amendment unless such operator produced more than one-half of the commodity with respect to which the service is performed during the pay period. Where the service is performed in the employ of a group of operators of farms (other than a cooperative organization), such service does not constitute agricultural labor under the amendment unless such operators produced all of the commodity with respect to which the service is performed during the pay period. The term "commodity" refers to a single agricultural or horticultural product; that is, all apples are to be treated as a single commodity, while apples and peaches are to be treated as two separate commodities. The service with respect to each such commodity is to be considered separately.

Paragraph (5) which has been added by your committee to section 210 (f) includes as agricultural labor service not in the course of the employer's trade or business or domestic service in a private home of the employer, if such service is performed on a farm operated for profit. The inclusion of these services as agricultural labor eliminates the necessity for any separation of services performed within the residence of the farm operator by his employees from those performed by such employees on any other part of the farm. It also eliminates the necessity for any separation of services not in the course of an employer's trade or business from those which are in the course of his trade or business. Generally, a farm is not operated for profit if it is occupied primarily for residential purposes, or is used primarily for the pleasure of the occupant or his family such as for the entertainment of guests or as a hobby of the occupant or his family.

Section 210 (f) provides in effect that service of the character prescribed in paragraph (4), performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption, does not constitute agricultural labor under paragraph (4). This provision is in all material respects the same as that in existing law.

*Definition of "farm"*

Section 210 (g), which is the same as under the House bill, continues without change the definition of the term "farm" as defined in section 209 (l) of existing law, but extends the application of such definition to all of title II of the act, rather than limiting it to the definition of the term "agricultural labor" as in existing law.

*Definition of "State"*

Section 210 (h), which is the same as under the House bill, defines the term "State." Under existing law the term "State" includes Alaska, Hawaii, and the District of Columbia. The amendment also includes within such term the Virgin Islands and, on and after the effective date specified in section 219 (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), Puerto Rico.

*Definition of "United States"*

Section 210 (i), which is the same as under the House bill, provides that the term "United States" when used in a geographical sense includes the Virgin Islands and, on and after the effective date specified in section 219, Puerto Rico.

*Citizen of Puerto Rico*

Section 210 (j), which is the same as under the House bill, provides that an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of section 210, as a citizen of the United States prior to the effective date specified in section 219. Section 210 (j) is designed to exclude from employment (prior to the effective date specified in sec. 219) services performed by such a citizen of Puerto Rico who works in Puerto Rico (or elsewhere outside the United States) as an employee for an American employer (as defined in sec. 210 (e)).

*Definition of "employee"*

Section 210 (k) defines the term "employee" for the purposes of title II of the Social Security Act. The existing definition of employee (sec. 1101 (a) (6) of existing law) is repealed by section 403 (a) of the bill, effective with respect to services performed after December 31, 1950.

Paragraphs (1), (2), and (3) of the definition provide separate and independent tests for determining who are employees. If an individual is an employee under any one of the paragraphs, he is to be considered an employee whether or not he is an employee under the other paragraphs.

Paragraph (1) continues without change the present provision that any officer of a corporation is an employee.

Under paragraph (2) the usual common-law rules applicable in determining the employer-employee relationship are to be used to determine whether an individual is an employee. Your committee has eliminated the second sentence of paragraph (2) of the definition of the term "employee" in the House bill which was designed to modify the effect of the United States Supreme Court's holding in *Bartels v. Birmingham* ((1947) 332 U. S. 126).

The statutory provisions set forth in paragraph (3) are designed to extend the definition to include certain individuals who, although not employees under the usual common-law rules, occupy substantially the same status as those who are employees under such rules.

Paragraph (3) covers individuals in the following occupational groups who perform services for remuneration under certain prescribed circumstances:

(A) As an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services; or

(B) As a full-time life insurance salesman.

The application of this paragraph of the definition requires the identifying of the individual as one who performs service in one of the designated occupational groups. If the services are not performed in one of the designated occupational groups, paragraph (3) is inapplicable with respect to such services. The language used in the

bill to designate the respective occupational groups relates to fields of endeavor in which particular designations are not necessarily in universal use with respect to the same service. The designations are addressed to the actual services without regard to any technical or colloquial labels which may be attached to such services. The purpose in listing these categories is not to define but to identify each occupational group. Thus, a determination whether services fall within one of the categories depends upon the facts of the particular situation.

The factual situations set out below are illustrative of some of the individuals falling within each of the occupational groups enumerated in paragraph (3) of the definition. The mere fact that an individual falls within an enumerated occupational group, however, does not in itself make such individual an employee under this paragraph, unless the contract of service contemplates that substantially all of the services are to be performed personally by such individual, there is no substantial investment by such individual in facilities used in connection with the performance of such services (other than the investment in facilities for transportation), and the service is not in the nature of a single transaction.

The illustrative factual situations are as follows:

(A) *Agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services.*—This category includes an individual who operates his own truck or the truck of the company for which he performs services, serves customers designated by the company as well as those solicited on his own, and whose compensation is a commission on his sales or the difference between the price he charges his customers and the price he pays to the company for the product or service.

(B) *Full-time life insurance salesman.*—Any individual who is not an employee under the usual common-law rules and whose entire or principal business activity is devoted to the solicitation of life insurance or annuity contracts primarily for one life insurance company is deemed to be an employee of such company or of its general agent under paragraph (3) of the definition. Such a salesman ordinarily uses the office space provided by the company or its general agent, and stenographic assistance, telephone facilities and forms, rate books, and advertising materials are usually made available to him without cost. He occupies a general status in many ways comparable to that of common-law employees. An individual who is engaged in the general insurance business under a contract or contracts of service which do not contemplate that the individual's principal business activity will be the solicitation of life insurance and annuity contracts for one company, or any individual who devotes only part time to the solicitation of life insurance or annuity contracts, and is principally engaged in other endeavors, is not within paragraph (3) of the definition.

In order for an individual to be an employee under paragraph (3), the individual must perform services for remuneration in an occupation falling within one of the enumerated groups, and the contract of service must contemplate that substantially all the services to which the contract relates in the particular designated occupation are to be performed personally by such individual. However, even though this condition is met, the individual is not an employee within the

meaning of paragraph (3) if (a) such individual has a substantial investment in facilities used in connection with the performance of such services (other than the investment in facilities for transportation), or (b) the particular services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

For the purposes of paragraph (3) of the definition, the term "contract of service" means an arrangement, formal or informal, under which the particular services are performed. The requirement that the contract of service shall contemplate that substantially all of the services are to be performed personally means that it is not contemplated that any material part of the services to which the contract relates will be delegated to any other person by the individual who undertakes to perform such services.

In order for an individual to be an employee under paragraph (3) of the definition, he must not have a substantial investment in facilities used in connection with the performance of such services (other than the investment in facilities for transportation). The facilities here pertinent include equipment and premises available for the work or enterprise as distinguished from education, training, and experience, but do not include such tools, instruments, equipment, or clothing as are commonly or frequently provided by employees. An investment in an automobile by an individual which is used primarily for his own transportation in connection with performance of services for another person has no significance under this paragraph since such investment is comparable to outlays for transportation by an individual performing similar services who does not own an automobile. Moreover, under paragraph (3), the investment in facilities for the transportation of the goods or commodities to which the services relate is to be excluded in determining the investment in a particular case.

If an individual has a substantial investment in facilities of the requisite character, he is not an employee within the meaning of paragraph (3) of the definition, since a substantial investment of the requisite character standing alone is sufficient to exclude the individual from the employee concept under such paragraph.

If the services are not performed as part of a continuing relationship with the person for whom the services are performed, but are in the nature of a single transaction, the individual performing such services is not an employee within the meaning of paragraph (3) of the definition.

The House bill listed six other occupational groups but did not list a separate category of agent-driver or commission-driver. Your committee has limited the application of paragraph (3) to the two groups listed.

Your committee has eliminated the statutory concept set forth in paragraph (4) of the definition of the term "employee" in the House bill.

#### SELF-EMPLOYMENT INCOME

Section 211 of the Social Security Act, as amended by the bill, defines the following terms for the purposes of title II of such act: "net earnings from self-employment," "self-employment income," "trade or business," "partnership and partner," and "taxable year." All of such terms, as defined in section 211, have exactly the same

meaning as when used in the Self-Employment Contributions Act (subch. E of ch. 1 of the Internal Revenue Code). A detailed discussion of the definitions of "net earnings from self-employment," "self-employment income," and "trade or business" appears in the explanation in this report of section 208 of the bill.

It will be noted, in connection with the term "net earnings from self-employment," that income derived by a nonresident alien individual from a trade or business carried on within the United States constitutes net earnings from self-employment for the purposes of title II of the Social Security Act and the Self-Employment Contributions Act, although no part of such net earnings from self-employment constitutes "self-employment income" as defined by section 211 (b) of the Social Security Act or by section 481 (b) of the Internal Revenue Code. The bill provides that the term "net earnings from self-employment" rather than "self-employment income" is applicable in determining whether deductions from benefits are to be made. Thus, a nonresident alien (who may be a beneficiary) can suffer a deduction from benefits under section 203 of the Social Security Act as amended, if he has net earnings from self-employment in excess of \$50 in a month even though he has no "self-employment income."

#### CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

Section 212 of the Social Security Act as amended by the bill provides a method for crediting self-employment income derived during a taxable year (as defined in section 211 (e)) to calendar quarters. Crediting self-employment income to calendar quarters is required in order to make possible computations of an individual's average monthly wage and determinations of his quarters of coverage, as required under title II of the Social Security Act.

Subsection (a) of section 212 provides for the crediting of self-employment income to calendar quarters. Paragraph (1) of subsection (a) provides that self-employment income reported for a taxable year which is a calendar year will be credited equally to each quarter of such calendar year. Paragraph (2) provides that self-employment income reported for any other taxable year (i. e., a fiscal year or a part year beginning or ending within a calendar year) will be credited equally to the calendar quarter in which such taxable year ends and to each of the three or fewer preceding quarters any part of which is in such taxable year. This differs from the provision in the House-approved bill, but the change is in line with the change in this bill in the method of computing the average monthly wage.

#### QUARTER AND QUARTER OF COVERAGE

##### *Definitions*

Section 213 (a) of the Social Security Act as amended by the bill defines the terms "quarter," "calendar quarter," and "quarter of coverage." As in the present law, the term "quarter" and the term "calendar quarter" are defined as a period of three calendar months ending on March 31, June 30, September 30, or December 31. The term "quarter of coverage" refers to the minimum amount of wages which the individual must receive, or self-employment income with which he must be credited, in a calendar quarter in order to receive credit toward his insured status for the period. In the case of wages,

a worker must receive \$50 or more during a quarter to be credited with a quarter of coverage. A self-employed individual will have to be credited with self-employment income of at least \$100 during a quarter to have a quarter of coverage. Under the House bill, the amounts necessary for the crediting of quarters of coverage after 1949 were raised to \$100 in the case of wages and established at \$200 in the case of self-employment income.

Under the bill, as at present, an individual will not be credited with a quarter of coverage for any quarter after the quarter in which he died; of course no quarter may be treated as a quarter of coverage until the beginning of such quarter.

The provision of existing law which permits the crediting of quarters of coverage for each quarter after the first quarter of coverage (except the quarter of death or entitlement to primary insurance benefits and any quarter thereafter) in any year in which the worker's total wages equal or exceed \$3,000 is changed for years after 1950.

The amendments (sec. 213 (a) (2) (B) (ii) and (iii)) will permit crediting a quarter of coverage for each quarter of the year (subject to the exceptions mentioned in the preceding paragraph), whether before or after the first earned quarter of coverage, if the total of the individual's wages and self-employment income credited for the year reach \$3,000.

The provisions in the House bill relating to exclusion from quarters of coverage of quarters when an individual is entitled to disability benefits have been eliminated in the bill as reported because of the omission of disability benefits.

#### *Crediting of wages paid in 1937*

Section 213 (b) of the Social Security Act as amended by the bill retains the provisions of the present law governing determinations of quarters of coverage for wages paid during 1937 when wages were reported on a semiannual basis. This is the same as section 213 (c) in the bill as passed by the House. The provisions of section 213 (b) in the latter bill have been changed somewhat and transferred to section 212.

#### INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

Section 214 of the Social Security Act as amended by the bill modifies the requirements for eligibility for old-age and survivors insurance benefits to take account of the extension of coverage provided by the bill and to permit older workers to qualify for benefits on a more liberal basis than either the present law or the amendments approved by the House. The special provisions made in the House bill for persons under a disability have been omitted here since your committee has not included disability benefits.

#### *Fully insured individual*

Under section 214 (a) a fully insured individual may qualify himself for old-age insurance benefits, and his dependents (as defined in the bill) for all types of dependents' and survivors' benefits. Under the present law (sec. 209 (g)), an individual is fully insured if he had at least one quarter of coverage for each two quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment

of age 65, but in no case less than six quarters of coverage, or if he had 40 quarters of coverage. Section 214 (a) (1) of the bill retains this requirement for those individuals who die prior to the first day of the second calendar month following the month of enactment of the bill.

For individuals who were living on the day specified above, the requirements for fully insured status are modified so that an individual will be fully insured if he had at least one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained age 21, if later, and up to but excluding the quarter in which he attained retirement age or died, whichever first occurred, but in no case less than six quarters of coverage. As under the present law, the number of elapsed quarters is reduced by one, if it is an odd number; and an individual who has 40 quarters of coverage will remain fully insured even though he does no more work in covered employment.

The effect of this change in the eligibility requirements will be to enable many individuals who are not insured under the present provisions, but who have at least six quarters of coverage, to be fully insured immediately after the effective date of this provision. Thus, those individuals who have six quarters of coverage and who are already past retirement age could apply for and receive benefits immediately. In addition, all newly covered workers age 62 or over could become fully insured if they earned as few as six quarters of coverage after the effective date of coverage extension.

Under the bill as passed by the House, all individuals would have had to meet the present tests for fully insured status or would have had to have 20 quarters of coverage in the 40-quarter period ending with death or any quarter in which they were age 65 or over. Thus, the great majority of the newly covered individuals would have had to work for at least 5 years in covered employment to acquire fully insured status.

*Currently insured individual*

Subsection (b) of the section defines the term "currently insured individual" to mean any individual who had not less than 6 quarters of coverage during the 13-quarter period ending with the quarter in which he died (this continues existing law), the quarter in which he became entitled to old-age insurance benefits, or the quarter in which he became entitled to primary insurance benefits under the provisions of the present law. The changes made in this definition are necessary because the payment of husband's and widower's benefits depends upon whether the fully insured wife was currently insured at the time of her entitlement to old-age insurance benefits or primary insurance benefits. Without these changes, her currently insured status might lapse before the husband files his application. In addition, a child is deemed dependent on his mother if she was currently insured at her death or entitlement to old-age insurance benefits or primary insurance benefits. The House bill did not provide for payment of husband's and widower's benefits or for deeming a child dependent on the mother under the circumstances specified in the preceding sentence; consequently the House bill made no changes in the existing definition (although it did exclude quarters of entitlement to the disability benefits provided by that bill).

## COMPUTATION OF PRIMARY INSURANCE AMOUNT

Section 215 of the Social Security Act as amended by the bill provides the method of computing an individual's primary insurance amount (from which old-age and survivors insurance benefits are computed).

*Primary insurance amount*

Subsection (a) of the new section 215 defines an individual's "primary insurance amount." Paragraph (1) of that subsection applies to individuals who attain age 22 after 1950 and who acquire 6 quarters of coverage after that date. Any such individual will have his primary insurance amount computed on a "new start" average monthly wage (defined in subsection (b)). His primary insurance amount is defined as 50 percent of the first \$100 of his new start average monthly wage plus 15 percent of the next \$150 of such wage. If the individual's average monthly wage is \$34 or more, the minimum primary insurance amount will be \$25. If his average monthly wage is less than \$34, his minimum primary insurance amount will be \$20. This dual provision of minimum primary insurance amounts instead of a single minimum will prevent the payment of excessive benefits for very low-paid workers, such as many of those in Puerto Rico and the Virgin Islands, and those engaged in domestic service on less than a full-time basis.

Paragraph (2) of the subsection applies to individuals who attained age 22 prior to 1951 and acquire at least 6 quarters of coverage after 1950. Any such individual will have a choice of two methods of computing his primary insurance amount. For him, the primary insurance amount will be computed with the new-start formula based on the new-start average monthly wage as provided in paragraph (1) or, if it will yield a larger amount, it will be computed on the basis of the provisions in existing law for computation of the primary insurance benefit (with certain modifications to assure to individuals entitled to primary insurance benefits under existing law the highest benefits their respective wage records could yield in the month following the month of enactment of this section) and then raised to the amount provided for in the conversion table (subsec. (c)).

Paragraph (3) of the subsection applies to all individuals who do not acquire 6 or more quarters of coverage after 1950. Their benefits will be computed as provided in existing law for computation of the primary insurance benefit and then raised to the amount provided in the conversion table. These individuals will not have the option of using the new-start average monthly wage and new-start formula for the computation of their primary insurance amount.

These provisions are completely different from those in the House bill which required use of the new formula in that bill for new entitlements and use of the conversion table for persons who had died or received benefits before the effective date of that bill (January 1, 1950).

*Average monthly wage*

Subsection (b) of section 215 defines the "average monthly wage," from which the primary insurance amount is computed under paragraphs (1) and (2) of subsection (a) for individuals who acquired at least 6 quarters of coverage after 1950. The average monthly wage for such an individual is the quotient obtained by dividing the total

wages and self-employment income after his starting date and prior to his closing date by the number of months elapsing between those dates. Any month in any quarter before the quarter in which he attained age 22 which was not a quarter of coverage would be excluded from the elapsed period.

An individual's starting date will be December 31, 1950, or the day preceding the quarter in which he attained age 22, whichever results in the higher average monthly wage. His closing date will ordinarily be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. If the number of months elapsing after his starting date and prior to his closing date as so determined is less than 18, his closing date will instead be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. In the case, however, of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he was both fully insured and had attained retirement age, the closing date will be either the beginning of such first quarter or the closing date determined as described above, whichever results in the higher average monthly wage.

The first two methods just described of determining an individual's closing date are designed to eliminate the need for securing special reports from an individual's employer of his wages during the two calendar quarters preceding the quarter in which he dies or files his application for benefits (commonly known as the lag period) except where a report of those wages is needed because the period elapsing between his starting date and closing date is less than 6 quarters. It is estimated that the administrative savings arising from this change will be substantial. At the same time, the amount of the individual's benefit will be safeguarded by the provisions for recomputation of benefits in section 215 (g), under which the wages in this lag period will be taken into account at a later date if their addition to the wage record would serve to increase the primary insurance amount. The third method of determining the closing date will prevent the reduction of old-age insurance benefits in cases where the individual continues to work after he attains age 65, but at a rate of pay which will lower his average monthly wage. His benefits will be computed as of the time he was first fully insured, at or after age 65, if that will yield a higher average monthly wage than the computation made as of the time he filed application for benefits or died, whichever first occurred. This is substantially the same as the protection now afforded such individuals by section 209 (q) of the present Social Security Act.

Subsection (b) also provides that only self-employment income for taxable years ending prior to the month of entitlement, or death, whichever first occurred, shall be taken into account in the computation of the average monthly wage.

The provisions of this subsection are completely different from those approved by the House.

*Determinations made by use of conversion table*

Subsection (c) (1) of the section sets forth the conversion table to be used in computing the benefits of individuals who do not have as many as 6 quarters of coverage after 1950, or individuals who have

attained age 22 prior to 1951 and have 6 quarters of coverage acquired after 1950 and for whom the conversion table may yield a higher benefit than use of the new-start formula and new-start average monthly wage. Column I of the table lists dollar amounts of primary insurance benefits (computed as explained hereafter in the discussion of subsection (d)). Column II of the table lists the new primary insurance amount for each of the amounts in column I. Column III lists the corresponding new assumed average monthly wage for the purpose of fixing the maximum family benefits.

The basis of the table is similar to that in the House bill, but, in general, the primary insurance amount shown for a given present primary insurance benefit is higher than that in the House bill, while the average monthly wage is virtually the same.

The table to be used is as follows:

Primary insurance benefit (as determined under subsec. (d))	Primary insurance amount	Assumed average monthly wage for purpose of computing maximum benefits	Primary insurance benefit (as determined under subsec. (d))	Primary insurance amount	Assumed average monthly wage for purpose of computing maximum benefits
(I)	(II)	(III)	(I)	(II)	(III)
\$10	\$20.00	\$50.00	\$29	\$55.00	\$133.00
\$11	22.00	52.00	\$30	56.20	141.00
\$12	24.00	54.00	\$31	57.40	149.00
\$13	28.00	56.00	\$32	58.60	157.00
\$14	29.50	59.00	\$33	59.80	165.00
\$15	31.00	62.00	\$34	61.00	173.00
\$16	32.50	65.00	\$35	62.20	181.00
\$17	34.00	68.00	\$36	63.40	189.00
\$18	35.00	70.00	\$37	64.40	196.00
\$19	36.00	72.00	\$38	65.50	203.00
\$20	37.00	74.00	\$39	66.50	210.00
\$21	38.50	77.00	\$40	67.60	217.00
\$22	40.50	81.00	\$41	68.60	224.00
\$23	43.00	86.00	\$42	69.70	231.00
\$24	46.00	92.00	\$43	70.70	238.00
\$25	48.50	97.00	\$44	71.60	244.00
\$26	50.90	106.00	\$45	72.50	250.00
\$27	52.40	116.00	\$46	72.50	250.00
\$28	53.80	125.00			

So far as increasing the benefits of those individuals now on the rolls is concerned, this method will permit substantial administrative savings, in contrast to an individual recomputation of benefit amounts as might otherwise be necessary to prevent undue discrimination against those now on the rolls as compared with those coming on the rolls soon after enactment of the new legislation. It will also assure that the increased amount of benefits will reach the beneficiaries within a reasonable time. The table has been so constructed that, on the average, benefits derived by its use will be about 85 to 90 percent higher than at present. In addition, to assure that individuals attaining age 22 before 1951 and having six quarters of coverage acquired after 1950 will not receive old-age insurance benefits under the new benefit formula in the bill lower than those they could have received under the method of computation in the present law plus use of the conversion table, computation of benefits on both bases is provided for them in section 215 (a) (2).

Paragraph (2) of subsection (c) provides that when the table is to be used and an individual's primary insurance benefit as computed under existing law falls between the amounts shown on any two consecutive lines in column I of the table (i. e., where it is not a multiple of \$1), his primary insurance amount and average monthly wage shall be determined by regulations which will yield results consistent with those obtained under the preceding provisions for individuals whose primary insurance benefits are a multiple of \$1. An example of how this subsection would be applied follows: If an individual had a primary insurance benefit before the effective date of \$25.25, his primary insurance amount after such date will be \$49.10, which is one-fourth of the way between \$48.50 (the new primary insurance amount for an individual whose primary insurance benefit is \$25) and \$50.90 (the new primary insurance amount for an individual whose primary insurance benefit is \$26). In such a case the assumed average monthly wage for the purpose of computing maximum monthly benefits after the effective date will be \$99.25, which is one-fourth of the way between \$97 (the assumed average monthly wage of an individual whose primary insurance benefit is \$25) and \$106 (the assumed average monthly wage of an individual whose primary insurance benefit is \$26). The provision for reducing the average monthly wage, if it is not a multiple of \$1, to the next lower multiple of \$1 (sec. 215 (e) (2) of the Social Security Act as amended by the bill) does not apply to the assumed average monthly wage since column III of the table states specifically that the amounts therein are the ones which will be applied for purposes of section 203 (a) of the Social Security Act as amended by the bill. Furthermore, since the individual benefits, as distinguished from the average monthly wage, which are not a multiple of \$0.10, are to be rounded to the next higher multiple of \$0.10 (pursuant to sec. 215 (h) of the Social Security Act as amended by the bill), the primary insurance amount will be \$49.10 for an individual who has a primary insurance benefit falling within the range of \$25.22 to \$25.25, both inclusive; and for all such cases the assumed average monthly wage, for the purpose of computing the maximum monthly benefits payable on the same wage record, will be \$99.25.

*Primary insurance benefits for purposes of conversion table*

Section 215 (d) sets forth the method of computing the primary insurance benefit of individuals whose primary insurance amount is to be obtained through use of the conversion table. Like the other provisions for computation of benefits, these provisions differ from those adopted by the House of Representatives.

Paragraph (1) of the subsection provides that, in the case of an individual who was entitled to a primary insurance benefit under the existing Social Security Act for the first month following the month in which the new section 215 is enacted, his primary insurance benefit, except as provided in paragraph (2) of the subsection, shall be his benefit under present law.

Paragraph (2) provides that any beneficiary to whom paragraph (1) is applicable and who is a World War II veteran or who rendered services for wages of \$15 or more in the first month following the month of enactment, shall have his primary insurance benefit recomputed automatically. The recomputation will be made as provided in sec-

tion 209 (q) of the present Social Security Act, except that, if he is a World War II veteran, the recomputation is to be made after inclusion of wage credits on account of military service under section 217 (a) of the act as amended by the bill. If the recomputed amount is larger than the benefit to which he was previously entitled, that larger amount will be the primary insurance benefit to be used in column I of the conversion table. If it is not, the primary insurance benefit prior to the recomputation will be used. As indicated above, the effect of this paragraph is to base the individual's increased primary insurance amount on the highest primary insurance benefit his wage record could yield on the effective date of the new section.

Paragraph (3) of the new section 215 (d) provides that, in the case of any individual who died prior to the second month following the month of enactment of the section, the primary insurance benefit is to be computed as under present law, except that for veterans of World War II the provisions of the new section 217 (a) (relating to wage credits for World War II service) are to be applicable instead of section 210 of the present law (relating to presumed average monthly wage of \$160 per month for veterans dying within 3 years after discharge), if it yields a larger benefit.

Paragraph (4) sets forth the conditions for computation of the primary insurance benefit for all other individuals who may have their benefits computed under the conversion table. Their primary insurance benefits for purposes of the conversion table would be computed as provided in existing law, but with certain exceptions. For such individuals the starting date for computation of the average monthly wage will be December 31, 1936. As under present law, months in calendar quarters before the individual attained age 22 which were not quarters of coverage would not be counted in the elapsed period. Also, self-employment income would be taken into account but only for taxable years ending before the month of entitlement or death, whichever first occurred. For purposes of the computation, the date on which the individual became entitled to old-age insurance benefits would be deemed to be the date he became entitled to primary insurance benefits. In order to provide primary insurance benefits comparable to those of individuals now on the benefit rolls, those individuals whose primary insurance benefits are computed under this paragraph would be given the 1-percent increment provided in section 209 (e) (2) of the present Social Security Act, but only with respect to calendar years prior to 1951. In making the computation, the provisions of section 215 (e) in the bill, excluding certain wages and self-employment income, would be applicable.

*Certain wages and self-employment income not to be counted*

Section 215 (e) provides that, in computing any individual's average monthly wage, there shall not be counted, in the case of any calendar year after 1950, the excess over \$3,000 of the sum of the wages paid to him and the self-employment income derived by him. This is comparable to the provision of the present act for not counting the excess over \$3,000 of wages in any year. The House bill provided a maximum of \$3,600.

The subsection also provides for the rounding of the average monthly wage. The average monthly wage (except where computed for the purpose of fixing maximum benefits under the conversion table), if

not a multiple of \$1, is to be reduced to the next lower multiple of \$1. This provision was adopted by the House. Also in the House bill it was provided that if the total of an individual's wages paid in and self-employment income credited to any calendar year was not a multiple of \$1, it was to be reduced to the next lower multiple of \$1; this is not in the committee bill. It has been eliminated because it would not under the benefit formula adopted by your committee produce any administrative savings, as it would have under the benefit formula adopted by the House.

*Average monthly wage for computing maximum benefits*

Section 215 (f) is applicable to individuals who have a choice of computing their primary insurance amount either under the new-start formula and new-start average monthly wage or under existing law and the conversion table (i. e., individuals who attained age 22 prior to 1951 and have acquired at least 6 quarters of coverage after 1950). No matter which of the two alternative methods is used to determine the primary insurance amount of any such individual, he can use, for the purpose of determining the maximum of the benefits payable on his wage record, the average monthly wage derived under the other method if it is larger. However, in practically every instance the same method will be used for determining both the primary insurance amount and the average monthly wage.

*Recomputation of benefits*

Section 215 (g) defines the conditions under which an individual's primary insurance amount will be recomputed to provide higher benefits on the basis of wages or self-employment income not included in the original computation or in previous recomputations.

Paragraph (1) of this subsection permits recomputation of benefit amounts only as provided in the succeeding paragraphs, except that the primary insurance amount of a World War II veteran who dies after the calendar month following the month of enactment and before July 27, 1954, is to be recomputed in accordance with the provisions of section 217 (b) of the Social Security Act as amended by the bill. This provision was also in the bill as passed by the House.

Paragraph (2) permits a recomputation of an old-age insurance benefit, upon application by the beneficiary to take account of wages paid to and self-employment income derived by the individual since his last computation or recomputation, but only if, because of the receipt of wages or self-employment income, he has earned six quarters of coverage after 1950 and before the calendar quarter in which he requests the recomputation, and his benefits have been subject to deduction under section 203 (b) (1) or (2) for 12 months within a period of 36 months occurring after the month following the month of enactment and after his last recomputation. This provision is designed to avoid frequent recomputations which would result in negligible increases in benefits at a disproportionate administrative cost. An individual's benefit will be recomputed only under the new formula (sec. 215 (a) (1)); it will not be recomputed under the formula in existing law and then run through the conversion table. Only such wages and self-employment income will be considered as would have been used under the new formula if the application for recomputation were considered an original application for benefits. The new benefit amount will become effective as of the month of applica-

tion for recomputation. The restriction of recomputations under this paragraph to persons who acquire at least six quarters of coverage after 1950 did not appear in the comparable provision adopted by the House.

Paragraph (3) provides (in subpar. (A)) for recomputation, upon application by the old-age insurance beneficiary 6 months or more after the month of his entitlement, to take into account wages and self-employment income before the quarter in which he became entitled, which were omitted from the initial computation. If the recomputed benefit is larger, the excess is payable retroactively to the month of entitlement, and the larger benefit amount is payable from and after the month of filing the application for recomputation. This provision will prevent any loss of benefit income which might otherwise result because, under subsection (b) of section 215, the last two quarters before entitlement are generally not included in the original computation in order to save administrative expenses.

The paragraph provides (in subpar. (B)) also for a similar recomputation of the primary insurance amount of an individual who died after the month following the month of enactment, upon the filing of an application at least 6 months after such death or after the deceased's entitlement to old-age insurance benefits, whichever first occurs, by a survivor entitled to monthly benefits on the deceased's record. This recomputation is likewise to be made in order to take account of wages paid and self-employment income derived before the quarter in which the individual died or, if earlier, became entitled to old-age insurance benefits, since these amounts are generally omitted from the initial computation. Such recomputation will not affect the amount of the lump-sum death payment, but the larger benefit amount for the survivors will be effective retroactively through the month in which the survivor who filed the application for recomputation became entitled to benefits on the deceased's wage record.

These provisions were not included in the House bill.

Paragraph (4) provides for a recomputation, in certain cases, of the primary insurance amount upon which survivors benefits or a lump-sum death payment is based when an individual entitled to old-age insurance benefits dies. Except for cases covered by the preceding paragraph (subpar. (B) of par. (3)), this recomputation may be made only if the deceased individual would, upon application in the month of his death, have been entitled to a recomputation under paragraph (2) (because his benefits were subject to deductions in 12 out of the last 36 months on account of his earnings), or if he had been paid compensation for employment under the Railroad Retirement Act which is treated as wages under title II of the Social Security Act for purposes of survivors benefits. If the recomputation is permitted for the first reason, it will be made as though the individual had applied for it under such paragraph (2) in the month in which he died, except that any compensation for employment under the Railroad Retirement Act paid him before the closing date applicable to such computation will be included. If the recomputation is permitted for the second reason (receipt of railroad compensation), it will include only the wages and self-employment income considered in the last previous computation of his primary insurance amount and any railroad compensation paid to the individual before the closing date applicable to such computation. If any such individual could

have had his benefits computed originally either under the new formula or under the old one with the conversion table adjustment, whichever of these two methods is more beneficial will be used in the recomputation. If a recomputation is permitted for both the first and second reasons, only the recomputation which results in the larger primary insurance amount will be made.

Except for the parts of this paragraph relating to the alternative methods of computing the primary insurance amount, which are appropriate to the new provisions of the bill as reported, this paragraph is similar to that adopted by the House.

Paragraph (5) prevents any recomputation from reducing benefits otherwise payable. No recomputation is to be effective unless it results in a higher primary insurance amount. If it does result in a higher primary insurance amount but happens to result in a lower average monthly wage, the lowering of such wage will not be effective for purposes of the maximum on family benefits payable on the same wage record (sec. 203 (a) of the Social Security Act). This provision was also in the bill as passed by the House.

#### *Rounding of benefits*

Section 215 (h) of the Social Security Act as amended by the bill provides, as did the House bill, that any monthly benefit which, after reduction under the applicable section of the Social Security Act (sec. 203 (a)), is not a multiple of \$0.10, shall be raised to the next higher multiple of \$0.10.

#### OTHER DEFINITIONS

##### *Retirement age*

Section 216 (a) defines "retirement age" as age 65. This makes no change in existing law; it is inserted only for convenience in reference. It was also contained in the House bill.

##### *Wife*

Section 216 (b) makes a small change in the definition of "wife." Under existing law, an individual is considered to be the wife of a primary beneficiary only if she has been married to him for at least 36 calendar months before the month in which her application is filed unless she is the mother of his son or daughter. The bill changes this time limit to 3 years. The change eliminates anomalies which have arisen as between couples married early in one month and those married late in the preceding month. The same provision was in the bill as passed by the House.

##### *Widow*

Section 216 (c) amends the definition of "widow" in several respects. Under existing law a woman, to be considered a widow of an insured individual, must be the mother of his son or daughter or must have been married to him for not less than 12 calendar months before the month in which he died. For the reasons stated above in connection with the change in the definition of "wife," the time period is changed to 1 year. In addition, this subsection (as amended) provides that, if a widow had legally adopted her husband's son or daughter before that child attained age 18, or if she and her husband together had legally adopted a child under age 18, she need not have been married to him for a year before his death to qualify for benefits.

The bill as reported and the bill as passed by the House are identical on this matter.

*Former wife divorced*

Section 216 (d) adds a new definition, "former wife divorced," which is used (in sec. 202 (g) and sec. 203 (b) of the Social Security Act as amended by the bill) with reference to mother's insurance benefits. A woman divorced from a deceased individual is considered to be a former wife divorced only if she meets one of the following conditions: (1) She is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under 18, or (3) she was married to the deceased individual at the time both of them legally adopted a child under 18.

There are no differences between the bill as reported and the House bill on this matter.

*Child*

Section 216 (e) amends the definition of "child" to correspond with the change made for "wife," so that the time required to establish a parent-child relationship, in cases of adopted children or stepchildren, is expressed in terms of years rather than of months. A further change permits the adopted child of a deceased individual to qualify as a child without regard to the length of time elapsing after the adoption and before the adopting parent's death.

Again, this provision is the same as that contained in the House bill.

*Husband*

Section 216 (f) adds a new definition, "husband," because of the addition of benefits for dependent husbands. This provision did not appear in the bill as passed by the House. The definition of "husband" is comparable to that of "wife" and provides that to be a "husband" a man must be either the father of the woman worker's son or daughter or have been married to her for at least 3 years before filing his application for benefits.

*Widower*

Section 216 (g) adds a new definition, "widower," to effectuate the provision for benefits for dependent widowers of insured women workers. This provision also did not appear in the House bill. To be a "widower," a man must be the surviving husband of the woman and have been married to her for at least a year before her death unless he was the father of her son or daughter or, while married to her, he had legally adopted her son or daughter who was under the age of 18, or they had both legally adopted a child under age 18 while they were married. These provisions make the definition of widower comparable to that of widow.

*Determination of family status*

Section 216 (h) continues the provisions in sections 209 (m) and (n) of the existing Social Security Act for determining when an individual is the wife, widow, child, or parent of an insured individual and when a wife or widow is considered as living with her husband. In addition, because of the other changes approved by your committee but not in the House bill, this section provides for determining when a man is the husband or widower of an insured woman and sets up a provision for determining if a husband or

widower was living with his wife. The conditions are the same as those for the wife or widow.

EFFECTIVE DATES OF SECTIONS 209 TO 216, INCLUSIVE, OF THE SOCIAL SECURITY ACT AS AMENDED BY SECTION 104 OF THE BILL

Section 104 (b) of the bill provides that the amendment made by section 104 (a) will, with certain exceptions, take effect January 1, 1951. The new requirements for insured status (sec. 214 of the amended act), the new benefit computations (sec. 215 of the amended act), and the new definitions in section 216 (wife, etc.) are effective in the case of applications for monthly benefits filed after the date of enactment of the bill for months beginning with the second month after that in which such enactment occurs. These changes are effective for lump-sum death payments only if death occurred after the month following the month of enactment of the bill. Thus, if an individual dies before the beginning of the second calendar month following the month of enactment, the right of any of his survivors to benefits will be determined under the provisions of the Social Security Act before amendment by this bill. The amount of such benefits will also be determined generally in accordance with existing law, but after such determination the amounts thereof for months after the effective date will be increased by the conversion table in section 215 (c).

WORLD WAR II VETERANS

Section 105 of the bill adds a new section 217 to the Social Security Act, which replaces the present section 210 guaranteeing temporary survivor protection to certain World War II veterans. The new section provides veterans with wage credits for World War II military service, and continues without change or extension the survivor protection now provided under section 210.

Paragraph (1) of subsection (a) of section 217 would provide World War II veterans (including, with certain minor exceptions, individuals who died in service) with wage credits of \$160 for each month any part of which was spent in military or naval service during World War II except where the military service has been credited toward a benefit payable under the civil service, railroad, military or other Federal retirement or similar system (other than a benefit determined by the Veterans' Administration to be payable by it). The wage credits would be used in determining the monthly benefits payable to a veteran and his dependents, or to his survivors, for any month after the first month following the month in which section 217 is enacted, and in determining the lump-sum death payment payable to the survivors of a veteran who dies after the first month following the month in which the section is enacted. The subsection would not apply to any benefit or payment if (1) a larger benefit or payment would be payable without its application, or (2) if another Federal benefit (other than a lump-sum payment which is not a commutation of or a substitute for periodic payments) based in whole or in part on active World War II military or naval service, other than a benefit determined by the Veterans' Administration to be payable by it, is payable.

Paragraph (2) of subsection 217 (a) contains provisions for carrying out the provision of paragraph (1) that the subsection is inapplicable

where another Federal benefit, other than one determined by the Veterans' Administration to be payable by it, is payable. The Civil Service Commission would act as a clearing house for the various Federal systems, and the Federal Security Administrator would deal only with the Commission. The provisions are substantially the same as those now in section 210 for effectuating cooperation between the Veterans' Administration and the Federal Security Administrator. The Federal Security Administrator would report to the Civil Service Commission cases in which old-age and survivors insurance benefits, based in whole or in part upon World War II military or naval service, are determined to be payable. The Commission would ascertain whether in such cases another Federal benefit is payable, and would notify the Federal Security Administrator if it finds that such other benefit is payable. Payments certified by the Federal Security Administrator before the receipt of such notification would not be considered erroneous and adjustments would be made against the amount of the payments accrued on account of such other Federal benefit.

Paragraph (3) of subsection 217 (a) provides that the various Federal agencies which pay benefits based in whole or in part on World War II military or naval service shall certify to the Civil Service Commission the information the Commission needs to carry out its functions under paragraph (2).

Subsection (b) is included so as to carry over into the amended law, with appropriate changes to take account of other amendments to the Social Security Act made by the bill, the provisions for the special 3-year survivor protection for veterans under section 210 of the present Social Security Act.

Paragraph (1) of this subsection provides that the veterans to whom it applies, and who die within 3 years after separation from service, will be deemed to have died fully insured with an average monthly wage of \$160. The existing method of computing benefits (with the increase provided through the conversion table) would apply. For purposes of the increment under section 209 (e) (2) the veteran would be deemed to have been paid the required amount of wages in each year (through 1950) in which he had 30 days or more of wartime military or naval service. The paragraph further provides that subsection (b) will not apply (1) if a larger benefit or payment would be payable without it, (2) if pension or compensation is determined by the Veterans' Administration to be payable because of the veteran's death, (3) if the veteran died in service, or (4) if he was discharged or released from military or naval service after July 26, 1951. These provisions are the same as those now contained in section 210.

Paragraph (2) of the subsection contains provisions substantially identical with those now in section 210 for effectuating cooperation between the Veterans' Administration and the Federal Security Administrator in order to carry out the provision in paragraph (1) that the subsection is inapplicable where veterans' benefits are payable.

Subsection (c) of the new section 217 provides that the parent of a World War II veteran to whom subsection (a) is applicable shall have at least until July 1951 to file proof of support. Proof of support is ordinarily required to be filed by the parent within 2 years after the wage earner's death, as a condition of eligibility for parents' benefits. Parents of veterans who died more than 2 years before the enactment

date of the bill could therefore not become eligible for benefits on the basis of wage credits provided by the new section 217 (a) unless some extension of time for filing is given.

Subsection (d) contains definitions to be used for purposes of section 217. Paragraph (1) defines "World War II" as the period beginning with September 16, 1940, and ending at the close of July 24, 1947. (September 16, 1940, is the enactment date of the Selective Training and Service Act of 1940; July 25, 1947, is the date set as the termination of World War II by Public Law 239, 80th Cong., for purposes of the present sec. 210 of the Social Security Act.)

Paragraph (2) defines a "World War II veteran" as any person who served in the active military or naval service during World War II, and who, if discharged, was discharged under conditions other than dishonorable either after 90 days of service or because of a service-connected disability. It does not, however, include any individual whose death while in the active military or naval service was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

An important change made by your committee from section 217 in the House bill is the provision that military wage credits will not be given under subsection (a) when Federal benefits (other than benefits determined by the Veterans' Administration to be payable by it) based in whole or part on World War II military or naval service are payable. Benefits based on section 217 (b), the continuation of the present section 210, would in all cases be computed under the benefit formula in the present law (with the conversion table increase). The House bill provided for using the new formula in some cases. Also of importance, under the committee bill, the cost of the section 217 benefits would be paid from the trust fund, with no reimbursement from the general funds of the Treasury. The House bill provided that the costs would be paid from the general funds of the Treasury.

#### COVERAGE OF STATE AND LOCAL EMPLOYEES

Section 106 of the bill would add to the Social Security Act a new section 218, under which the protection of the old-age and survivors insurance program could be extended to employees of States and their political subdivisions and instrumentalities by means of agreements negotiated between the States and the Federal Security Administrator.

##### *Purpose of agreement*

Section 218 (a) provides that the Federal Security Administrator shall enter into an agreement at the request of a State for the purpose of extending old-age and survivors insurance coverage to the employees of the State or of any political subdivision or instrumentality of the State. The agreement is to include such provisions, not inconsistent with those specified in the bill, as the State may request. The subsection also provides that, notwithstanding the general exclusions of agricultural labor, domestic service, or service performed by a student, such service may be covered (at the option of the State) if it is included under an agreement.

##### *Definitions*

Section 218 (b) defines certain significant terms used in the section. Paragraph (1) provides that the term "State" shall not include the

District of Columbia. As a consequence, no agreement could be made with the District. Agreements could be made, however, for covering the employees of Territorial and local governments in Hawaii, Alaska, and the Virgin Islands, and also (subject to the provisions of sec. 219) in Puerto Rico.

Paragraph (2) defines "political subdivision" to include instrumentalities of the State, of a political subdivision, or of any combination of the foregoing.

Paragraph (3) defines "employee" to include an officer of a State or political subdivision.

Paragraph (4) defines "retirement system" as "any pension, annuity, retirement, or similar fund or system" established by a State or political subdivision. The definition of "State-wide retirement system" included in the House bill is not needed since no employees in positions covered by any retirement system may be covered by an agreement.

Paragraph (5) defines "coverage group" primarily for purposes of subsection (c), which governs the coverage of groups which may be included in or excluded from an agreement. Your committee has designated four coverage groups to which coverage may be extended: (A) Employees of the State other than those engaged in performing service in connection with a proprietary function, (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function, (C) employees of a State engaged in performing service in connection with a single proprietary function, or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he will be included in only one such coverage group. The determination of which coverage group such an employee will be included in will be made in such manner as may be specified in the agreement.

Paragraph (5) makes several significant changes from the paragraph in the bill as passed by the House. In the latter, which permitted coverage of employees covered by a retirement system under certain conditions (specified in subsec. (d) in that bill), a State-wide retirement system constituted a separate coverage group. The complete exclusion of employees covered by any retirement system makes such a coverage group unnecessary. On the other hand, the bill as reported establishes a separate coverage group for any employees engaged in the performance of a single proprietary function.

#### *Services covered*

Subsection (c) of section 218 of the Social Security Act as amended by the bill specifies the services which may be covered by an agreement or modification of an agreement.

Paragraph (1) requires an agreement to cover any one or more coverage groups designated by the State.

Paragraph (2) provides that if any employees of a coverage group are to be covered by an agreement, then all employees in that coverage group (except for certain classes which may be excluded pursuant to paragraphs (3) or (5) of subsec. (c) or pursuant to subsec. (d))

must be included under the agreement. This provision is necessary to protect the system from adverse selection.

Paragraph (3) of subsection (c) permits the State to exclude from the agreement all services in any class or classes of elective or part-time jobs, or jobs compensated on a fee basis, in any coverage group. The State would also be permitted to exclude any services of an emergency nature.

Paragraph (4) gives the State the right to have the agreement amended to cover additional coverage groups or services not previously covered, so long as the extension is consistent with the other provisions of the section.

Paragraph (5) permits the State to exclude from any coverage group agricultural labor, domestic service, or service performed by a student, if such service would be excluded from compulsory coverage under the act if performed for an employer other than a governmental unit.

Paragraph (6) prevents the agreement from applying to any services performed in a hospital, home, or other institution by a patient or inmate thereof or any services performed by an individual in a work relief or other program designed to relieve him from unemployment.

#### *Exclusion of positions covered by retirement systems*

Section 218 (d) provides that services performed by employees as members of any coverage group in positions covered by a retirement system on the date a coverage agreement is made applicable to the coverage group may not be included under the agreement. Thus, if any members of a coverage group are in positions under a retirement system when the group is brought under an agreement, employees in those positions cannot subsequently be brought under the agreement even though their retirement system should be discontinued.

This provision is in substitution for section 218 (d) of the House bill which provided that positions under retirement systems might be included in original agreements or modifications of agreements if a referendum was held within a specified period among employees in and adult beneficiaries of the system and not less than two-thirds of the voters in the referendum favored inclusion.

#### *Payments and reports by States*

Section 218 (e) requires the State to agree to pay amounts equivalent to the sum of the employee and employer taxes which would be imposed under sections 1400 and 1410 of the Internal Revenue Code if the services covered under the agreement constituted employment under section 1426 of such code. It also requires the State to agree to comply with regulations, relating to payments and reports, prescribed by the Administrator to carry out the purposes of the section.

#### *Effective date of agreement*

Section 218 (f) provides that an agreement or modification of an agreement may be made effective on a date specified in the agreement. However, no agreement or modification could be effective prior to January 1, 1951, or except for an agreement or modification agreed to prior to January 1, 1953, prior to the calendar year in which it was consummated. This latter exception to the general rule for agreements or changes made prior to 1953 is intended to give the States sufficient time to negotiate the agreements in the early days of the new program without unduly penalizing their employees under the

eligibility and benefit-computation provisions of the system because of unavoidable delay in this process.

*Termination of agreement*

Section 218 (g) specifies the conditions under which an agreement may be terminated.

Paragraph (1) authorizes the State to terminate an agreement in its entirety or with respect to any coverage group. However, an agreement cannot be terminated in its entirety until the agreement has been in effect for at least 5 years, nor can it be terminated for any coverage group until the affected group has been covered for at least 5 years. Furthermore, any such termination would be conditioned upon the receipt by the Administrator, after the end of the 5-year period, of 2 years' advance notice in writing. Consequently, the minimum duration of an agreement would be 7 years, and the minimum period of coverage for a single coverage group (as long as the agreement itself remained in effect) would also be 7 years.

Paragraph (2) would direct the Administrator to terminate an agreement in its entirety, or with respect to any coverage group, if it appeared, after reasonable notice and opportunity for hearing, that the State had failed, or was not able legally, to comply substantially with the terms of the agreement. The agreement would be terminated in its entirety if the lack of compliance affected all the services covered under the agreement; otherwise only those coverage groups affected would have their coverage terminated. The Administrator might give the State as long as 2 years to rectify the deficiency. If the State failed to do so, the termination would be effected.

Paragraph (3) provides that if an agreement with a State is terminated in its entirety no agreement with such State may be made again. If the termination affects only particular groups, those groups may not again be included under an agreement. This restriction is necessary to protect the insurance trust fund from excessive drains caused by movement into and out of the system.

*Deposits in trust fund; adjustments*

Section 218 (h) specifies that all payments received by the Secretary of the Treasury under State agreements shall be deposited in the trust fund. Overpayments or underpayments of amounts due would be adjusted, without interest, in accordance with regulations prescribed by the Administrator. Where overpayments cannot be adjusted in this manner the amounts overpaid will be paid out of the trust fund to the State.

*Regulations*

Section 218 (i) provides that the regulations of the Administrator under the section shall be designed to make the requirements imposed on the States similar, so far as practicable, to requirements imposed on employers under subchapters A and E of chapter 9 of the Internal Revenue Code and title II of the Social Security Act.

*Failure to make payments*

Section 218 (j) establishes penalties for failure by a State to pay the amounts due under the agreement on time. Interest at the rate of 6 percent per annum would be added where the State did not make payments when due. In addition, the Administrator might deduct the

amount of such delinquent payments, plus interest, from grants to the State under any other provision of the Social Security Act; for example, matching grants for public assistance. The amounts so deducted are to be deemed to have been paid to the State under that other provision, and are appropriated to the trust fund. A purely technical change has been made in this provision as it appeared in the House bill.

*Instrumentalities of two or more States.*

Section 218 (k) provides that, at the request of any instrumentality of two or more States, the Federal Security Administrator may enter into an agreement with that instrumentality for coverage of its employees. As far as practicable, such an agreement must conform to the other provisions of the section.

*Delegation of functions*

Section 218 (l) authorizes the Administrator, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under the section to any officer or employee of that agency, or to utilize the services and facilities of that agency in the administration of the section. The purpose of this provision is to enable the Federal Security Administrator to delegate routine duties in connection with the securing of wage records and similar functions. The expenses incurred by the agency whose services or facilities are utilized would be paid in advance or by way of reimbursement, as might be agreed upon.

EFFECTIVE DATE IN CASE OF PUERTO RICO

Section 107 of the bill, which is the same as section 108 under the House bill, adds a new section 219 (sec. 221 under the House bill) to the Social Security Act which provides that Puerto Rico will be covered under title II of the Social Security Act if the Governor certifies to the President of the United States that the Puerto Rican Legislature has adopted a concurrent resolution to the effect that it desires coverage. Coverage of Puerto Rico would be effective on January 1 of the first calendar year beginning more than 90 days after receipt by the President of the Governor's certification.

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

Section 108 of the bill makes a number of technical amendments in section 205 of the Social Security Act and is intended principally to clarify the statute of limitations in the present act which governs the circumstances under which corrections or changes may be made in earnings records maintained by the Administrator. Except as otherwise noted, your committee concurs in the provisions adopted by the House in this section.

Because of the addition of benefits for a husband, widower, and former wife divorced (sec. 202 (c), (f), and (g) of the Social Security Act), section 108 (a) of the bill provides for adding such individuals to the persons listed in section 205 (b) of the Social Security Act who are to be given a hearing by the Administrator on any decision he makes which may prejudice their rights. The addition of husband and widower were, of course, not made in the House bill.

Section 108 (b) of the bill revises section 205 (c) of the act in several respects, including changes necessary to provide for maintaining rec-

ords of earnings of self-employed persons. Paragraph (1) of the revised 205 (c) includes definitions of "year" and of "time limitation" for convenience of reference and because of certain necessary differences between the reporting of wages and self-employment income. The "time limitation" is coordinated with the corresponding limitation in the Internal Revenue Code on the withholding of taxes. A definition of "survivor" is included to simplify references throughout the subsection.

The term "year" is defined as a calendar year in the case of wages and a taxable year in the case of self-employment income. (The House bill used the term "accounting period" instead of "year". As used in that bill, the term meant a calendar quarter for wages and a taxable year for self-employment income.)

The term "time limitation" is defined as 3 years, 2 months, and 15 days, a change from the provisions approved by the House. The change was made in order to conform the statute of limitations on changes in the Administrator's records with the new statute of limitations in the Internal Revenue Code. The term "survivor" is defined to mean a spouse, former wife divorced, child or parent who survives the wage-earner or self-employed person.

Paragraphs (2) and (3) of the revised section 205 (c) continue the provisions of existing law as now contained in section 205 (c) (1) of the Social Security Act and make such provisions applicable to self-employment income. They direct the Administrator to establish and maintain records of the earnings of individuals and, upon request, to inform them, their survivors, or their agents designated in writing, of the amounts in such records. They also make the records evidence of the earnings of individuals and the absence of entries for any period evidence that no wages were paid or self-employment income derived during such period.

The addition of the agent of an individual designated in writing to the class of those who may obtain information about such individual's record did not appear in the bill as passed by the House.

Paragraph (4) states the conditions under which the Administrator's records may be revised. Prior to the expiration of the time limitations, the Administrator may revise his records if any error in them is brought to his attention. This is the same as existing law. Changes, however, have been made in the provisions relating to the effect of the records and to the revisions which may be made in them after the expiration of the time limitations. As changed, the provisions relating to the Administrator's records after the time limitation provide that, after the expiration of the time limitation following a year, (1) the amounts of wages or self-employment income as shown on the records for any period in that year shall be conclusive; (2) the absence of any entry in the records as to the wages alleged to have been paid by an employer during any period in that year shall be presumptive evidence that no wages were paid to the individual by such employer during such period; and (3) the absence of an entry as to self-employment income in that year is conclusive unless it is shown that a tax return of such income was filed before the expiration of the time limitation following the year. However, certain corrections are specifically permitted after the end of the time limitation.

The presumption that no wages were paid an individual by an employer in any period in the absence of an entry of such wages in the records may be overcome by proof that the wages had been paid.

Where no entry of self-employment income appears on the records and it is shown that a tax return was filed by the individual within the time limitation, the Administrator is required to enter upon the record the self-employment income for such year.

The present provision of 205 (c) (3) of the Social Security Act, permitting revision of the records after the time limitation if the Administrator was on notice of an error before the end of the period, is deleted. Determination of what constitutes "notice" has proved administratively cumbersome. Instead paragraph (5) of section 205 (c) as revised by the bill authorizes corrections after the time limitation if an application for monthly benefits or a lump-sum death payment is filed within the time limitation and no final decision has been made on it, or if a written request for a revision of the records is made within the time limitation; but no such revision may be made after final decision upon such application or upon such request.

In addition, the conditions under which the Administrator may correct his records after the end of the time limitation, even though no application for benefits or revision was filed within the period, are expanded in ways designed to correct certain anomalies occurring under existing law. The revised section 205 (c) would permit revision after the end of the time limitation—

(1) To correct any mechanical, clerical, or other errors apparent on the face of the records.

(2) To transfer items to or from records of the Railroad Retirement Board, if such items were reported to the wrong agency.

(3) To delete or reduce any items entered through fraud.

(4) To conform the Administrator's records with specified tax returns or informational statements filed with the Commissioner of Internal Revenue. However, in the case of a tax or information return in respect of self-employment income filed after the end of the time limitation following the taxable year, corrections of the Administrator's records will not be made except to include self-employment income for such year in an amount not in excess of the amount (if any) which has been deleted (after the end of the time limitation) as payments erroneously included in such records as wages paid to such individual during such taxable year. This prohibition against entries with respect to self employment income after the end of the time limitation applies not only to cases in which the individual voluntarily files a tax return, but also to cases in which the Commissioner asserts an underpayment of the self-employment tax.

(5) To correct errors resulting from the employer's reporting of wages for an incorrect period, or from his reporting wages for one individual under the name and account number of another individual, or similar errors in the report of self-employment income. (This is an addition to the provision approved by the House.)

(6) To include wages paid by an employer to an individual during any period in a year where there is a complete absence of any entry in the records of wages having been paid by such employer during such period.

(7) To enter certified items transferred by the Railroad Retirement Board in cases in which survivors benefits under the Social Security Act are to be based on a combination of social-security wages and railroad compensation.

Paragraph (6) of the revised section 205 (c) continues the requirement in existing law that written notice of any deletion or reduction of wages be given to the individual whose record is involved where he has previously been notified by the Administrator of his wages for the period involved. Notice of a deletion, or reduction of self-employment income is required to be given to the individual involved in all cases because such individuals, having made out their own returns, have notice of the amount of self-employment income that should be shown on the records. An individual's survivor is also to be notified of any deletion or reduction if either the individual or the survivor has previously been notified of the amount of wages and self-employment income appearing on the Administrator's records for the period involved.

Paragraph (7) of the revised section 205 (c) gives the Administrator discretion to prescribe the period, after any change or refusal to change his records, within which an individual or his survivor may be granted a hearing upon request. Under the present law, the hearing must be requested before the running of the time limitation or within 60 days thereafter. Thus some individuals have a very long period within which to make a request while other individuals have no opportunity to request a hearing. Under the amendment, the Administrator will have the authority to establish reasonable and equitable regulations governing the period within which a hearing must be requested.

Paragraph (8) continues existing law providing for judicial review (as provided in sec. 205 (g) of the Social Security Act) of the Administrator's decision under section 205 (c).

Except as indicated above the amendments of section 205 (c) of the Social Security Act in the bill as reported are the same in substance as those in the bill as passed by the House.

Section 108 (c) of the bill further amends section 205 of the Social Security Act by the addition of two new subsections. These deal with special problems arising out of extension of coverage to certain Federal employees and the necessity for continuing the provisions of existing law for the coordination between survivors benefits under the Social Security Act and the Railroad Retirement Act.

Subsection (c) of the House-approved bill would have added a new subsection (o) to section 205 of the Social Security Act, providing for giving employees of nonprofit organizations only half wage credits if the organization did not waive its tax exemption under section 1410 of the Internal Revenue Code. This provision has been omitted as unnecessary in view of the changes made by your committee in the coverage of employees of nonprofit organizations.

The new subsection (o) in the bill as reported provides that if no person exists who could, upon application, become entitled to a monthly survivors annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of that section, with respect to the death of an employee (as defined in such act), railroad compensation shall be counted on the same basis as old-age and survivors insurance wages or self-employment income in determining the rights of the employee's survivors to a lump-sum death payment or to monthly survivors benefits under the Social Security Act. The subsection would not permit transfer of compensation credited by reason of military service where the employee is

credited with wages under title II of the Social Security Act for such service for the same period of time. This section, like the new section 202 (l) provided for in section 101 (a) of the bill, is necessary to continue the existing coordination of survivors benefits under the railroad retirement and old-age survivors insurance programs.

The House bill provided that railroad compensation would not be used unless it was to the claimant's advantage. (Under the committee's bill it could be to his disadvantage only if the compensation is low in amount and is credited for periods prior to attainment of age 22.) This provision appears to give survivors of workers who participated in both programs an advantage over the survivors of workers who participated in only the old-age and survivors insurance program—an advantage which presumably was not intended. It is also an advantage which is not accorded to participants of both programs under existing law. The bill as reported, therefore, omits this provision. In other respects the two bills are identical on this matter.

Paragraph (1) of the new subsection (p) provides that the Federal Security Administrator shall not make determinations as to employment or wages with respect to service in the employ of the United States or its wholly owned instrumentalities, but shall accept the determinations of the head of the appropriate Federal agency or instrumentality. This provision represents an extension of present provisions of title II of the Social Security Act applicable to services for the Maritime Commission and the Bonneville Power Administrator. Heads of agencies or instrumentalities are authorized by paragraph (2) to make necessary certifications to the Federal Security Administrator with respect to services under their jurisdiction. Paragraph (3) makes the subsection applicable to service in certain activities conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense (such as post exchanges) and designates the Secretary of Defense as the head of such instrumentalities for the purposes of the title.

This provision is the same as that contained in the House bill.

#### *Effective dates*

Section 108 (d) of the bill provides that the amendments made by subsections (a) and (c) shall take effect on the first day of the second calendar month following the month of enactment of the bill. The amendments made by subsection (b) (relating to the statute of limitations on changes in the Administrator's records) will be effective January 1, 1951, but provision is made for enabling the surviving husband and former wife divorced of an individual to obtain information as to the individual's record on the same basis as a surviving wife, on and after the date the new widower's and mother's insurance benefits go into effect.

#### MISCELLANEOUS AMENDMENTS

Section 109 of the bill makes several changes of a technical nature in the remaining provisions of title II of the Social Security Act.

Since States entering into agreements with the Federal Security Administrator for coverage of State and local employees are required (under the new sec. 218 of the Social Security Act) to pay amounts equivalent to the employer and employee taxes to the Secretary of the

Treasury, provision is made for including such amounts as part of the trust fund (sec. 201 (a)).

The time for the filing of the annual report of the Board of Trustees of the trust fund has been moved from the first day of each regular session of the Congress to March 1 of each year in order to give the Board the additional time which experience has shown it needs in order to assemble the data required for this report (sec. 201 (b)).

Although the Board of Trustees is now required to submit an annual report to the Congress, there is no authorization to have this report printed. It is therefore necessary each year to pass a resolution authorizing the printing of this report, in order, among other things, to obtain a sufficient number of printed copies for the Members and the staff of the Congress. Section 109 of the bill would amend the applicable provisions of the Social Security Act so as to authorize the printing of the annual report as a House document (sec. 201 (b)).

In order to facilitate the operations of the Board of Trustees of the trust fund, the bill would amend the Social Security Act so as to designate the Commissioner for Social Security of the Federal Security Agency as secretary of the board (sec. 201 (b)). The board would also be given the additional function of recommending improvements in administrative procedures and policies (sec. 201 (b)). Under the bill, as passed by the House, the Board's additional function would have been that of recommending administrative procedures and policies designed to effectuate the proper coordination of the social insurances.

The bill would eliminate from provisions relating to the trust fund the authorization to appropriate to it from the general funds of the Treasury such additional sums as may be required to finance the benefits and payments provided by the insurance program.

This section of the bill would also do what has already been accomplished in effect by the Reorganization Plan of 1946 by changing all references to the Social Security Board in title II of the Social Security Act to the Federal Security Administrator. In addition, references in title II to the Federal Insurance Contributions Act (the short title of the Internal Revenue Code provisions relating to collection of taxes for the old-age and survivors insurance program) have been changed to subchapter A of chapter 9 and subchapter E of chapter 1 of the Internal Revenue Code in order to avoid confusion and to include the new provisions of the code relating to the collection of taxes from the self-employed.

Paragraph (2) of section 109 (a) of the bill relates to that portion of section 201 (a) of the Social Security Act which appropriates to the trust fund amounts equivalent to 100 per centum of the taxes received under the Federal Insurance Contributions Act and covered into the Treasury. The purpose of this amendment is only to simplify the accounting and collection processes required for determining the amounts appropriated to the trust fund. Under the proposed amendment, such amounts will be determined by reference to the taxes on the total taxable wages and self-employment income reported for tax purposes, rather than by reference to the sum of the collections of such taxes. Under the proposed amendment, the amount appropriated will be determined under the present method with respect to taxes deposited into the Treasury by collectors of internal revenue before January 1, 1951. However, after that date and for

an additional period of 2 years ending with the close of 1952, collectors of internal revenue will be required to continue to account separately for collections of such taxes which had been assessed but not collected before January 1, 1951. It is believed that after 1952 the uncollected portion of such outstanding assessments will be so small as not to justify the administrative cost of separately accounting therefor.

The appropriation will be determined after December 31, 1950, under a new system that, except as noted above, avoids the present requirement that collectors of internal revenue separately account for such taxes and deposit such taxes into the Treasury under separate accounting classifications. Under this new system, the schedule on the tax returns that shows the taxable wages paid will, as at present, be transferred by the Commissioner of Internal Revenue to the Federal Security Administrator, and a similar transfer of information will be made with respect to returns showing the self-employment income. With respect to such wages reported to the Commissioner after December 31, 1950 (either on returns, or if some other system of payment is prescribed under section 1420 (c) of the Internal Revenue Code, on such other report as the Commissioner requires to be furnished under such section), and with respect to the self-employment income reported to the Commissioner on tax returns after December 31, 1950, the Administrator will certify to the Secretary of the Treasury from time to time the totals of such wages and such self-employment income for the various periods for which such returns or other reports are made. The Secretary will apply the proper rates of tax under the Federal Insurance Contributions Act (social security taxes) and under the Self-Employment Contributions Act (self-employment tax) to such totals, and the amount of the appropriation to the trust fund is to be 100 per centum of the amount so determined. For example, the Commissioner will transmit to the Administrator the schedules from all social security tax returns filed January 31, 1951, showing wages paid during the last quarter of 1950. Assume that the Administrator thereafter certifies that a total of \$x of taxable wages was reported on such returns. The Secretary, by applying the 1½ percent rate of section 1400 and the 1½ percent rate of section 1410 determines an amount equal to 3 percent of \$x. The amount so determined is appropriated and transferred from the general fund of the Treasury to the trust fund. Similarly, if delinquent returns and other tax reports obtained during August, 1952, show that \$y of previously unreported wages were paid during some quarter of 1950 (the taxes with respect to which were not assessed before January 1, 1951), the Secretary will determine an amount equal to 3 percent (the sum of the applicable rates under the Federal Insurance Contributions Act) of \$y, and the appropriation to the trust fund includes the amount so determined. Similar totals of self-employment income for the taxable years referred to in section 480 of the Internal Revenue Code will be certified by the Administrator to the Secretary, and the applicable rate under section 480 will be applied to such totals, the amounts included in the appropriation to the trust fund being equal to the amounts so determined. It may be noted that tax reports transferred to the Administrator will include adjustments with respect to amounts previously erroneously reported as wages or self-employment income, and the subsequent certification of any total of wages paid during a

certain period or of self-employment income for a certain period will reflect such adjustments.

The proposed amendment in paragraph (2) makes one further change in section 201 (a) so as to continue the present practice of current transfers to the trust fund of social security taxes. Under this amendment, the Secretary will estimate from time to time the amounts received and deposited into the Treasury on account of social security taxes, and the amounts so estimated will be transferred from the general fund of the Treasury to the trust fund. Such amounts are estimates of the amounts appropriated under clauses (3) and (4) of section 201 (a). Proper adjustments will be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses.

This provision was not in the House bill since that bill made no change in the existing system of collection of taxes under the Federal Insurance Contributions Act. On the other hand, one change which the House bill would have made in section 201 of the Social Security Act has been deleted. The bill as reported does not include, as did the House bill, an amendment to section 201 (f) authorizing refunds of taxes collected under the old-age and survivors insurance program to be made from the trust fund. To some extent the adjustment because of refunds of taxes will automatically be made through the new procedure of appropriations outlined above. In addition, the deletion of this proposed amendment will result in considerable administrative savings.

## TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

### RATE OF TAX ON WAGES

Section 201: This section, as in the House bill, amends clauses (2) and (3) of sections 1400 and 1410 of the Internal Revenue Code, relating to the rates of the taxes under the Federal Insurance Contributions Act. Under existing law the rate of the employees' tax and of the employers' tax for the calendar years 1950 and 1951 is 1½ percent; and the rate of each such tax for the calendar year 1952 and subsequent calendar years is 2 percent. Under the House bill the rate of each tax would have been increased on January 1, 1951. Your committee has postponed the increase in rates until January 1, 1956. Otherwise the rates in the committee bill are the same as in the House bill. Under the committee bill the rates of each tax are as follows:

	<i>Percent</i>
For the calendar years 1950 to 1955, inclusive.....	1½
For the calendar years 1956 to 1959, inclusive.....	2
For the calendar years 1960 to 1964, inclusive.....	2½
For the calendar years 1965 to 1969, inclusive.....	3
For the calendar year 1970 and subsequent calendar years.....	3¼

### FEDERAL SERVICE

Section 202: This section, except for several amendments made necessary by changes in other provisions of the House bill, is the same as section 203 of the House bill. (For a further discussion of Federal services as affected by this bill, see in this report the explanation of paragraphs (6) and (7) of section 1426 (b) of the Internal Revenue Code, as amended by section 204 (a) of the committee bill.)

Subsection (a) of this section of the bill amends part II of subchapter A of chapter 9 of the Internal Revenue Code by adding after section 1411 a new section 1412. Your committee has changed the number of the new section from 1413 to 1412 due to the elimination from the House bill of a new section 1412, relating to the exemption of certain nonprofit organizations from the employers' tax imposed by section 1410 of the code. Section 1412 under the committee bill makes ineffectual as to the tax imposed by section 1410 of the code (with respect to remuneration paid after 1950) those provisions of any statute (irrespective of the date of enactment thereof) which grant to any instrumentality of the United States an exemption from taxation, unless such statute grants a specific exemption from the tax imposed by section 1410 by an express reference to such section. The exemptions from Federal taxation granted by various existing statutes to certain Federal instrumentalities without specific reference to the tax imposed by section 1410 are rendered inoperative insofar as the exemptions relate to the tax imposed by section 1410, without the necessity of specifically amending such exemption statutes. Some Federal instrumentalities whose exemption from the tax imposed by section 1410 is rendered inoperative by section 1412 are national farm loan associations, production credit associations, and Federal credit unions. With respect to subsequent legislation of Congress which might grant a general exemption from taxation to an instrumentality of the United States, section 1412 provides, as a rule of construction, that such general exemption (lacking a specific reference to the tax imposed by sec. 1410) is not to be construed as providing an exemption from the tax imposed by section 1410.

Subsection (b) of this section of the bill amends section 1420 of the code, relating to the collection and payment of the taxes imposed by sections 1400 and 1410 of the code, by adding at the end thereof a new subsection (e). Your committee has amended section 1420 (e) as passed by the House to conform the provisions of such section to the reduction from \$3,600 to \$3,000 which your committee has made in the wage limitation in section 1426 (a) (1) of the code, as amended by section 204 (a) of the House bill. Section 1420 (e) relates to the employees' and employers' taxes imposed with respect to certain services performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States. The head of the Federal department, agency, or instrumentality, having control over the services performed in the employ of such department, agency, or instrumentality, or such agent or agents as may be designated by such head, shall (1) determine whether an individual has performed services which constitute employment as defined in section 1426 of the code, (2) determine the amount of remuneration which constitutes wages as defined in section 1426, and (3) make the required return and payment of the taxes imposed by sections 1400 and 1410. A person making such return may, for convenience of administration, make payments of the employers' tax imposed under section 1410 without regard to the \$3,000 limitation in section 1426 (a) (1), and he shall not be required to file a claim for refund, or obtain a refund, of any amount paid as tax under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). This provision does not authorize such person to disregard the \$3,000

limitation as to remuneration paid for services included in returns made by his reporting unit.

The provision will relieve a person making a return on behalf of any Federal department or agency of ascertaining whether any wages have been reported for the particular employee during the calendar year by any other reporting unit of any Federal department or agency and will relieve any person making a return on behalf of a wholly owned instrumentality of ascertaining whether any wages paid the particular employee during the calendar year by such instrumentality have been reported by any other reporting unit of such instrumentality. The head or agent of an instrumentality in determining the amount of remuneration for services performed in employment which constitutes wages as defined in section 1426 may not take into consideration amounts of remuneration paid by any other instrumentality or any Federal department or agency.

Section 1420 (e) is also made applicable to services, performed by a civilian employee who is not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, the Army and Air Force Motion Picture Service, Navy ship's service stores, Marine Corps post exchanges, or any other activity, conducted at installations of the National Military Establishment for the benefit and morale of personnel of the Armed Forces by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense. For purposes of section 1420 (e) the Secretary of Defense is deemed to be the head of any such instrumentality.

Subsection (c) of section 202 of the bill amends section 1411 of the code, relating to adjustments of the employers' tax imposed by section 1410 of the code, by adding thereto a special provision with respect to remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950. The amendment to section 1411 provides that, for the purposes of such section, each head of a Federal department, agency, or instrumentality who makes a return pursuant to section 1420 (e) of the code and each agent, designated by the head of a Federal department, agency, or instrumentality, who makes a return pursuant to section 1420 (e) shall be deemed a separate employer. Thus, adjustments of the tax imposed by section 1410 will be made by the reporting unit by which the erroneous underpayment or overpayment was made. For the corresponding amendment with respect to the employees' tax imposed by section 1400 of the code and for the provisions with respect to special refunds of employees' tax in the case of Federal services, see section 1401 (d) (3) of the code, as added by section 203 (b) of the bill.

Subsection (d) of section 202 of the bill provides that the amendments made by such section shall be applicable only with respect to remuneration paid after December 31, 1950 (December 31, 1949, under the House bill).

#### DEFINITION OF WAGES

Section 203: This section, which corresponds to section 204 of the House bill, amends section 1426 (a) of the Internal Revenue Code, which defines the term "wages" for the purposes of the Federal

Insurance Contributions Act, and also amends section 1401 (d) of the code, relating to special refunds of employees' tax imposed by section 1400 of the code. The amendments are applicable under the committee bill with respect to remuneration paid after 1950 instead of 1949 as under the House bill.

Subsection (a) of this section of the bill amends section 1426 (a) of the code, which contains the definition of wages. Under existing law the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, with certain specific exceptions. The amendment retains this provision of existing law which precedes the numbered paragraphs containing the exceptions. The House bill would have increased the \$3,000 limitation contained in section 1426 (a) (1) of existing law to \$3,600. Your committee has eliminated this provision in the House bill and restored the \$3,000 limitation under existing law. The bill clarifies existing law by providing expressly that remuneration specifically excepted from wages shall be disregarded in computing the limitation on the amount of remuneration with respect to employment which constitutes wages. Thus, if during a calendar year an employee receives remuneration from his employer on account of medical or hospitalization expenses in connection with sickness or accident disability, and if such remuneration is excluded from the definition of wages under the provisions of section 1426 (a) (2) or (4) (as amended by the bill), such remuneration paid to the employee is not taken into account in applying the \$3,000 limitation. Section 203 (a) of the bill also adds a provision, as did the House bill, with respect to the computation of the \$3,000 limitation where one employing entity is succeeded by another employing entity under certain prescribed conditions. Your committee has changed the language of the provision to conform to a substantive change which your committee has made in the provisions of section 1607 (b) (1) of the code (see sec. 209 (a) (1) of the bill). In addition, your committee has made a clarifying change with respect to remuneration paid by the predecessor.

The annual \$3,000 limitation on the amount of remuneration with respect to employment which constitutes wages applies only to remuneration received by an employee from the same employer. Under existing law, where during a calendar year an employee is employed by a new employer, the first \$3,000 of remuneration with respect to employment paid to him by the new employer during that year constitutes wages and is subject to tax regardless of the amount of such remuneration which might have been paid to him in the same year by a prior employer. In applying this rule, the Bureau of Internal Revenue has held that, if a member of a partnership dies and the trade or business is continued without interruption by the surviving partners who retain all the employees who have been performing services for the former partnership, the dissolution of the old partnership by operation of law and the organization of the new partnership result in the new partnership being considered as a new employer. The new partnership, under the Bureau's rulings, is taxed on the first \$3,000 of wages paid, during the calendar year in which it was formed, to an employee who had been employed by the predecessor partnership and whose services were retained, although the predecessor may in the same year have already paid tax on wages of \$3,000 paid to such employee.

Similar results have been reached as a consequence of a corporate merger or consolidation, or where an individual incorporates his business and continues to operate the same enterprise through ownership of all the stock of the corporation.

The amendment made by section 203 (a) of the bill prevents the duplication of tax in cases such as those described above and in all other cases where an employer acquires substantially all the property used in a trade or business of another employer, or used in a separate unit of such a trade or business, if immediately after the acquisition the successor employs in his trade or business (whether or not in the same trade or business in which the acquired property was used) an employee who immediately prior to the acquisition was employed in the trade or business of the predecessor. If the acquisition involves only a separate unit of the trade or business of the predecessor, the employee need not have been employed by the predecessor in that unit provided that he was employed in the trade or business of which the acquired unit was a part. Under the amendment remuneration with respect to employment paid to such employee by the predecessor (or considered as having been paid by the predecessor) during the calendar year in which the acquisition occurs (and prior to the acquisition) is attributed to the successor employer for the purpose of determining whether such employer has in such calendar year paid \$3,000 of wages to such employee. The application of the amendment may be illustrated by the following example:

Example: The Y corporation acquires all the property of the X manufacturing company and immediately after the acquisition employs in its trade or business employee A, who, immediately prior to the acquisition, was employed by the X company. The X company has in the calendar year in which the acquisition occurs (and prior to the acquisition) paid \$2,000 of wages to A. If the Y corporation pays to A in that year remuneration with respect to employment of \$2,000, only \$1,000 of such remuneration will be considered to be wages. For the purposes of the \$3,000 limitation, the Y corporation will be credited with the \$2,000 paid to A by the X company. If, in the same calendar year, the property is acquired by the Z company from the Y corporation and A immediately after the acquisition is employed by the Z company in its trade or business, no part of the remuneration paid to A by the Z company in the year of the acquisition will be considered to be wages. The Z company will be credited with the remuneration paid to A by the Y corporation and also with the wages paid to A by the X company (considered for the purposes of the amendment as having also been paid by the Y corporation).

In the case of a transfer or acquisition of property by a corporation exempt from income tax under section 101 (6) of the code, the activity in which such corporation is engaged is considered to be its trade or business for the purpose of determining whether the transferred property was used in the trade or business of the predecessor and for the purpose of determining whether the employment by the predecessor and the successor of an individual whose services were retained by the successor constituted employment in a trade or business. Thus, if a charitable, or a religious organization subject to tax by virtue of its election, acquires all the property of another such organization likewise subject to tax and retains the services of employees of the predecessor, wages paid to such employees by the predecessor in the year

of the acquisition (and prior to such acquisition) will be attributed to the successor for the purposes of the \$3,000 limitation.

A successor employer may receive the credit for remuneration paid to an employee by a predecessor employer only if the acquisition included substantially all the property used in a trade or business of the predecessor, or in a separate unit of such a trade or business. All the property used in the separate unit of a trade or business may consist of all the property used in the performance of an essential operation of the trade or business, or it may consist of all the property used in a relatively self-sustaining entity forming a part of the trade or business. For example, if the R company, which manufactures a type of motor-driven machine, discontinues the manufacturing of motors and transfers all the property used in such manufacturing to the S company, the S company will be considered to have acquired the motor-manufacturing unit of the R company. Similarly, the acquisition of one of a chain of retail stores will constitute the acquisition of a separate unit of the trade or business of the predecessor.

Paragraph (2) of section 1426 (a) as amended by the House bill retains the provision of existing law which excludes from the term "wages" the amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (1) an employee's retirement, or (2) an employee's sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee, or (4) the death of an employee. Under present law payments made under a plan or system providing for death benefits are not excluded from wages if the employee has certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment made by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The amendment made by the House bill removes such conditions imposed under existing law with respect to payments providing for death benefits. Your committee has further amended section 1426 (a) (2) so as also to exclude from wages any payment made to, or on behalf of, any dependents of an employee (including husbands, wives, children, and other members of the immediate family) under a plan or system established by an employer which makes provision for his employees generally and their dependents or for a class or classes of his employees and their dependents (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of (1) an employee's retirement, or (2) sickness or accident disability of an employee or any of his dependents, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee or any of his dependents, or (4) the death of an employee or any of his dependents. Payments of the prescribed character under a plan or system established by an employer solely for the dependents of his employees are not within this exclusion from wages.

Paragraph (3) of section 1426 (a) as amended by the House bill excludes from wages any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into

a fund, to provide for any such payment) on account of retirement, irrespective of whether such payment is made pursuant to a plan or system such as is contemplated under section 1426 (a) (2). Your committee has made no change in this paragraph.

Paragraph (4) of section 1426 (a) as amended by the House bill excludes from wages any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer. Your committee has made no change in this paragraph. This provision of law will have application in any instance where the payment is not made pursuant to a plan or system and therefore is not excepted from wages by section 1426 (a) (2). In order for a payment to be excepted under this provision, the payment made by the employer to, or on behalf of, the employee must be made by reason of the employee's sickness or accident disability or by reason of medical or hospitalization expenses in connection with such employee's sickness or accident disability and there must have elapsed immediately prior to the calendar month in which the payment is made at least six consecutive calendar months during which the employee did not work for the employer.

Paragraph (5) of section 1426 (a) as added by the House bill excludes from wages certain payments from or into a trust exempt from tax under section 165 (a) of the code or under or to an annuity plan which meets the requirements of section 165 (a) (3), (4), (5), and (6). Under this paragraph a payment made by an employer into a trust or annuity plan is excepted from wages at the time of such payment if the trust is exempt from tax under section 165 (a) of the code or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6) at the time the payment is made thereto. A payment to, or on behalf of, an employee from a trust or under an annuity plan is also excepted from wages under this paragraph if at the time of the payment to, or on behalf of, the employee, the trust is exempt from tax under section 165 (a) or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6). Your committee has made a clarifying amendment to paragraph (5) to assure the exclusion from wages of a payment of the prescribed character made to, or on behalf of, a beneficiary of an employee. A payment made to an employee of an exempt trust as remuneration for services rendered as such employee and not as a beneficiary of the trust is not within the exclusion.

Paragraph (6) of the amended section 1426 (a) continues without change the existing exclusion from wages (sec. 1426 (a) (3)) of payments by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employees' tax imposed by section 1400 of the code and employee contributions under State unemployment-compensation laws. This paragraph remains the same as in the House bill.

Paragraph (7) of section 1426 (a) as added by the House bill excludes from wages remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer. Your committee has made a technical change in this paragraph.

Paragraph (8) of section 1426 (a) as added by your committee excludes from wages remuneration paid in any medium other than cash for agricultural labor.

Remuneration in any medium other than cash includes, for example, lodging, food, clothing, agricultural or horticultural commodities, or car tokens or weekly transportation passes.

Paragraph (9) of section 1426 (a), which is the same as paragraph (8) under the House bill, excludes from wages the remuneration (other than vacation or sick pay) of a stand-by employee who has attained age 65 and whose employment relationship has not terminated, if the employee does no work for the employer in the period for which such remuneration is paid.

Section 1426 (a) as amended by the bill contains no provision comparable to paragraph (4) of existing law which excludes from the term "wages" dismissal payments which the employer is not legally required to make. Therefore, a dismissal payment, which is any payment made by an employer on account of involuntary separation of the employee from the service of the employer, will constitute wages subject, of course, to the \$3,000 limitation, irrespective of whether the employer is, or is not, legally required to make such payment.

Your committee has eliminated those provisions of the House bill which would have expressly included as wages certain cash tips and any other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him.

Your committee has also eliminated those provisions of the House bill which would have (1) amended section 1401 (d) (2) of the code, relating to special refunds of employees' tax paid on aggregate wages in excess of \$3,000 received by an employee from more than one employer during any calendar year after the calendar year 1946, so as to limit the scope thereof to wages received during the calendar year 1947, 1948, or 1949, and (2) added a new paragraph (3) to section 1401 (d) so as to conform the special refund provisions to the increase in the limitation on wages from \$3,000 to \$3,600 for 1950 and subsequent calendar years. Those provisions of the House bill are inappropriate in view of the action of your committee in restoring the \$3,000 limitation on wages.

Subsection (b) of section 203 of the committee bill amends section 1401 (d) of the code by adding thereto a new paragraph (3). Section 1401 (d) (3), with the exception of the applicability of the provisions to remuneration paid after 1950 instead of 1949, a conforming change to reflect the change in the amount of the limitation on wages, and clerical changes in certain statutory references, is the same as section 1401 (d) (4) of the code under the House bill. Section 1401 (d) (3) under the committee bill, applicable to remuneration paid after 1950, contains special rules relating to special refunds and adjustments of employees' tax in the case of Federal employees and special rules relating to special refunds of employees' tax in the case of State employees. Under subparagraph (A) of section 1401 (d) (3) each head of a Federal department, agency, or instrumentality who makes a return pursuant to section 1420 (e) of the code and each agent, designated by the head of a Federal department, agency, or instrumentality, who makes a return pursuant to such section are deemed to be separate employers for the purposes of section 1401 (c) of the

code, relating to adjustments of employees' tax, and section 1401 (d) (2), relating to special refunds of employees' tax; and, for the purposes of section 1401 (d) (2), the term "wages" includes the amount, not to exceed \$3,000, determined by each such head or agent as constituting wages paid to an employee. Adjustments of the employees' tax imposed by section 1400 of the code shall be made by the reporting unit by which the erroneous underpayment or overpayment was made. (For provisions relating to adjustments of employers' tax in the case of Federal employees, see sec. 1411 of the code, as amended by sec. 202 (c) of the bill.) The amount of remuneration of each employee reported on a return of a reporting unit to be included as "wages" shall under no circumstances be in excess of \$3,000 for a calendar year and shall include only such amounts of remuneration as the reporting unit shall have determined to constitute "wages" as defined in section 1426. The amendment is intended to protect fully an employee of the United States or of an instrumentality wholly owned by the United States from the payment of tax imposed under section 1400 in an amount in excess of the tax imposed with respect to the first \$3,000 of remuneration which is determined to constitute "wages" as defined in section 1426.

Subparagraph (B) of section 1401 (d) (3) makes the special refund provisions in section 1401 (d) (2) applicable to amounts equivalent to employees' tax under section 1400 (a) of the code deducted in any calendar year after the calendar year 1950 from employees' remuneration by States, political subdivisions, or instrumentalities pursuant to agreements made under section 218 of the Social Security Act (added by sec. 106 of the bill).

Subsection (c) of section 203 of the committee bill, which corresponds to subsection (d) of section 204 of the House bill, relates to the applicability of the amendment made by subsection (a) of this section of the bill. Under the House bill the amendment would have been applicable with respect to remuneration paid after December 31, 1949. Subsection (c) of section 203 of the committee bill provides that the amendment made by subsection (a) shall be applicable only with respect to remuneration paid after December 31, 1950, and that, in the case of remuneration paid prior to January 1, 1951, the determination under section 1426 (a) (1) of the code (prior to its amendment by the bill) of whether or not such remuneration constituted wages shall be made as if subsection (a) of section 203 of the bill had not been enacted and without inferences drawn from the fact that the amendment made by such subsection is not made applicable to periods prior to January 1, 1951.

#### DEFINITION OF EMPLOYMENT

Section 204: This section, which corresponds to section 205 of the House bill, amends subsection (b) of section 1426 of the Internal Revenue Code, which defines the term "employment" for the purposes of the Federal Insurance Contributions Act and also amends subsections (c), (e), (g), (h), (i), and (j) of section 1426 of the code, which contain provisions pertinent to determinations of employment, and section 1428 of the code, relating to estimates of revenue reduction by reason of the exception from employment of service covered under the Railroad Retirement Tax Act.

Subsection (a) of this section of the bill amends section 1426 (b). The amendment is effective January 1, 1951, under the committee bill instead of January 1, 1950, as under the House bill. Under the amendment the term "employment" is defined to mean any service performed after December 31, 1936, and prior to January 1, 1951, which constituted employment under the law applicable to the period in which such service was performed; and also to mean (1) any service performed after December 31, 1950, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel or American aircraft (both as defined in sec. 1426 (g)) under a contract of service entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States (including an airport, in the case of an aircraft), if the employee is employed on and in connection with the vessel or aircraft when outside the United States, and (2) any service performed outside the United States after December 31, 1950, by a citizen of the United States as an employee of an American employer (as defined in sec. 1426 (i)).

That portion of section 1426 (b) (of existing law) which precedes the numbered paragraphs (these contain the exceptions from the term "employment") is changed substantively in only two respects. First, the definition is extended to include service on or in connection with an American aircraft to the same extent as service, already included in the definition, on or in connection with an American vessel. With respect to service performed on or in connection with an American vessel or American aircraft where the contract of service is entered into outside the United States, your committee has made a clarifying amendment which expressly requires that, in order that the service constitute employment, the employee be employed on the vessel or aircraft when it touches at a port within the United States at some time during the performance of the contract of service. Second, the definition is extended to include service performed outside the United States by a citizen of the United States as an employee of an American employer (the definition of the term "American employer" is discussed below in the explanation of subsec. (e) of this section of the bill). Under existing law the citizenship or residence of the employer or the employee has no effect upon the determination of whether or not service constitutes employment, except as the citizenship or residence of the employer may have a bearing in determining whether a vessel is an American vessel. Under the amendment this is true with respect to service performed either within the United States or on or in connection with an American vessel or American aircraft, but in the case of service performed outside the United States, other than on or in connection with an American vessel or aircraft, only service (which otherwise constitutes employment) performed by a citizen of the United States for an American employer is covered.

The definition of the term "employment" under the amendment, as applied to service performed prior to January 1, 1951, is subject to the pertinent exceptions under the law applicable to the period in which the service was performed. The definition applicable to service performed on and after that date continues unchanged some of the exceptions contained in the present law, omits or revises others, and adds certain additional ones. The committee bill with respect to the

exceptions from employment differs from the House bill in certain respects as discussed below.

Paragraph (1) of section 1426 (b) of the code under the committee bill takes the place of the exceptions contained in paragraphs (1) and (2) (A) of such section under the House bill. Paragraph (1) under the House bill would have continued the existing exception of agricultural labor with certain modifications in the definition of the term, and paragraph (2) (A) would have excepted from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit. Service of the latter mentioned character is, by reason of an amendment made by your committee to the definition of the term "agricultural labor" (which is discussed under subsec. (d) of this section of the bill), included within the definition of such term.

Subparagraph (A) of paragraph (1) under the committee amendment excludes from employment agricultural labor (as defined in sec. 1426 (h)) performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than \$50 or the service is performed by an individual who is not regularly employed by the employer to perform such service. The cash test of at least \$50 refers to cash paid for services performed during a calendar quarter, regardless of when paid. As used in subparagraph (A), the term "cash remuneration" includes checks and other monetary media of exchange. Subparagraph (A) provides that an individual shall be deemed, for the purposes of such subparagraph, to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during the calendar quarter such individual performs agricultural labor for such employer for some portion of the day or (ii) such individual was regularly employed (determined in accordance with the test hereinbefore referred to in this sentence) by such employer in the performance of service of the prescribed character during the preceding calendar quarter.

Subparagraph (B) of paragraph (1) under the committee amendment excludes from employment service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. Service of the character prescribed in this subparagraph is excepted from employment, regardless of the amount of the remuneration paid for, or the regularity of the performance of, such service. With respect to service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, the exception under this subparagraph will apply only to service performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, provided such processing is carried on by the original producer of such crude gum.

Paragraphs (2) and (3) under the committee bill correspond to paragraphs (2) (B) and (3) under the House bill. Paragraph (2) of existing law excludes from employment domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and paragraph (3) of existing law excludes from employment casual labor not in the course of the employer's trade or business.

Paragraph (2) under the committee bill, which is the same as paragraph (2) (B) under the House bill, excludes from employment domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university.

Paragraph (3) under the committee bill excludes from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than \$50 or such service is performed by an individual who is not regularly employed by the employer to perform such service. The amendment substitutes a cash and regularity-of-employment test for the test set forth in existing law governing casual labor. The cash test refers to the cash paid for services performed during a calendar quarter, regardless of when paid. The term "cash remuneration" includes checks and other monetary media of exchange. Paragraph (3) provides that an individual shall be deemed, for the purposes of such paragraph, to be regularly employed by an employer during a calendar quarter only if (A) on each of some 24 days during such quarter such individual performs for such employer for some portion of the day service of the prescribed character or (B) such individual was regularly employed (determined in accordance with the test hereinbefore referred to in this sentence) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. Since the definition of agricultural labor as amended by your committee includes service not in the course of the employer's trade or business, and domestic service in a private home of the employer, if performed on a farm operated for profit, paragraph (3) under the committee bill has practical application only to service of the prescribed character performed other than on a farm operated for profit. Paragraph (3) under the committee bill differs from such paragraph under the House bill in several material respects. Your committee has increased the cash test from \$25 to \$50 and has substituted 24 days for 26 days in the regularity-of-employment test, together with a clarifying amendment to such latter-mentioned test.

Paragraph (4), which is the same as under the House bill, continues without change the present family employment exclusion.

Paragraph (5), which is the same as under the House bill, continues without change the present exclusion of service performed on or in connection with a vessel not an American vessel, but extends the exclusion to service performed by an individual on or in connection with an aircraft not an American aircraft if such individual is employed on and in connection with such aircraft when it is outside the United States.

Paragraphs (6) and (7) of the bill supersede paragraph (6) of existing law. The existing paragraph excludes from employment service in the employ (1) of the United States or (2) of an instrumentality of the United States which is either wholly owned by the United States or exempt from the employers' tax imposed by section 1410 of the code by virtue of any other provision of law. The effect of the new paragraphs (6) and (7) is to include as employment a portion of the Federal services excluded from employment under existing law.

The new paragraph (6), which is the same as in the House bill, excludes from employment service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the employers' tax imposed by section 1410 of the code by virtue of any other provision of law which specifically refers to section 1410 of the code in granting the exemption from the tax imposed by such section. (In connection with par. (6), see the explanation of sec. 1412, added by sec. 202 (a) of the bill.) Paragraph (6) will not operate to exclude from employment the services referred to therein unless and until the Congress grants to a Federal instrumentality a specific exemption from the tax imposed by section 1410 of the code.

The new paragraph (7), as amended by your committee, contains four separate subparagraphs. Subparagraph (A) excepts from employment service performed in the employ of the United States, if the service is covered by a retirement system established by a law of the United States or by a retirement system established by the agency for which such service is performed.

In the case of service performed in the employ of an instrumentality of the United States, subparagraph (B) excepts from employment such service, if the service is covered by a retirement system established by a law of the United States. Subparagraph (C) excepts from employment, with certain exceptions hereinafter referred to, service performed in the employ (1) of a wholly owned instrumentality of the United States or (2) of an instrumentality of the United States (i) which has a general tax exemption (i. e., an exemption which does not specifically refer to the tax imposed by section 1410 of the code), in effect at the time the service is performed and (ii) which was, on December 31, 1950, exempt from the tax imposed by section 1410. The exception from employment under subparagraph (C) does not apply to (i) service performed in the employ of a national farm-loan association, a production-credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission, or (ii) service performed in the employ of the Tennessee Valley Authority unless such service is covered by a retirement system established by such authority, or (iii) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such establishment.

Subparagraph (D) contains 12 special classes of excepted services performed in the employ of the United States or of any instrumentality of the United States, which are in addition to the general exceptions contained in subparagraphs (A), (B), and (C). These special classes of excepted services are as follows:

(i) Service performed as the President or Vice President of the United States or as a Member of the Congress of the United States, a Delegate to the Congress, or a Resident Commissioner;

(ii) Service performed in the legislative branch of the United States Government (service in the judicial branch of the U. S. Government is excluded from employment under par. (7) (A) by reason of the fact that all service performed in such branch is covered by a retirement system established by congressional enactment);

(iii) Service performed in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) Service performed in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the actual taking of any census (exclusive of clerical or other employees employed for work other than in the actual taking of the census);

(v) Service performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because of payment on a contract or fee basis;

(vi) Service performed by an individual as an employee for nominal compensation of \$12 or less per annum;

(vii) Service performed in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) Service performed by any individual as a consular agent appointed under the authority of section 551 of the Foreign Service Act of 1946;

(ix) Service performed by student nurses, medical or dental interns, residents-in-training, student dietitians, student physical therapists, or student occupational therapists, assigned or attached to a hospital, clinic, or medical or dental laboratory operated by any department, agency, or instrumentality of the Federal Government, or by certain other student employees described in section 2 of the act of August 4, 1947;

(x) Service performed by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

(xi) Service performed by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

(xii) Service performed as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States.

Under the amendment service performed in the employ of the United States which is not covered by a retirement system established either by a law of the United States or by the agency for which the service is performed constitutes employment, unless such service is expected from employment by one of the 12 special classes of excepted services or by some provision of section 1426 of the code other than paragraph (7). Service performed in the employ of a wholly owned instrumentality of the United States constitutes employment under the amendment, if the service is specifically mentioned in subpara-

graph (C) as one of the classes of services to which the basic provisions of such subparagraph shall not be applicable, unless the service (1) is covered by a retirement system established by a law of the United States (subpar. (B)), or (2) is excepted from employment by one of the 12 special classes of excepted services (subpar. (D)), or (3) is excepted from employment by some provision of section 1426 other than paragraph (7). Service performed in the employ of an instrumentality which has a blanket tax exemption and which had such an exemption on December 31, 1950, is covered under the same conditions as those applying to service performed in the employ of a wholly owned instrumentality. Service performed in the employ of any other instrumentality of the United States constitutes employment, unless the service (1) is covered by a retirement system established by a law of the United States (subpar. (B)), or (2) is excepted from employment by one of the 12 special classes of excepted services (subpar. (D)), or (3) is excepted from employment by some provision of section 1426 other than paragraph (7). Determinations as to whether services are covered by a retirement system of the requisite character are to be made as of the time the services are performed.

Service performed by most civilian and all military personnel of the United States will be excepted from employment under the amendment since such service is covered by a retirement system established by a law of the United States. On the other hand, the amendment has the effect of extending coverage to certain Federal employees, such as temporary employees of the United States who are excluded from coverage under the Federal civil-service retirement system pending permanent or indefinite appointment, and certain other short-duration employees likewise excluded from coverage under the Federal civil-service retirement system. Service (which otherwise constitutes employment) performed by certain civilian employees in the employ of some instrumentalities of the United States, such as national farm-loan associations, production-credit associations, Federal credit unions, and certain military post exchanges and similar organizations, will be covered employment under the amendments made by the bill.

Paragraph (8), as amended by your committee, continues without change the existing exception from employment of service performed for State governments, their political subdivisions, and certain of their instrumentalities. Your committee has restored that portion of the existing section 1426 (b) (7) of the code which was omitted from the House bill, relating to the exception from employment of service performed in the employ of an instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the employers' tax imposed by section 1410 of the code. Your committee has eliminated that provision of the House bill which would have extended coverage on a compulsory basis to certain employees of publicly owned transit systems.

Paragraph (9), as amended by your committee, takes the place of the existing exception from employment (in sec. 1426 (b) (8) of the code) of service performed for certain religious, charitable, scientific, literary, educational, or humane organizations. Subparagraph (A) of paragraph (9), which is the same as paragraph (9) under the House bill, excepts from employment service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his

ministry or by a member of a religious order in the exercise of the duties required by such order. The exception contained in subparagraph (A) applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

Subparagraph (B), which was added by your committee to the House bill, excepts from employment (1) service performed in the employ of a corporation, fund, or foundation, which is exempt from income tax under section 101 (6) of the code and which is organized and operated primarily for religious purposes; and (2) service performed in the employ of a corporation, fund, or foundation, which is exempt from income tax under section 101 (6) of the code and which is owned and operated by one or more of the corporations, funds, or foundations referred to in clause (1) of this sentence. This exception from employment, however, is not applicable to service in the employ of any organization described in either clause (1) or (2) of the preceding sentence which is performed on or after the first day of the calendar quarter following the calendar quarter in which such organization files with the Commissioner of Internal Revenue a statement that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees. The statement provided for under subparagraph (B) must be filed by each organization which desires coverage for its employees and must apply to all its employees other than those to which subparagraph (A) is applicable. Subparagraph (B) further provides that such statement may be filed on, before, or after January 1, 1951; however, because the effective date of section 204 (in which this subparagraph is included) is January 1, 1951, the election will not be effective with respect to services performed prior to January 1, 1951. Service with respect to which an election is in effect constitutes employment, unless excepted from employment under some provision of section 1426 of the code other than paragraph (9) (B); and the employers' and employees' taxes under the Federal Insurance Contributions Act apply with respect to remuneration for such service in the same manner as with respect to remuneration for employment for any other employer. The liability with regard to the employers' tax and the employees' tax of an organization which has filed an election of coverage is in all respects the same as the liability of any other employer with regard to such taxes and is collectible and enforceable in the same manner as the liability of any other employer. The statement electing coverage is to be filed in such form and manner, and with such officials of the Bureau of Internal Revenue, as may be prescribed by regulations made pursuant to the Internal Revenue Code. The election once duly made is irrevocable.

The effect of the new paragraph (9) will be (1) to extend coverage on a compulsory basis to service which is excepted under present law by the provisions of section 1426 (b) (8) of the code, other than service performed in the employ of the organizations described in subparagraph (B) of the new paragraph (9) or service otherwise

excluded under section 1426; and (2) to extend coverage on an elective basis to service performed in the employ of the organizations described in subparagraph (B) of the new paragraph (9), except as to service by ministers and members of religious orders referred to in subparagraph (A) of the new paragraph (9) or service otherwise excepted under section 1426.

Paragraph (9) under the committee bill differs from and is in substitution for section 202 of the House bill and eliminates the necessity for section 109 (c) (in part) of the House bill.

Paragraph (10), which is the same as under the House bill, continues without change the existing exclusion of service performed by an employee or employee representative covered by the railroad retirement system.

Paragraph (11) revises certain exclusions contained in paragraph (10) of existing law, and omits others. Subparagraph (A) of paragraph (11) excludes service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the code, if the remuneration for such service is less than \$50 (\$45 or less under existing law, and less than \$100 under the House bill). The dollar test under subparagraph (A) is the amount earned in a calendar quarter and not the amount paid in a calendar quarter. Subparagraph (B) excludes service performed in the employ of a school, college, or university, whether or not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university.

Paragraphs (12) and (13), which are the same as under the House bill, continue without change the present exclusion of service performed in the employ of a foreign government or of a wholly owned instrumentality of a foreign government under certain prescribed conditions.

Paragraph (14), which is the same as under the House bill, continues without change the exclusion of service performed by certain student nurses and interns.

Paragraph (15), which is the same as under the House bill, continues without change the present exclusion of certain fishing services.

Paragraph (16), which is the same as under the House bill, continues without change the present exclusion of services performed in the delivery and distribution of newspapers, shopping news, and magazines under certain prescribed conditions.

Paragraph (17), which is the same as under the House bill, continues without change the present exclusion of service performed for an international organization.

Your committee has eliminated paragraph (18), contained in the House bill, which would have excepted from employment service performed by a particular type of salesman. The exception is no longer necessary in view of the action of your committee in eliminating paragraph (4) of the definition of the term "employee" contained in section 1426 (d) of the code, as amended by section 206 (a) of the House bill.

Subsection (b) of section 204 of the bill, effective January 1, 1951, amends subsection (e) of section 1426 of the code, which defines the term "State." Except for a change in the effective date from January 1, 1950, to January 1, 1951, and a change in references to a section which has been renumbered by your committee, this subsection is the

same as in the House bill. The new subsection (e) contains three separate numbered paragraphs. The new paragraph (1) defines the term "State." Under the existing law the term "State" includes Alaska, Hawaii, and the District of Columbia. The amendment also includes within such term the Virgin Islands and, on and after the effective date specified in section 3810 of the code (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), Puerto Rico. The new paragraph (2) provides that the term "United States" when used in a geographical sense includes the Virgin Islands and, on and after the effective date specified in section 3810, Puerto Rico. The new paragraph (3), relating to the term "citizen of the United States," provides that an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of section 1426 of the code, as a citizen of the United States prior to the effective date specified in section 3810. Paragraph (3) is designed to exclude from employment (prior to the effective date specified in sec. 3810) services performed by such a citizen of Puerto Rico who works in Puerto Rico (or elsewhere outside the United States) as an employee for an American employer (as defined in sec. 1426 (i)).

Subsection (c) of section 204 of the bill, which is the same as section 205 (c) of the House bill, amends subsection (g) of section 1426 of the code, which defines the term "American vessel," by making a change in the heading of such subsection and by adding a definition of the term "American aircraft." The term "American aircraft" is defined, for purposes of the Federal Insurance Contributions Act, to mean an aircraft registered under the laws of the United States. Subsection (g) of this section of the bill provides that the amendment made by subsection (c) shall be applicable only with respect to services performed after December 31, 1950 (December 31, 1949, under the House bill).

Subsection (d) of section 204 of the bill amends subsection (h) of section 1426 of the code, which defines the term "agricultural labor" for purposes of the Federal Insurance Contributions Act. Section 204 (d) is the same as section 205 (d) of the House bill, except for a change in paragraph (3) of, and the addition of paragraph (5) to, section 1426 (h) and for a minor technical change. Section 1426 (h) of existing law contains four numbered paragraphs. The new subsection (h) contains five numbered paragraphs. Paragraph (1) of existing law relates to service performed on a farm, in the employ of any person, in connection with cultivating the soil or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife. Paragraph (2) of existing law relates to service performed in the employ of the owner, tenant, or other operator of a farm in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major portion of the service is performed on a farm. The new paragraphs (1) and (2) continue without change the provisions of paragraphs (1) and (2) of existing law.

Paragraph (3) of existing law includes as agricultural labor the following services even though not performed on a farm: Services performed in connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The new paragraph (3), as amended by your committee, includes as agricultural labor only services performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water, for farming purposes. Your committee has added to the House bill the provision with respect to the operation of ditches, canals, reservoirs, or waterways. The effect of the amended paragraph (3) is to exclude from the definition of agricultural labor services performed in connection with the production or harvesting of maple sap, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, unless such services are performed on a farm (as defined in sec. 1426 (h)). Thus, services performed in connection with the operation of a hatchery, if not operated as part of a poultry or other farm, will be covered employment. Under the amendment services performed in the processing (as distinguished from the gathering) of maple sap into maple sirup or maple sugar do not constitute agricultural labor, even though such services are performed on a farm. Services performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes, constitute agricultural labor under the amendment made by your committee. Services referred to in the preceding sentence would not have constituted agricultural labor under the House amendment, unless the major part of such services were performed on a farm and such services were performed in the employ of the owner, tenant, or other operator of a farm, in connection with the operation, conservation, improvement, or maintenance of such farm.

Paragraph (4) of existing law includes as agricultural labor service performed in the handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits or vegetables, as an incident to the preparation of such fruits and vegetables for market. Subparagraphs (A) and (B) of the new paragraph (4) are a complete revision of the afore-mentioned provisions of paragraph (4) of existing law. Under such subparagraph (A) the term "agricultural labor" includes service performed in the employ of the owner-operator, tenant-operator, or other operator of a farm in

handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity in its unmanufactured state, provided such operator produced more than one-half of the commodity with respect to which such service is performed during the pay period. Under such subparagraph (B) the term "agricultural labor" includes service of the character described in the preceding sentence performed in the employ of a group of operators of farms (other than a cooperative organization), provided such operators produced all of the commodity with respect to which such service is performed during the pay period. The tests "as an incident to ordinary farming operations" and "as an incident to the preparation of fruits or vegetables for market" have been stricken by the amendment and in lieu thereof three tests have been substituted, namely, the status of the person for whom the service is performed, the state of the commodity with respect to which the service is performed, and the extent to which such commodity was produced by the operator or group of operators in whose employ the service is performed.

Under existing law service of the prescribed character performed with respect to fruits or vegetables in the employ of any person constitutes agricultural labor, provided such service is performed "as an incident to the preparation of such fruits or vegetables for market"; and such service with respect to all other agricultural or horticultural commodities constitutes agricultural labor, if the service is performed "as an incident to ordinary farming operations." Under the amendment service of the character prescribed therein is included as agricultural labor only if performed in the employ of the operator of a farm or a group of operators of farms (other than a cooperative organization). The term "operator of a farm" as used in paragraph (4) means an owner, tenant, or other person, in possession of a farm and engaged in the operation of such farm. Service of the prescribed character performed in the employ of a cooperative organization does not constitute agricultural labor. The term "organization" as used in subparagraph (B) includes corporations, joint-stock companies, and associations which are treated as corporations under the Internal Revenue Code. For the purposes of such subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar quarter in which the service involved is performed.

Under the amendment service of the prescribed character with respect to an agricultural or horticultural commodity constitutes agricultural labor only if the service is performed with respect to such commodity in its unmanufactured state. The effect of this provision is to exclude from the definition of agricultural labor under paragraph (4) any service of the prescribed character performed with respect to a commodity the character of which has been changed from its raw or natural state by a processing operation. For example, the slicing and sun drying or dehydration of apples are not processing operations which change the character of the apples, but the grinding of dried apples or the pressing of raw apples into cider is a processing operation which changes the character of the apples from their raw or natural state. Where the service of the prescribed character is performed in

the employ of the operator of a farm, such service does not constitute agricultural labor under the amendment unless such operator produced more than one-half of the commodity with respect to which the service is performed during the pay period. Where the service is performed in the employ of a group of operators of farms (other than a cooperative organization), such service does not constitute agricultural labor under the amendment unless such operators produced all of the commodity with respect to which the service is performed during the pay period. The term "commodity" refers to a single agricultural or horticultural product, that is, all apples are to be treated as a single commodity, while apples and peaches are to be treated as two separate commodities. The service with respect to each such commodity is to be considered separately.

Subparagraph (C) provides in effect that service of the prescribed character performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption does not constitute agricultural labor under paragraph (4). This provision is in all material respects the same as that in existing law.

Paragraph (5), which has been added by your committee to section 1426 (h) of the code, includes as agricultural labor service not in the course of the employer's trade or business or domestic service in a private home of the employer, if such service is performed on a farm operated for profit. The inclusion of these services as agricultural labor eliminates the necessity for any separation of services performed within the residence of the farm operator by his employees from those services performed by such employees on any other part of the farm. It also eliminates the necessity for any separation of services not in the course of an employer's trade or business from those which are in the course of his trade or business. Generally, a farm is not operated for profit, if it is occupied primarily for residential purposes, or is used primarily for the pleasure of the occupant or his family such as for the entertainment of guests or as a hobby of the occupant or his family.

The bill continues without change the definition of the term "farm," but extends the application of such definition to the entire section 1426 of the code, rather than limiting it to the definition of the term "agricultural labor" as in existing law.

Subsection (g) of section 204 of the bill provides that the amendments to section 1426 (h) made by subsection (d) of this section of the bill shall be applicable only with respect to services performed after December 31, 1950 (December 31, 1949, under the House bill).

The amendment of the definition of "agricultural labor" for the purposes of the Federal Insurance Contributions Act will automatically be applicable for the purposes of income-tax withholding on wages (for services performed after 1950), since section 1621 (a) (2) of the code (defining "wages" for income-tax withholding) provides that the term "wages" shall not include remuneration paid for "agricultural labor" as defined in section 1426 (h).

Subsection (e) of section 204 of the bill, which is the same as section 205 (e) of the House bill, amends section 1426 of the code by striking out subsections (i) and (j), relating respectively to certain services performed for the War Shipping Administration or the United States

Maritime Commission and to certain services performed for the Bonneville Power Administrator (these provisions are superseded by the new sections 1420 (e) and 1426 (b) of the code), and by inserting in lieu thereof a new subsection (i). The new subsection (i) defines the term "American employer," for purposes of the Federal Insurance Contributions Act, to mean an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, all the trustees of which are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State. Subsection (g) of this section of the bill provides that the amendment made by subsection (e) shall be applicable only with respect to services performed after December 31, 1950 (December 31, 1949, under the House bill).

Subsection (f) of section 204 of the bill conforms section 1426 (c) of the code, relating to the included-excluded rule for determining employment, and section 1428 of the code, relating to estimates of revenue reduction, to the change in the paragraph number of the exclusion from employment of service performed by an individual covered under the railroad retirement system. The amendment to section 1428 was added by your committee. Subsection (g) of this section of the bill provides that the amendments made by subsection (f) shall be applicable only with respect to services performed after December 31, 1950 (December 31, 1949, under the House bill).

#### DEFINITION OF "EMPLOYEE"

Section 205: This section corresponds to section 206 of the House bill. Subsection (a) of this section amends subsection (d) of section 1426 of the Internal Revenue Code, which defines the term "employee" for the purposes of the Federal Insurance Contributions Act.

Paragraphs (1), (2), and (3), of the definition provide separate and independent tests for determining who are employees. If an individual is an employee under any one of the paragraphs, he is to be considered an employee whether or not he is an employee under any of the other paragraphs.

Paragraph (1) of the definition continues without change the present provision that any officer of a corporation is an employee.

Under paragraph (2) of the definition the usual common-law rules applicable in determining the employer-employee relationship are to be used to determine whether an individual is an employee. Your committee has eliminated the second sentence of paragraph (2) of the definition of the term "employee" in the House bill which was designed to modify the effect of the United States Supreme Court's holding in *Bartels v. Birmingham* (1947) (332 U. S. 126).

Your committee believes that the usual common-law rules for determining the employer-employee relationship fall short of covering certain individuals who should be taxed at the employee rate under the old-age and survivors insurance program. The statutory provisions set forth in paragraph (3) are designed to extend the definition to include those individuals who, although not employees under the usual common-law rules, occupy substantially the same status as those who are employees under such rules.

Paragraph (3) of the definition covers individuals in the following occupational groups who perform services for remuneration under certain prescribed circumstances:

(A) as an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services; or

(B) as a full-time life-insurance salesman.

The application of this paragraph of the definition requires the identifying of the individual as one who performs service in one of the designated occupational groups. If the services are not performed in one of the designated occupational groups, paragraph (3) is inapplicable with respect to such services. The language used in the bill to designate the respective occupational groups relates to fields of endeavor in which particular designations are not necessarily in universal use with respect to the same service. The designations are addressed to the actual services without regard to any technical or colloquial labels which may be attached to such services. The purpose in listing these categories is not to define but to identify each occupational group. Thus, a determination whether services fall within one of the categories depends upon the facts of the particular situation.

The factual situations set out below are illustrative of some of the individuals falling within each of the occupational groups enumerated in paragraph (3) of the definition. The mere fact that an individual falls within an enumerated occupational group, however, does not in itself make such individual an employee under this paragraph, unless the contract of service contemplates that substantially all of the services are to be performed personally by such individual, there is no substantial investment in facilities used in connection with the performance of such services (other than the investment in facilities for transportation), and the service is not in the nature of a single transaction.

The illustrative factual situations are as follows:

(A) *Agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services.*—This category includes an individual who operates his own truck or the truck of the company for which he performs services, serves customers designated by the company as well as those solicited on his own, and whose compensation is a commission on his sales or the difference between the price he charges his customers and the price he pays to the company for the product or service.

(B) *Full-time life-insurance salesman.*—Any individual who is not an employee under the usual common-law rules and whose entire or principal business activity is devoted to the solicitation of life insurance and annuity contracts primarily for one life-insurance company is deemed to be an employee of such company or of its general agent under paragraph (3) of the definition. Such a salesman ordinarily uses the office space provided by the company or its general agent, and stenographic assistance, telephone facilities, and forms, rate books, and advertising materials are usually made available to him without cost. He occupies a general status in many ways comparable to that of common-law employees. An individual who is engaged in the general insurance business under a contract or contracts of service which do not contemplate that the individual's principal business activity will be the solicitation of life insurance and annuity contracts

for one company, or any individual who devotes only part time to the solicitation of life insurance or annuity contracts and is principally engaged in other endeavors, is not an employee within paragraph (3) of the definition.

In order for an individual to be an employee under paragraph (3), the individual must perform services for remuneration in an occupation falling within one of the enumerated groups, and the contract of service must contemplate that substantially all the services to which the contract relates in the particular designated occupation are to be performed personally by such individual. However, even though this condition is met, the individual is not an employee within the meaning of paragraph (3), if (1) such individual has a substantial investment in facilities used in connection with the performance of such services (other than the investment in facilities for transportation), or (2) the particular services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

For the purposes of paragraph (3) of the definition, the term "contract of service" means an arrangement, formal or informal, under which the particular services are performed. The requirement that the contract of service shall contemplate that substantially all of the services are to be performed personally means that it is not contemplated that any material part of the services to which the contract relates will be delegated to any other person by the individual who undertakes to perform such services.

In order for an individual to be an employee under paragraph (3) of the definition, he must not have a substantial investment in facilities used in connection with the performance of such services (other than the investment in facilities for transportation). The facilities here pertinent include equipment and premises available for the work or enterprise as distinguished from education, training, and experience, but do not include such tools, instruments, equipment, or clothing as are commonly or frequently provided by employees. An investment in an automobile by an individual which is used primarily for his own transportation in connection with performance of services for another person has no significance under this paragraph since such investment is comparable to outlays for transportation by an individual performing similar services who does not own an automobile. Moreover, under paragraph (3), the investment in facilities for the transportation of the goods or commodities to which the services relate is to be excluded in determining the investment in a particular case.

If an individual has a substantial investment in facilities of the requisite character, he is not an employee within the meaning of paragraph (3) of the definition, since a substantial investment of the requisite character standing alone is sufficient to exclude the individual from the employee concept under such paragraph.

If the services are not performed as part of a continuing relationship with the person for whom the services are performed, but are in the nature of a single transaction, the individual performing such services is not an employee within the meaning of paragraph (3) of the definition.

The House bill listed six other occupational groups but did not list a separate category of agent-driver or commission-driver. Your committee has limited the application of paragraph (3) to the two

groups listed. These groups have been designated to assure the application of the employee tax rate to individuals who work in these occupations, with the limitations discussed above.

Your committee has eliminated the statutory concept set forth in paragraph (4) of the definition of the term "employee" in the House bill.

Subsection (b) of section 205 of the committee bill provides that the amendment made by subsection (a) shall be applicable only with respect to services performed after December 31, 1950 (instead of after December 31, 1949, as provided in the House bill).

COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES

Section 206: This section, for which there is no corresponding provision in the House bill, amends subchapter E of chapter 9 of the code by adding at the end thereof five new sections, namely, sections 1633 to 1637, both inclusive.

Section 1633 provides under certain conditions for the combined withholding of the income tax at source on wages under subchapter D of chapter 9 of the code and of the employees' tax under the Federal Insurance Contributions Act. Section 1633 imposes a tax on wages as defined therein which is in lieu of the two afore-mentioned taxes with respect to such wages. Under existing law an employer who makes a payment of wages to an employee is generally required to make separate determinations of the income tax required to be withheld under subchapter D of chapter 9 of the code and of the employee tax under the Federal Insurance Contributions Act. An employer who makes a payment of wages as defined in section 1633 to an employee is required to make only one determination with respect to the aggregate amount to be withheld. Section 1633 also contains a formula for apportioning annually the tax required to be deducted and withheld under such section so as to show the portion of such tax applicable to the income tax, which is considered for all purposes as imposed by subchapter D of chapter 9 of the code, and the portion applicable to the employee social-security tax, which is considered for all purposes as imposed by the Federal Insurance Contributions Act.

Subsection (a) of section 1633 defines, for the purposes of such section, the term "wages." The term "wages" means a payment of remuneration of a prescribed character made (1) by a person who is the employer within the meaning both of the Federal Insurance Contributions Act and of subchapter D of chapter 9 of the code or (2) by a person who is authorized under section 1632 of the code to deduct and withhold the tax imposed by section 1633 with respect to such payment. Section 1632 relates to the authorization by the Commissioner of Internal Revenue of an agent of an employer to perform certain acts required of employers under chapter 9 of the code, relating to the employment taxes. For the purpose of combined withholding, it is essential that the employer or the agent be the same for both taxes. A payment of remuneration constitutes wages within the meaning of section 1633 only if such payment consists exclusively of remuneration which constitutes wages both (1) as defined in section 1621 (a) of the code, which defines wages for the purposes of income tax withholding, and (2) as defined in section 1426 (a) of the code,

which defines wages for purposes of the employee social-security tax, determined, however, without regard to paragraphs (1), (2) (B), (C), and (D), and (4) of such section 1426 (a). Paragraph (1) of section 1426 (a) relates to the \$3,000 limitation on wages; and paragraph (2) (B), (C), and (D) and paragraph (4) of such section relate to the exclusion from wages of certain payments on account of sickness, accident, disability, medical and hospitalization expenses in connection with sickness or accident disability, and death.

The effect of the definition of wages for the purpose of combined withholding is to make such withholding applicable only if under both subchapter A and subchapter D of chapter 9—

(1) the same person is the employer (or his authorized agent) for purposes of both subchapters; and

(2) the same individual is the employee within the meaning of both subchapters; and

(3) the remuneration is for services which constitute employment within the meaning of subchapter A; and

(4) the remuneration is wages within the meaning of both subchapters or would be wages within the meaning of both subchapters but for the \$3,000 limitation of section 1426 (a) (1) and the exclusion of sickness, disability, medical and hospitalization, and death payments referred to in section 1426 (a) (2) (B), (C), and (D) and section 1426 (a) (4).

Combined withholding will apply to all wages which are subject both to income tax withholding and to withholding of social-security tax. As indicated in (4) above, combined withholding will also apply to wages subject to income tax withholding which are not subject to employee social-security tax withholding solely because of section 1426 (a) (1), (2) (B), (C), and (D), and (4). Combined withholding will apply to the latter class of wages so as to relieve employers from the duty of making distinctions each payroll period as to the payments described in those provisions of section 1426 (a). This application of combined withholding will, in most cases, avoid the use of two withholding tables (or percentages) by employers. Thus, but for this provision, one table would be used for the withholding of combined tax with respect to employees whose accumulated wages for the year do not exceed \$3,000, and another table for the withholding of income tax with respect to employees whose accumulated wages exceed \$3,000. Similarly, two tables would, but for these provisions, be required with respect to payments described in section 1426 (a) (2) (B), (C), and (D) and (4). By disregarding the \$3,000 limitation for withholding purposes only, employers will be able to determine the amount of tax to be withheld with respect to a given wage payment without reference to accumulated wages for the year. This provision does not change the exemption of such payments from social-security tax, but the combined tax in the case of payments exempt from social-security tax is considered under the apportionment formula discussed below as only income tax withheld.

Section 1633 (b) imposes a tax on wages (as defined in sec. 1633 (a)) paid after December 31, 1950, which tax the employer must deduct and withhold. The tax is equal to the sum of the following:

(1) One and one-half percent of the wages (as noted below, this rate will change whenever the rate prescribed by section 1400 (a)

changes, and will in all cases be the same as the rate prescribed by that section), and

(2) Fifteen percent of the wages in excess of an amount equal to one withholding exemption as determined under section 1622 (b) multiplied by the number of withholding exemptions claimed, as defined in section 1621 (e) (this provision corresponds to that fixing the rate of tax for income tax withholding under section 1622 (a)).

Section 1633 (c) grants the employer an election to determine the tax by reference to a wage-bracket withholding table prescribed under section 1634, instead of using the rates specified in section 1633 (b).

Section 1633 (d) provides the rule for the apportionment of the combined tax imposed by this section. Combined withholding has been adopted for the convenience of employers and to facilitate the administration and collection of payroll taxes. Under combined withholding, the identity and the purposes of the two payroll taxes are preserved. Thus, the tax imposed by section 1633 is apportioned under section 1633 (d), and that apportionment determines the amount of tax imposed by section 1622 (a) (2) and the amount of tax imposed by section 1400 (b). Ordinarily, this apportionment of the tax imposed by section 1633 (as distinguished from the apportionment of the amount actually deducted and withheld as tax under that section) will have to be made only for the purpose of the provisions of section 1635. Similarly, the amount deducted and withheld as tax under section 1633 is apportioned and that apportionment determines the amount which is considered as the amount deducted and withheld as tax under section 1622 (a) of subchapter D of chapter 9 of the code (relating to income tax withholding) and the amount which is considered as the amount deducted and withheld as tax under section 1400 of subchapter A of chapter 9 of the code (relating to employee social security tax under the Federal Insurance Contributions Act). Ordinarily, this apportionment will only have to be made at the time the receipt required by section 1636 is furnished the employee.

Under the apportionment formula of section 1633 (d) (1), there is first determined the amount equal to 1½ percent of that portion of the wages which also constitutes wages as defined in section 1426 (a). The amount by which the combined tax exceeds the amount so determined is considered tax imposed by section 1622 (a) (2). The balance of the combined tax is considered tax imposed by section 1400 (b). For example, assume that a combined tax of \$493.20 is imposed with respect to \$3,600 of wages paid during 1951. By reason of the limitation of section 1426 (a) (1), only \$3,000 of such wages constitute wages as defined in section 1426 (a). The amount of 1½ percent of \$3,000 is \$45. The excess of \$493.20 over \$45, or \$448.20, is considered income tax required to be withheld under section 1622 (a) (2). The balance of the combined tax (\$493.20 minus \$448.20) or \$45, is considered employee social-security tax imposed under section 1400 (b). Another example is the case of a combined tax of \$8.75 imposed with respect to \$600 of wages paid during 1951. The amount of 1½ percent of \$600 is \$9. Since the combined tax does not exceed \$9, no part of the combined tax is considered income tax required to be withheld under section 1622 (a) (2). The balance of the combined tax (\$8.75 minus \$0), that is, all of the \$8.75, is considered employee social-

security tax imposed under section 1400 (b). Although this amount is less than  $1\frac{1}{2}$  percent of the total wages, no additional employee social-security tax is imposed thereon, since the tax under section 1400 (a) does not apply to wages taxable under section 1400 (b) and section 1633.

Section 1633 (d) (2) provides that amounts actually deducted and withheld as tax under section 1633 are to be apportioned in the same manner as that provided in section 1633 (d) (1), but on the basis of the facts and circumstances known at the close of the period during which such amounts were deducted and withheld. Thus, if in the examples set forth above, the amounts imposed as tax under section 1633 had been actually deducted and withheld, the amounts determined by the apportionment set forth in those examples as tax imposed by section 1622 (a) (2) would be considered amounts deducted and withheld as tax under that section, and the amounts determined by the apportionment set forth in those examples as tax imposed by section 1400 (b) would be considered amounts deducted and withheld as tax under section 1400 (b). The apportionment is made by the employer on the basis of the facts and circumstances known at the close of the period during which the amounts were deducted and withheld. For example, assume that during the calendar year remuneration of \$2,700 was paid at the rate of \$225 per month. A combined tax under section 1633 of \$344.76 was deducted and withheld on the \$2,700 paid. Under the circumstances known at the close of the calendar year, only \$2,400 of the remuneration paid is considered wages as defined in section 1426 (a). The apportionment at the close of the year of the amount deducted and withheld as tax under section 1633 is made on that basis. Accordingly \$36 ( $1\frac{1}{2}$  percent of \$2,400) is considered as the amount deducted and withheld as tax under section 1400 (b), and \$308.76 (\$344.76 minus \$36) is considered as the amount deducted and withheld as tax under section 1622. If it is thereafter determined that the wages as defined in section 1633 were only \$1,600 and the wages as defined in section 1426 (a) were only \$1,400, no change is made in the apportionment. In such a case, the amount of \$36 deducted and withheld as tax under subchapter A is greater than the tax of \$21 imposed by that subchapter, and appropriate adjustments for such overpayment shall be made under that subchapter. The amount of \$308.76 deducted and withheld as tax under subchapter D is allowable as a credit against the employee's income tax liability under chapter 1 of the code.

Section 1633 (e) provides that if for any calendar year the applicable rate under section 1400 (a) is not  $1\frac{1}{2}$  percent, then the rate prescribed for such calendar year under section 1400 (a) shall be substituted for the rate of  $1\frac{1}{2}$  percent wherever that rate is specified in section 1633. For example, for 1956 the rate under section 1400 (a) will be 2 percent. In section 1633 (b) (imposing the combined tax) that rate of 2 percent will be substituted for the rate of  $1\frac{1}{2}$  percent now specified in that section for the purpose of applying section 1633 (b) to wages paid during the calendar year 1956. Similarly, in applying section 1633 (d) to apportion the combined tax imposed on wages paid during 1956, or to apportion the amount deducted and withheld as tax on such wages, the rate of 2 percent will be used in place of the rate of  $1\frac{1}{2}$  percent specified in that section.

Section 1633 (f) makes applicable to the combined tax under section 1633 all provisions of law, including penalties, applicable with respect to the tax required to be deducted and withheld under section 1622. Under this provision, all definitions in subchapter D, as well as all rules and other provisions thereof, including all provisions applicable to subchapter D by reason of references therein to other sections, subchapters, and chapters of the code, will be applicable to the tax imposed by section 1633 (except to the extent inconsistent with section 1633).

Section 1634 provides for the wage bracket withholding tables referred to in section 1633 (c). These tables are to be identical with the income tax wage bracket withholding tables under section 1622 (c), except that the amount to be withheld will be increased by the amount of the employee social security tax applied to the wages, and the specified percentages of withholding are to be increased by the rate of the employee social security tax. Although the Commissioner will prescribe the tables, he has no discretion with respect to the amounts shown therein, but must merely make the mathematical computations required by section 1634. In view of the varying employee social security tax rates between 1951 and 1970, it is believed impractical to include all the necessary tables in the bill.

Section 1635, relating to tax paid by recipient, is similar to section 1622 (d) of existing law.

Section 1636, relating to receipts for employees, is similar to section 1625 of existing law, relating to receipts for income tax withheld (the Form W-2 furnished to employees). Section 1636 supersedes sections 1625 and 1403 for 1951 and succeeding years, and provides for one receipt which will give the employee full information (1) as to his wages subject to employee social security tax, and the amount deducted and withheld from him as such tax, and (2) as to his wages subject to income tax withholding and the amount deducted and withheld as such tax.

Section 1637, relating to penalties, corresponds to section 1626 (a) and (b) of existing law. Section 1637 provides penalties applicable in the case of a fraudulent statement and in the case of a failure to file a statement required under section 1636 with respect to wages paid after December 31, 1950.

Section 206 (a) of the bill, in conformity with the provisions discussed above, amends section 1400 and section 1622 (a) so that each such taxing section is divided into two parts, one imposing the tax similar to that under existing law, the other imposing the tax (determined by apportionment under section 1633 (d)) which is levied, assessed, and collected as part of the combined tax under section 1633.

Section 206 (e) (1) of the bill amends section 322 (a) of the code to authorize the Commissioner under regulations to permit "special refunds" to be taken by the taxpayer as a credit against his income tax. Those "special refunds" so credited will be treated for all purposes in the same manner as amounts withheld as tax under subchapter D of chapter 9 of the code. "Special refunds" are refunds of employee social security tax imposed on wages in excess of \$3,000. In the case of an employee receiving wages from more than one employer during the calendar year, amounts may be deducted and withheld as employee social security tax on more than \$3,000 wages

(for example, on \$4,500 if the employee is paid \$2,500 by one employer and \$2,000 by another). Section 1401 (d) permits, under certain conditions, refund of the amount of tax with respect to wages in excess of \$3,000. It is believed that since the taxpayer will attach to his income tax return the receipts under section 1636, which receipts will show that employee social security tax was paid on more than \$3,000 wages, and will show the amount of such tax paid in excess of the tax on \$3,000, it is appropriate to authorize the Commissioner to allow by regulations the employee to claim credit for such excess through the same expeditious procedure as that provided for the income tax withheld and shown on such receipts. These provisions are only applicable with respect to "special refunds" of employee social security tax on wages paid after December 31, 1950. The "special refund" may not be claimed as a credit against the tax for a taxable year beginning before January 1, 1951.

Except as noted above with respect to "special refunds" under section 322 (a) of the code, all other provisions of section 206 of the bill are applicable only with respect to wages paid after December 31, 1950.

#### PERIODS OF LIMITATION ON ASSESSMENTS AND REFUNDS

Section 207: Under existing law, the periods of limitations on the taxes imposed by chapter 9 are prescribed in section 3312 of the Internal Revenue Code, relating to assessments and collections, and section 3313, relating to refunds and credits. In general, those sections provide a 4-year period of limitation on both assessments and refunds, and a 5-year period for bringing a proceeding in court for collection without assessment. On the other hand, the general rule of the income tax is that assessment must be made and refund must be claimed in the 3-year period after the return is filed, except that if no return is filed refund must be claimed within 2 years after the tax is paid, and in any event refund may be claimed within such 2-year period. In view of the close connection between the income tax and the employment taxes as a result of combined withholding and as a result of the relationship between the self-employment tax and the tax under the Federal Insurance Contributions Act, it appears preferable to provide, with respect to those employment taxes, a general period of limitations similar to that provided for the income tax. Accordingly, section 207 inserts in chapter 9 special periods of limitation, which are applicable to such of the taxes under the Federal Insurance Contributions Act, the income-tax withholding provisions, and the combined withholding provisions, as are collected and paid under a return system. These provisions are in lieu of the provisions of section 3312 and section 3313 with respect to those taxes. However, the provisions of section 3312 and section 3313 will be applicable to any taxes imposed by subchapters A, D, and E of chapter 9 which the Commissioner may require to be collected and paid, not by making and filing returns, but by stamp or by other authorized methods. The periods of limitation prescribed by sections 1638 and 1639 are measured from the date the return is filed, which date is subject to the conclusive presumption described in the next sentence. Returns for any period in a calendar year, such as quarterly returns, which are filed before March 15 of the succeeding calendar year, are deemed filed (and tax paid at the time of

filing such returns is deemed paid) on March 15 of such succeeding calendar year, so that the period of limitations with respect to the tax for any part of a calendar year will run uniformly from a date in the succeeding year which corresponds to the filing date for income-tax returns. This provision will not only bring conformity with the income tax but will simplify the operation of the applicable statute of limitations. For example, if quarterly returns are filed, and the tax thereon paid, for the four quarters of 1951 on April 30, July 31, and October 31 of 1951, and on January 31, 1952, the period of limitations for assessment and for filing claim for refund for all of such taxes will, in general, be the 3-year period beginning March 15, 1952.

Under section 3312 (b), the tax may be assessed at any time if a timely return is not filed. Under section 1638, the filing of a late return will start the running of the 3-year period of limitations. However, there is no change in the provisions of existing law which provides that the tax may be assessed at any time in the case of a false or fraudulent return with intent to evade tax, and in the case of a willful attempt in any manner to defeat or evade tax.

The periods of limitation prescribed by sections 1638 and 1639 will be applicable only to taxes imposed with respect to remuneration paid during calendar years after 1950. The taxes under chapter 9 imposed with respect to remuneration paid during any calendar year before 1951 will continue to be subject to sections 3312 and 3313.

#### SELF-EMPLOYMENT INCOME

Section 208: This section corresponds to section 207 of the House bill. Under the House bill, the provisions imposing the tax on self-employment income were included in the Internal Revenue Code as subchapter F of chapter 9, so that such tax was levied as one of the employment taxes subject to the administrative provisions relating to miscellaneous taxes. In view of the close connection between this tax and the present income tax, your committee has amended the House bill so that the provisions imposing the self-employment tax will be included in the code as subchapter E of chapter 1, relating to the income tax, and this tax will be levied, assessed, and collected as part of the income tax imposed by chapter 1, except that it will not be taken into account for purposes of the estimated tax. In most instances, items which require adjustments in the self-employment income for self-employment tax purposes will also require adjustments in the net income for income tax purposes. Therefore, in the interests of simplicity for taxpayers and economy in administration, it is believed preferable to have the tax on self-employment income handled in all particulars as an integral part of the income tax. Thus, except as otherwise expressly provided, the self-employment tax will be included with the normal tax and surtax under chapter 1 in computing any overpayment or deficiency in tax under such chapter and in computing the interest and any additions to such overpayment, deficiency, or tax. Since the self-employment tax is part of the income tax, it will be subject to the jurisdiction of the Tax Court to the same extent and in the same manner as the other taxes under chapter 1.

The proposed subchapter E of chapter 1 will have the same short title as the proposed subchapter F of chapter 9 in the House bill, that is, the "Self-Employment Contributions Act," and will be com-

prised of sections 480 to 482, inclusive, in lieu of sections 1640 to 1647, inclusive, in the House bill.

*Rate of tax*

Section 480, corresponding to section 1640 inserted by the House bill, imposes an income tax for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual. (The term "self-employment income" is defined in section 481, which section is discussed below.) This tax will begin 1 year later than the date specified in the House bill, and the dates for the change in the rate of this tax differ from those in the House bill so as to correspond to the changes made by your committee in the rates specified in section 1400. The rates of the tax on such income for the respective taxable years are as follows:

For taxable years—	Percent
Beginning after Dec. 31, 1950, and before Jan. 1, 1956.....	2¼
Beginning after Dec. 31, 1955, and before Jan. 1, 1960.....	3
Beginning after Dec. 31, 1959, and before Jan. 1, 1965.....	3¾
Beginning after Dec. 31, 1964, and before Jan. 1, 1970.....	4½
Beginning after Dec. 31, 1969.....	4%

*Definitions*

Section 481, corresponding to section 1641 inserted by the House bill, defines certain terms for the purposes of the Self-Employment Contributions Act.

*Definition of "net earnings from self-employment"*

Subsection (a) of section 481 defines the term "net earnings from self-employment" for purposes of the Self-Employment Contributions Act. Such term is defined to mean—

(1) the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed under chapter 1 which are attributable to such trade or business, plus

(2) the distributive share of such individual (whether or not distributed) of the ordinary net income or loss from any trade or business carried on by a partnership of which he is a member,

subject to the exclusion of certain trades and businesses provided in section 481 (c) and to certain special rules set forth in paragraphs (1) through (7) of section 481 (a) for computing such gross income and deductions and such distributive share of partnership ordinary net income or loss.

Your committee has changed the House bill so that reference throughout section 481 is made to the partner's distributive share of the "ordinary net income or loss" of the partnership rather than to the "net income or loss" of the partnership. The former term is defined in section 183 of the code, and use of that term avoids some adjustments otherwise required under section 481 in computing such amount (for example, adjustments to exclude capital gains and losses and to exclude the deduction for charitable contributions) and also avoids some question as to the meaning of the term "net loss." The term "ordinary net loss," substituted for the term "net loss," is defined in section 183 of the code as the excess of the deductions (computed without the so-called charitable-contributions deduction of sec. 23 (o) and without the standard deduction provided in sec.

23 (aa)) over the gross income, determined after excluding all items of gain and loss from the sale or exchange of capital assets.

The gross income and deductions of an individual attributable to a trade or business, for the purpose of ascertaining his net earnings from self-employment, are to be determined by reference to the applicable income-tax provisions in other subchapters of chapter 1 of the code. The trade or business must be "carried on" by the individual, either personally or through agents or employees, in order for the income to be included in his "net earnings from self-employment." Accordingly, gross income derived by an individual from a trade or business carried on by him does not include income derived by a beneficiary from an estate or trust even though such income is derived from a trade or business carried on by the estate or trust.

An individual may be engaged in more than one trade or business. If so, his net earnings from self-employment are the aggregate of his net earnings from self-employment of each trade or business carried on by him. Thus, a loss sustained in one trade or business of an individual will operate to reduce the income derived from another trade or business of such individual.

The net earnings from self-employment of an individual include, in addition to the earnings from a trade or business carried on by him, his distributive share of the ordinary net income or loss from any trade or business carried on by each partnership of which he is a member. The individual's distributive share of the ordinary net income or loss of the partnership means his share of such ordinary net income or loss as computed under section 183 of the code, subject to the special rules set forth in section 481 (a) (1) to (7) and the exemptions provided in section 481 (c). In computing the net earnings from self-employment of a partner, if the taxable year of the partner is different from that of the partnership, the distributive share to be included in computing the net earnings from self-employment of the partner shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1951) ending within or with the taxable year of the partner. Only a partnership recognized as such for income-tax purposes is treated as a partnership for the purposes of determining the net earnings from self-employment of the partner. Accordingly, a partnership which constitutes an association taxable as a corporation under the provisions of chapter 1 is not recognized as a partnership for such purposes. Moreover, only the ordinary net income or loss derived by the partnership from carrying on a trade or business is taken into account. Any ordinary net income or loss of the partnership derived from sources clearly unrelated to the trade or business carried on by it is excluded in determining the net earnings from self-employment of the partners. The net earnings from self-employment of a partner include his distributive share of the ordinary net income or loss of a partnership of which he is a member, irrespective of the nature of his membership, as, for example, as a limited or inactive member.

Special rules for computing the gross income and deductions of an individual from a trade or business and his distributive share of the ordinary net income or loss of a partnership from a trade or business are set forth in paragraphs (1) to (7), both inclusive, of section 481 (a).

Paragraph (1) excludes rentals from real estate, including personal property leased with the real estate, and deductions attributable

thereto, unless such rentals are received in the course of a trade or business as a real-estate dealer. If the individual is not in a trade or business as a real-estate dealer, all rentals from real estate, and deductions attributable thereto, are excluded in computing his net earnings from self-employment. For the purpose of determining whether the individual is a real-estate dealer, the tests are those applied under the other provisions of chapter 1 of the code in determining whether a person is engaged in the business of selling real estate to his customers. A person who merely owns real estate and receives rentals therefrom is not considered a real-estate dealer. On the other hand, a person who is engaged in the business of selling real estate to customers with a view to the gains and profits that may be derived therefrom is a real-estate dealer, and rentals received by him from such real estate are included for the purposes of determining his net earnings from self-employment.

Payments for the use or occupancy of entire private residences or living units in duplex or multiple-housing units are generally rentals from real estate. Except in the case of real-estate dealers, such payments are excluded under paragraph (1), even though in part attributable to personal property furnished under the lease. On the other hand, payments for the use or occupancy of rooms or other space where services are also rendered to the occupant, such as for the use or occupancy of rooms or other quarters in hotels, boarding houses, or apartment houses furnishing hotel services, or in tourist camps or tourist homes, or for the use or occupancy of space in parking lots, warehouses, or storage garages do not constitute rentals from real estate.

Paragraph (2) excludes the income, and deductions attributable to such income, derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h) of the code. In case the services are in part agricultural and in part nonagricultural, the time devoted to the performance of each type of service is the test to be used to determine whether the major portion of the services would constitute agricultural labor. If more than half of the time spent in performing all the services is spent in performing services which would constitute agricultural labor under section 1426 (h), all income, and deductions attributable to the income, shall be excluded. If only half, or less, of the time spent in performing all the services is spent in performing services which would constitute agricultural labor under section 1426 (h), all income, and deductions attributable to the income, shall be included. In every case the time spent in performing the services will be computed by adding the time spent in the trade or business during the taxable year by every individual (including the individual carrying on such trade or business and the members of his family) in performing such services. The operation of paragraph (2) is not affected by section 1426 (c), relating to the included-excluded rule for determining employment.

Paragraph (3) excludes dividends on any share of stock, and interest on any bond, debenture, note, certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest are received in

the course of a trade or business as a dealer in stocks or securities. The effect of this paragraph is to exclude all dividends except dividends received by a dealer in stocks or securities in the course of his trade or business. Only interest of the specified character is categorically excluded for all persons other than dealers in stocks or securities. Other interest received in the course of any trade or business (such as interest received by a pawnbroker on his loans or interest received by a merchant on his accounts or notes receivable) is not excluded in computing net earnings from self-employment.

Your committee has inserted an amendment to the House bill so that interest exempt from normal tax (that is, interest on certain obligations of the United States and its instrumentalities) is not included in the self-employment income of a dealer in stocks and bonds.

A dealer in stocks or securities is a merchant of stocks or securities, whether an individual or a partnership, with an established place of business, regularly engaged in the business of purchasing stocks or securities and reselling them to customers; that is, one who as a merchant buys stocks or securities and sells them to customers with a view to the gains and profits that may be derived therefrom. Persons who buy and sell or hold stocks or securities for investment or speculation, irrespective of whether such buying or selling constitutes the carrying on of a trade or business, are not dealers in stocks or securities.

Paragraph (4) excludes (1) gains or losses which are considered as gains or losses from the sale or exchange of capital assets, (2) gains or losses from the cutting or disposal of timber if section 117 (j) of the code is applicable to such gains or losses, and (3) gains or losses from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (A) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (B) property held primarily for sale to customers in the ordinary course of a trade or business.

The effect of this provision is to exclude from the computation of net earnings from self-employment all gains or losses which are treated as capital gains or losses, as well as gains or losses arising from the disposition or conversion of property which is not considered as either (1) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, or (2) property held primarily for sale to customers in the ordinary course of a trade or business. Also in the case of timber, even though held primarily for sale to customers, gain or loss is excluded if section 117(j) of the code is applicable to such gain or loss. For the purpose of paragraph (4) (C) of section 481 (a), it is immaterial whether the property constitutes a capital asset within the meaning of section 117 (a) of the code or whether such property was held for more or less than 6 months. Moreover, it is immaterial for the purposes of paragraph (4) (C) whether a gain or loss is treated as a capital gain or loss or as an ordinary gain or loss for the other purposes of chapter 1. For instance, where the character of the loss for income-tax purposes is governed by the provisions of section 117 (j), such loss is excluded under paragraph (4) (C) even though such loss is treated under section 117 (j) as an ordinary loss.

As used in paragraph (4), the term "involuntary conversion" means a compulsory or involuntary conversion of property into other property or money as a result of its destruction in whole or in part,

theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof. As used in such paragraph the term "other disposition" includes the destruction of property by fire, storm, shipwreck, or other casualty, even though there is no conversion of such property into other property or money.

Paragraph (5) provides that the deduction for net operating losses under section 23 (s) of the code shall not be allowed.

Paragraph (6) prescribes the treatment to be accorded income subject to community-property laws. Subparagraph (A) provides that if any of the income derived by an individual from a trade or business (other than a trade or business carried on by a partnership) is community income under community-property laws applicable to such income, all of the gross income and deductions attributable to the trade or business shall be treated as the gross income and deductions of the husband unless the wife actually 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. "Management and control" of the type to which reference is made in paragraph (6) is not the management and control imputed to the husband under the community-property laws but management and control in fact. For example, a wife who operates a beauty parlor without any appreciable collaboration on the part of her husband will be considered as having substantially all of the management and control of such business despite the provision of any community-property law vesting the right of management and control over community property in the husband, and the income and deductions attributable to the operation of such beauty parlor will be considered the income and deductions of the wife.

Subparagraph (B) provides that if any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community-property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner; and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner.

Paragraph (7) provides that, in the case of any taxable year beginning on or after the effective date specified in section 3810 (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), the term "possession of the United States," as used in section 251 of the code, shall not include Puerto Rico; and a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of the code. In applying the provisions of paragraph (7), a citizen of the United States who engages in the active conduct of a trade or business in Puerto Rico may find that his income from such trade or business is exempt from the income tax imposed by the other subchapters of chapter 1 (by reason of the provisions of sec. 251 of the code) but that the same income (subject to the \$3,000 limitation) is taxed as self-employment income.

Your committee has omitted paragraph (8) of the corresponding section in the House bill. Paragraph (8) would have excluded from

net earnings from self-employment income derived from the business of publishing a newspaper or other publication, together with income derived from other activities conducted in connection therewith, where the newspaper or other publication has a paid circulation.

In computing net earnings from self-employment, the rules applicable under chapter 1 of the code must be applied in determining the taxable year in which items of gross income are to be included and the taxable year for which deductions shall be taken. If an individual uses the accrual method of accounting in computing net income from a trade or business for the purposes of the other taxes in chapter 1, he must use the same method in computing the gross income and deductions for self-employment tax purposes. Likewise, if the taxpayer is engaged in a trade or business of selling property on the installment plan and he elects, under the provisions of section 44 of the code, to use the installment basis in computing income for the purposes of the other taxes in chapter 1 of the code, he must use the same basis in computing the gross income and deductions attributable to such trade or business for self-employment tax purposes.

*Definition of "self-employment income"*

Subsection (b) of section 481 defines the term "self-employment income" for the purposes of the Self-Employment Contributions Act. Such term is defined to mean the net earnings from self-employment derived by an individual, other than a nonresident alien individual, during any taxable year beginning after December 31, 1950, except for the exclusions provided in clauses (1) and (2) of such subsection.

Clause (1) excludes from self-employment income of an individual that part of the net earnings from self-employment which exceeds \$3,000 reduced by the amount of the wages paid to the individual during the taxable year. Thus, the maximum self-employment income of any individual for any taxable year (whether a period of 12 months or less) is \$3,000; or, if wages are received, this maximum is reduced by the amount of such wages. For example, if during the taxable year no wages are received and the individual has \$5,000 of net earnings from self-employment, he has \$3,000 of self-employment income for such taxable year; or if the individual receives \$1,000 of wages and also has \$5,000 of net earnings from self-employment, he has only \$2,000 of self-employment income for the taxable year. For the purposes of clause (1), the term "wages" includes remuneration paid to an employee for services included under an agreement entered into pursuant to section 218 of the Social Security Act (relating to the coverage of State employees). Clause (2) provides in effect that if an individual's net earnings from self-employment for the taxable year are less than \$400, such individual has no self-employment income for such taxable year. It should be noted, however, that it is possible for an individual to have less than \$400 of self-employment income. This would occur in a case in which the individual's net earnings from self-employment are \$400 or more for a taxable year and the individual also receives more than \$2,600 but less than \$3,000 of wages during the taxable year. For example, if an individual has net earnings from self-employment for a taxable year of \$1,000 and is also paid wages of \$2,800 during the taxable year, his self-employment income for such taxable year is \$200.

Section 481 (b) differs from the corresponding provisions of section 1641 (b) in the House bill by prescribing \$3,000 as the maximum amount in determining self-employment income, in lieu of the \$3,600 amount specified in the House bill. This change corresponds to that made in the amendments to section 1426 of the code.

Section 481 (b) further provides that, in the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States (i. e., the 48 States, Alaska, Hawaii, and the District of Columbia) or of the Virgin Islands during the taxable year shall be considered, for the purposes of computing self-employment income, as a non-resident alien individual. Accordingly, the net earnings from self-employment of an individual described in the preceding sentence would not constitute self-employment income. Section 481 (b) also provides that an individual who is not a citizen of the United States but who is a resident of the Virgin Islands or, after the effective date specified in section 3810, is a resident of Puerto Rico shall not, for purposes of computing self-employment income, be considered to be a nonresident alien individual. Accordingly, the net earnings from self-employment of such an individual may constitute self-employment income. The net earnings from self-employment of a citizen or resident of the United States (including the Virgin Islands and, after the effective date specified in section 3810, Puerto Rico) constitute self-employment income, except to the extent that such net earnings are excluded from self-employment income under clause (1) or (2) of section 481 (b).

While a nonresident alien individual who derives income from a trade or business carried on within the United States (whether by his agents or employees or by a partnership of which he is a member) is taxed on such income under the other subchapters of chapter 1 of the code, such individual (if he is treated under the Self-Employment Contributions Act as a nonresident alien) will not pay a self-employment tax on any portion of such income.

#### *Trade or business*

Subsection (c) of section 481 provides that, for the purposes of the Self-Employment Contributions Act, the term "trade or business" shall have the same meaning as when used in section 23 of the code, except that such term shall not include the performance of certain functions and services described in paragraphs (1) to (5), both inclusive.

Paragraph (1) provides that the performance of the functions of a public office does not constitute a trade or business. The term "public office" includes any elective or appointive office of the Federal Government or of a State or its political subdivision or of a wholly owned instrumentality of any one or more of the foregoing, such as President, Vice President, governor, mayor, secretary of State, Member of Congress, State representative, county commissioner, judge, county or city attorney, marshal, sheriff, register of deeds, or notary public.

Paragraph (2) provides that the performance of service by an individual as an employee as defined in the Federal Insurance Con-

tributions Act, with one exception, does not constitute a trade or business. The exception is as follows:

Service performed by an employee, who has attained the age of 18, in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by the employee at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back.

The House bill contained an additional exception relating to section 1426 (b) (18) of the code, as amended by the House bill, which exception has been omitted in view of your committee's action on proposed section 1426 (b) (18).

Paragraph (3) provides that the performance of service by an individual as an employee or employee representative as defined in section 1532 of the code, that is, an individual covered under the railroad retirement system, does not constitute a trade or business.

Paragraph (4) provides that the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order does not constitute a trade or business. This exception applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

Paragraph (5) provides that the performance of service by an individual in the exercise of a profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, or optometrist, or as a Christian Science practitioner, or as an architect, certified public accountant, or professional engineer, or the performance of such service by a partnership, does not constitute a trade or business. The designations in this paragraph are to be given their commonly accepted meaning. Thus, the term "physician" means an individual who is legally qualified to practice medicine; and the term "lawyer" means an individual who is legally qualified to practice law. In the case of a partnership whose trade or business consists in the performance of service in the exercise of any of the designated professions, the partnership shall not be considered as carrying on a trade or business for purposes of the Self-Employment Contributions Act, and none of the distributive shares of income or loss of such partnership shall be included in computing net earnings from self-employment of any member of the partnership. On the other hand, where a partnership is engaged in a trade or business not within any of the designated professions, each partner must include his distributive share of the income or loss of such partnership in computing his net earnings from self-employment, irrespective of whether such partner is also engaged in the practice of one of such professions and contributes his professional services to the partnership. Your committee has added to the designations in the corresponding provisions of the House bill the

following: naturopaths, architects, and certified public accountants. In addition, the designation "professional engineer" has been substituted for the specific list of certain kinds of professional engineers contained in the House bill. "Professional engineers" are those engineers legally qualified to practice before the public in a consulting capacity.

*Definition of employee and wages*

Subsection (d) of section 481 provides that, for the purposes of the Self-Employment Contributions Act, the term "employee" and the term "wages" shall have the same meaning as when used in the Federal Insurance Contributions Act. (For an explanation of these terms, see the discussion of secs. 203 and 205 of the bill.)

*Definition of "taxable year"; administrative provisions; and so forth*

Certain provisions of the House bill have been stricken out as unnecessary since under your committee's bill the tax on self-employment income is imposed as one of the income taxes under chapter 1 of the code. Thus, the taxpayer has the same taxable year for all taxes under that chapter, and a separate definition of "taxable year" is unnecessary for the tax on self-employment income. Similarly, special provisions as to the nondeductibility of the tax on self-employment income for the purpose of computing net income for income tax purposes are not needed, since the self-employment tax becomes one of the income taxes referred to in section 23 (c) (1) (A). Furthermore, special provisions as to the collection and payment of that tax are not needed, since the provisions now applicable to the taxes under chapter 1 will be applicable to the tax on self-employment income.

Special provisions as to the overpayment and underpayment of this tax are also not needed, since this tax will be included in determining whether there is an overpayment or underpayment of the sum of the taxes imposed by chapter 1, and the provisions now applicable to such overpayment (for example, supplement O of chapter 1) or such underpayment (for example, supplements L, M, and N of chapter 1) will continue to be applicable thereto after the tax on self-employment income is included in determining such overpayment or underpayment. The authority of the Commissioner to issue rules and regulations under section 62 of the code extends to the tax on self-employment income. Since this tax will, as part of chapter 1, be subject to all provisions of law applicable to the taxes under that chapter, the provisions of the House bill making the provisions applicable to the tax under section 2700 also applicable to this tax have been omitted.

*Miscellaneous provisions*

Subsection (a) of section 482 requires every individual having net earnings from self-employment of \$400 or more for the taxable year to file a return containing such information for the purpose of carrying out the provisions of the subchapter imposing tax on self-employment income as the Commissioner, with the approval of the Secretary, shall by regulations prescribe. Such a return is considered a return required under section 51 (a), and the provisions applicable to returns under section 51 (a) are applicable to such return. However, the tax on self-employment income, in the case of a joint return of husband and wife, is the sum of the taxes computed on the separate self-employment income of each spouse. With respect to the tax on self-

employment income, the requirement of section 51 (b) that in the case of a joint return the tax is computed on the aggregate income of the spouses is not applicable. For example, if the husband has \$2,800 wages and \$500 net earnings from self-employment, and if the wife has \$1,200 wages and \$600 net earnings from self-employment, the tax under subchapter E of chapter 1 to be shown on their joint return would be the sum of the tax under subchapter E on the husband's \$200 of self-employment income and the tax under subchapter E on the wife's \$600 of self-employment income. If the wife's net earnings from self-employment were less than \$400, such net earnings would not be subject to the tax on self-employment income although they would have to be shown on the joint return for the purposes of the other taxes imposed by chapter 1. Since section 51 (b) is applicable to the return of the tax on self-employment income, the liability with respect to the tax of the husband and wife filing a joint return is joint and several. It is contemplated that returns required by section 482 (a) will be made as a part of the regular income-tax returns required by section 51, for example, as a schedule on or associated with such return, but in any case in which a taxpayer is not required to file a return under section 51, a separate return for purposes of the tax on self-employment income will be required under section 482 (a).

Subsection (b) of section 482 provides that subchapter E of chapter 1 of the code may be cited as the "Self-Employment Contributions Act."

Subsections (c) and (d) of section 482 are cross-references to sections 3810 and 3811, discussed below, relating to effective date in case of Puerto Rico and to collection of taxes in Puerto Rico and the Virgin Islands. These provisions were, in the House bill, inserted at the end of chapter 9 of the code as sections 1633 and 1634. The provisions are applicable both to the Self-Employment Contributions Act, now inserted as part of chapter 1 of the code, and to the Federal Insurance Contributions Act of chapter 9 of the code. Accordingly, the House bill has been changed to insert these sections in chapter 38 of the code, relating to miscellaneous provisions, and sections 1633 and 1634 have been renumbered as sections 3810 and 3811, respectively.

#### *Effective date in case of Puerto Rico*

Section 3810 provides that, if the Governor of Puerto Rico certifies to the President of the United States that the Legislature of Puerto Rico has resolved, by concurrent resolution, that it desires the extension to Puerto Rico of the provisions of title II (old-age, survivors, and disability insurance benefits) of the Social Security Act, then the effective date referred to in section 1426 (e) of the code (relating to the terms "State," "United States," and "citizen of the United States"), section 481 (a) (7) of the code (relating to the computation of net earnings from self-employment in certain cases), and section 481 (b) of the code (relating to the computation of self-employment income) shall be January 1 of the first calendar year which begins more than 90 days after the date on which the President of the United States receives such certification.

#### *Collection of taxes in Virgin Islands and Puerto Rico*

Section 3811 provides that, notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, **all**

taxes imposed by the Federal Insurance Contributions Act and the Self-Employment Contributions Act shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections.

*Mitigation of effect of statute of limitations, etc.*

Section 208 of the bill also adds to the code a new section not included in the House bill, namely, section 3812 relating to the mitigation of the effect of the statute of limitations and other provisions in case of related taxes under different chapters. This section is made necessary by the fact that adjustments to the wages under the Federal Insurance Contributions Act may, by reason of the effect of such wages on the \$3,000 limitation applicable in determining self-employment income, affect the tax under the Self-Employment Contributions Act, and by reason of the fact that an item of income may be erroneously reported as taxable under one act when it should have been taxable under the other act. If adjustment under only one of the two acts is prevented by the statute of limitations or any other law or rule of law (other than section 3761 of the code, relating to compromises), then the adjustment (that is, the assessment or the credit or refund) otherwise authorized under the one act will reflect the adjustment which would have been made under the other act but for such law or rule of law. For example, assume that a taxpayer reports wages of \$3,000 and net earnings from self-employment of \$900. By reason of the limitations of section 481 (b) he shows no self-employment income. Assume further that by reason of a final decision in the Tax Court, further adjustments to his income tax liability are barred. The question of the amount of his wages, as defined in section 1426, was not in issue in the Tax Court litigation, but it is subsequently determined (within the period of limitations applicable under the Federal Insurance Contributions Act) that \$700 of the \$3,000 wages reported by him were not for employment as defined in section 1426 (b), and he is entitled to the allowance of a refund of the \$10.50 tax paid on such remuneration under section 1400 of the Federal Insurance Contributions Act. The reduction of his wages from \$3,000 to \$2,300 would result in the determination of \$700 self-employment income under the facts stated above, the tax on which is \$15.75. The overpayment of \$10.50 of tax under the Federal Insurance Contributions Act would be offset under section 3812 by the barred deficiency of \$15.75 in the tax under the Self-Employment Contributions Act, thus eliminating the refund otherwise allowable. If the facts were changed so that the taxpayer erroneously paid self-employment tax on \$700, having been taxed on only \$2,300 as wages, and within the period of limitations under the Federal Insurance Contributions Act, it is determined that his wages were \$3,000, the tax of \$10.50 under section 1400 of that act, otherwise collectible, would be eliminated by offsetting under section 3812 the barred overpayment of \$15.75 under the Self-Employment Contributions Act.

Another illustration of the operation of this section is the case of a taxpayer who is erroneously taxed on \$2,500 as wages, the tax on which is \$37.50, and who reports no self-employment income. After the statute of limitations has run on the refund of the tax under the Federal Insurance Contributions Act, it is determined that the amount

treated as wages should have been reported as net earnings from self-employment. The taxpayer's self-employment income would then be \$2,500 and his self-employment tax would be \$56.25. Assume that the period of limitations under chapter 1 of the code has not expired, and that a notice of deficiency may properly be issued. Under section 3812, the amount of the deficiency of \$56.25 must be reduced by the barred overpayment of \$37.50.

*Nonapplicability of section 3801*

Section 208 (c) of the bill amends section 3801 of the code by adding at the end thereof a new subsection (g). Subsection (g) provides that the provisions of section 3801 shall not be construed to apply to any tax imposed by chapter 9 of the code.

*Technical amendments*

Section 208 (d) of the bill makes a number of technical amendments to the code required by the inclusion of the Self-Employment Contributions Act in chapter 1 of the code.

Sections 3 and 12 (g) of the code are amended to insert cross-references to the tax on self-employment income.

Sections 31 and 131 (a) of the code, relating to the foreign tax credit, are amended so that the foreign tax credit will not be applicable as a credit against the tax on self-employment income.

Section 58 (b) (1) of the code, relating to estimated tax, is amended so that the tax on self-employment income will not be included in the estimates of tax required under section 58 (a) of the code. Such estimates will be made without regard to the tax on self-employment income, and such tax is not required to be paid in advance of the date prescribed for the final payment of taxes under chapter 1. There is no provision for installment payments of the tax on self-employment income. Section 294 (d), also relating to the estimated tax, is similarly amended so that the provisions of that section will be applied without regard to the tax on self-employment income.

Section 107 of the code, relating to compensation paid for services rendered for a period of 36 months or more and back pay, is amended so that the provisions of that section will be applied without regard to the tax on self-employment income, and will not affect that tax. For example, assume that a taxpayer's only item of income for the calendar year 1952 (his taxable year) is \$3,000, all of which is self-employment income and all of which is subject to section 107. Section 107 will not affect the tax of \$67.50 imposed by subchapter E of chapter 1 for such taxable year. Section 107 (a), in such a case, limits the tax attributable to the \$3,000 to an amount equal to the aggregate of the taxes which would be attributable to the \$3,000 had it been included in the gross income of the taxpayer ratably over the period of the services described in section 107. For the purposes of this limitation, the tax for 1952 and the aggregate of the taxes for the years of the services are both computed without regard to the tax on self-employment income, and the limitation applies to the taxes under chapter 1 other than the tax on self-employment income.

Section 120 of the code, relating to unlimited deduction for charitable and other contributions, is amended so that the tax on self-employment income is not included in the computation to determine whether the total of the taxes and charitable contributions paid dur-

ing the year exceeds 90 percent of the taxpayer's net income (computed without the deductions for charitable contributions).

Section 161 (a) of the code, relating to the tax on estates and trusts, is amended so that trusts and estates will not be subject to the tax on self-employment income.

#### MISCELLANEOUS AMENDMENTS

Section 209 of the bill, which corresponds to section 208 of the House bill, (a) amends section 1607 (b) of the Internal Revenue Code, defining the term "wages" for purposes of the Federal Unemployment Tax Act (subch. C of ch. 9 of the code); (b) amends section 1607 (c) of the code, defining the term "employment" for purposes of such act; (c) amends section 1621 (a) of the code, defining the term "wages" for purposes of the withholding of income tax at the source on wages; (d) amends section 1631 of the code, relating to a minimum addition to the tax for failure to file return or pay tax timely under chapter 9 of the code; and (e) provides retroactive relief from tax under subchapters A and C of chapter 9 of the code in connection with the application of the \$3,000 wage limitation in the case of certain corporate successions. The amendments to sections 1607 (b) and (c) and 1621 (a) conform the definitions for Federal unemployment tax and income tax withholding purposes in a number of respects to corresponding definitions in section 1426 (a), as amended by section 203 (a) of the bill, defining the term "wages" for purposes of the Federal Insurance Contributions Act (subch. A, ch. 9, of the code) and in section 1426 (b), as amended by section 204 (a) of the bill, defining the term "employment" for purposes of such act. Such conforming amendments in the Federal payroll taxes, to the extent not substantially inconsistent with the paramount policies applicable to each, are considered desirable for reasons of facilitating administration of the taxes and taxpayer understanding.

Section 209 (a) (1) of the bill amends section 1607 (b) of the code, defining "wages" for Federal unemployment tax purposes. Technical changes are made in paragraph (1) of the definition as amended by the House to preclude a successor employer, in computing his tax for the calendar year in which the succession takes place, from counting toward the \$3,000 limitation of wages any remuneration paid by the predecessor unless the predecessor also is an employer as defined in section 1607 (a) of the code for such calendar year and therefore liable for the tax, and unless the remuneration paid by the predecessor constitutes taxable wages. Except in the following three respects, the definition of "wages" in section 1607 (b), as contained in section 209 (a) (1) of the bill, is in conformity with the corresponding definition in section 203 (a) of the bill: (1) the exception from "wages" of noncash remuneration for service not in the course of the employer's trade or business has been stricken from the amendment by the House to section 1607 (b) but is retained in section 1426 (a); (2) no exception from "wages" of noncash remuneration for agricultural labor, corresponding to that added by your committee to section 1426 (a), has been added to section 1607 (b); and (3) the existing law exception from "wages" of dismissal payments which the employer is not legally required to make, stricken by the amendment made by the House,

has been restored by your committee in section 1607 (b) until January 1, 1952, but not restored in section 1426 (a).

Section 209 (a) (2) of the bill provides that the amendment to section 1607 (b) of the Internal Revenue Code made by section 209 (a) (1) shall be applicable only with respect to remuneration paid after 1950. It further provides that, in the case of remuneration paid prior to 1951, the determination under section 1607 (b) (1) of the code (prior to its amendment by the bill) of whether or not such remuneration constituted wages shall be made as if section 209 (a) (1) of the bill had not been enacted and without inferences drawn from the fact that the amendment made by such section is not made applicable to periods prior to 1951.

Section 209 (a) (3) of the bill deletes paragraph (8) of section 1607 (b) of the Internal Revenue Code, which excepts from wages dismissal payments which the employer is not legally required to make. Such deletion is made effective with respect to remuneration paid after December 31, 1951. The definitions of wages under subchapters A and C of chapter 9 will thus be brought another desirable step toward conformity, but State legislatures will in the meantime have an opportunity to amend their unemployment compensation laws to subject dismissal payments to tax thereunder, if they so desire.

Section 209 (b) of the bill amends, in two relatively minor respects, section 1607 (c) of the Internal Revenue Code, defining the term "employment" for purposes of the Federal Unemployment Tax Act. The corresponding section of the House bill (sec. 208 (b) (1)) amended section 1607 (c) (3) of the code, excepting from employment casual labor not in the course of the employer's trade or business, by substituting the same cash and regularity of performance of service tests as provided in section 1426 (b) (3), as amended by section 205 (a) of the House bill. Your committee has stricken the House amendment to section 1607 (c) (3).

Section 209 (b) (1) of the bill amends section 1607 (c) (10) (A) (i) of the Internal Revenue Code, the present provisions of which exclude from employment service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the code if the remuneration for such service "does not exceed \$45." Section 208 (b) (2) of the House bill struck out the quoted phrase, and inserted in lieu thereof "is less than \$100." Your committee recommends the adoption of the changes in the House bill, except that \$50 should be substituted for \$100 to conform with a corresponding change made in section 1426 (b) (11) (A) of the code by section 204 (a) of the bill.

Section 209 (b) (2) of the bill amends section 1607 (c) (10) (E) of the Internal Revenue Code, the existing provisions of which exclude from employment service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed \$45 (exclusive of room, board, and tuition). Section 209 (b) (2) of the bill (as does also section 208 (b) (3) of the House bill) amends section 1607 (c) (10) (E) so as to exclude such service regardless of the amount of the remuneration.

Section 209 (b) (3) of the bill provides that the amendments made by section 209 (b) (1) and (2) shall be applicable only with respect to service performed after 1950.

Section 209 (c) (1) of the committee bill amends paragraphs (3) and (4) of section 1621 (a) of the code, defining the term "wages" for purposes of income tax withholding so as to conform (with a major exception) the provisions of such paragraphs with section 1426 (b) (2) and (3) of the code, as amended by section 204 (a) of the bill. The exception is that the amended section 1621 (a) (3) (A) continues for income tax withholding purposes the existing exception of domestic service in a private home. Section 208 (c) (1) of the House bill amended only section 1621 (a) (4) of the code, relating to service not in the course of the employer's trade or business. Your committee has added an amendment to section 1621 (a) (3) which has the effect of limiting the income tax withholding exclusion from wages, in the case of domestic service performed in a local college club, or local chapter of a college fraternity or sorority, to service performed by a student who is enrolled and is regularly attending classes at a school, college, or university. For an explanation of the amendment of section 1621 (a) (3) and (4), see the explanation in this report of the amendment of section 1426 (b) (2) and (3), made by section 204 (a) of the bill.

Section 209 (c) (2) of the bill also amends section 1621 (a) of the code defining the term "wages" for purposes of income tax withholding. The following paragraphs of section 1621 (a) are amended and conform with the corresponding paragraphs indicated below of section 1426 (a) and (b) of the code, defining wages and employment for purposes of the Federal Insurance Contributions Act, as amended by sections 203 (a) and 204 (a), respectively, of the bill. Paragraph (9) of section 1621 (a), conforming with section 1426 (b) (9) (A), excludes from wages remuneration for services performed by ministers and members of religious orders. Paragraph (10) of section 1621 (a), conforming with section 1426 (b) (16), excludes from wages remuneration for certain services in connection with the delivery, distribution, or sale of newspapers, shopping news, or magazines. Such paragraphs (9) and (10) were included in the amendment to section 1621 (a) made by section 208 (c) (2) of the House bill. Paragraph (11) of section 1621 (a), added by your committee in conformity, so far as appropriate, with section 1426 (a) (7), excludes from wages such remuneration for services not in the course of the employer's trade or business as is paid in any medium other than cash. Paragraph (12) of section 1621 (a), also added by your committee, conforms with section 1426 (a) (5), and excludes from wages under specified conditions remuneration paid to, or on behalf of, an employee or his beneficiary from or to a trust exempt from tax under section 165 (a) of the code, or under or to an annuity plan meeting the requirements of section 165 (a) (3), (4), (5), and (6) of the code. For a further explanation of the paragraphs of section 1621 (a) here amended or added, see the explanation in this report of the corresponding paragraphs, referred to above, of section 1426 (a) and (b) of the code, as amended by sections 203 (a) and 204 (a), respectively, of the bill. Your committee has also stricken from the bill the express provisions relating to tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him.

This conforms with the deletion by the committee, in section 203 (a) of the committee bill, of the corresponding provisions inserted by the House in section 1426 (a) of the code (section 204 (a) of the House bill).

Section 209 (c) (3) of the bill provides that the amendments made by section 209 (c) (1) and (2) to section 1621 (a) of the Internal Revenue Code, defining wages for purposes of the withholding of income tax at source on wages, shall be applicable only with respect to remuneration paid after 1950.

Section 209 (d) of the committee bill amends section 1631 of the code, relating to a minimum addition to the tax for failure to file return or pay tax timely under chapter 9 of the code. The corresponding section of the House bill (section 208 (d)) would have amended section 1403 (b) of the code, relating to the penalty for failure to furnish a wage statement. The House amendment to section 1403 (b) is unnecessary because section 1403 is superseded, with respect to wages paid after December 31, 1950, by section 1636 of the code, added by section 206 (d) of the committee bill. Your committee has therefore stricken the House amendment to section 1403 (b). The amended section 1631 contains two principal changes from the existing section 1631. Existing law provides a \$5 minimum addition to the tax for failure to pay the tax timely, as well as for failure to file the return timely, unless such failure is due to reasonable cause and not to willful neglect. The committee amendment strikes out the \$5 minimum addition to the tax for failure to pay. Other provisions of existing law provide an adequate penalty for failure to pay the tax. Under section 3655 of the code a taxpayer who fails to pay tax after receiving a 10-day notice is subject to a 5-percent addition to the tax for nonpayment, together with interest. Under section 2707 (a) of the code, a taxpayer who willfully fails to pay tax is subject to a penalty equal to the amount of the tax not paid. The committee amendment provides only one \$5 minimum addition to the tax for failure to file a return, irrespective of whether one or more taxes are required to be reported on such return; while under existing law a \$5 minimum addition is provided for each class of tax required to be reported on the return. In the case of a return on Form 941 on which the employees' and employers' taxes under the Federal Insurance Contributions Act and the income tax withheld at source under subchapter D of chapter 9 of the code are required to be reported, the minimum addition under the committee amendment would be \$5 instead of \$10 as under existing law. Paragraph (2) of this subsection of the bill provides that the amended section 1631 shall be applicable only with respect to returns the due date (that is, the last day on which the return may be timely filed) of which falls after the date of the enactment of the bill.

Section 209 (e) of the bill, for which there is no corresponding provision in the House bill, provides certain limited relief from the taxes under subchapters A and C of chapter 9 of the Internal Revenue Code, where a corporation incorporated under the laws of one State is succeeded by another corporation incorporated under the laws of another State. The relief is applicable only in the case of successions taking place at some time during the period from January 1, 1946, to December 31, 1950, both dates inclusive. (Sections 1426 (a) (1) and 1607 (b) (1) of the Internal Revenue Code, as amended by sections 203 (a) and 209 (a), respectively, of the committee bill, provide com-

parable relief in cases of this type and additional types of successions occurring after 1950.) In order to qualify for the relief under section 209 (e) the business of the successor must, immediately upon the succession, be identical with that of the predecessor; except for qualifying shares, the proportionate interest of each shareholder in the successor must, immediately upon the succession, be identical with his proportionate interest in the predecessor; the predecessor must, in connection with the succession, be dissolved, or merged into the successor; and both the predecessor and successor must, in the calendar year in which the succession takes place, be employers within the meaning of both subchapter A and subchapter C of chapter 9 of the code. If all of the foregoing conditions are met, the successor may under paragraph (1) of section 209 (e) count toward the \$3,000 limitation in the definition of wages under such subchapters, before applying such limitation to remuneration paid by the successor to its employees, the amount of the taxable wages paid by the predecessor in such calendar year to the same employees, as though such wages paid by the predecessor had been paid by the successor; and, subject to the applicable statutes of limitations, the successor may be entitled under paragraph (2) of section 209 (e) to a credit or refund, without interest, of certain taxes (together with any interest or penalty thereon) paid by it with respect to certain remuneration which it paid during such calendar year. The credit or refund is limited to employer tax under section 1410 of subchapter A and employer tax under section 1600 of subchapter C, and is measured in amount by the application of a rule which has the identical effect upon the wage base of the successor as that contained in paragraph (1) of section 209 (e). Employee tax under section 1400 of subchapter A already deducted with respect to more than \$3,000 of wages received by an employee from two or more employers during the same calendar year is refundable to the employee under existing law (section 1401 (d) of subchapter A, relating to "special refunds"). The amount of liability of the successor for any unpaid employee tax, as well as for any unpaid employer taxes, above referred to, is limited by paragraph (1), in the case of any succession meeting the specified conditions which takes place after December 31, 1945, and before January 1, 1951.

### TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

#### REQUIREMENTS OF STATE PLANS

Titles I, IV, and X of the Social Security Act provide for payments to the States to assist them in meeting the cost of providing, respectively, old-age assistance, aid to dependent children, and aid to the blind. To be eligible for those Federal payments a State must submit a plan which is approved by the Federal Security Administrator as meeting certain requirements specified in the respective titles. Most of these requirements are identical for all three titles and, consequently, several of the amendments made by the bill in these requirements are identical.

#### *Requirement relating to fair hearing*

Section 301 of the bill would amend section 2 (a) of the Social Security Act, which specifies the requirements State old-age assistance

plans must meet in order to be approved and thereby make the State eligible for Federal payments. Clause (4) of section 2 (a) now requires State plans to provide for granting a fair hearing before the State agency administering or supervising the administration of the plan to an individual whose claim for old age assistance is denied.

This clause would be amended to make it clear that such a hearing is also required in case the claim for assistance is not acted upon "with reasonable promptness" (the bill as passed by the House contained instead of the quoted material the phrase "within a reasonable time"). This new requirement of State plans would take effect July 1, 1951. The same changes would be made in clause (4) of sections 402 (a) and 1002 (a) of the Social Security Act (relating to State plans for aid to dependent children and aid to the blind, respectively) by sections 321 and 341, respectively, of the bill.

These amendments proposed by the bill as reported out by your committee and those proposed on the same subject by the bill as passed by the House are the same except for the change noted above. The change would have no substantive effect and was made merely to conform the language of this clause to that in the new clause (9) (discussed under the next heading).

*Requirements relating to opportunity to apply for and receive assistance.*

The provisions of section 3 (a) of the Social Security Act are also amended by the bill by the addition of a new clause (9). This clause would add a specific requirement designed to make it clear that a State plan, in order to be approved, must provide that all individuals wishing to make application for assistance shall have an opportunity to do so and that assistance shall be furnished with reasonable promptness to all eligible individuals. This new requirement would take effect July 1, 1951.

The same addition has been made by sections 321 and 341 of the bill to sections 402 (a) and 1002 (a), respectively, of the Social Security Act, although in the latter case the new clause is numbered (11).

These amendments proposed by the bill are the same in substance as those proposed on the same subject by the bill as passed by the House except that the latter would have required the assistance to be furnished "promptly" instead of "with reasonable promptness" as proposed by your committee. The change was made in order to assure the States reasonable time to make investigations and complete any other action necessary to determine eligibility and extent of need for assistance.

*Standards for institutions*

Another addition made to section 2 (a) of the Social Security Act by section 301 of the bill would be applicable to State plans for old-age assistance which include payments to individuals in private or public institutions. In such cases, the State plans would, effective July 1, 1953, have to provide for the establishment or designation of a State authority or authorities to be responsible for establishing and maintaining standards for such institutions.

The same addition would be made to section 1002 (a) of the Social Security Act by section 341 of the bill, although in this case the new clause would be numbered (12). This requirement has not been made applicable to State aid to dependent children plans.

The bill as reported and the bill as passed by the House are identical on this matter.

*Notification to appropriate law-enforcement officials*

Section 321 (b) of the bill amends section 402 (a) of the Social Security Act by the addition of a new clause (10), effective July 1, 1952, which would require an approved State plan for aid to dependent children to provide for prompt notice to appropriate law-enforcement officials in any case in which aid to dependent children is furnished to a child who has been deserted or abandoned by a parent.

The bill is the same in this respect as the House bill except for the change in the effective date necessitated by the passage of time.

*Residence requirement*

Section 321 (c) of the bill amends section 402 (b) of the Social Security Act relating to the residence requirements for eligibility for aid to dependent children which may be imposed by the State plans. Under existing law, a State plan for aid to dependent children may not be approved if it imposes a residence requirement as a condition of eligibility which denies aid with respect to any child who has resided in the State for 1 year preceding his application or who was born in the State within 1 year preceding the application if his mother has resided in the State for 1 year preceding the birth. Effective July 1, 1952, the bill as reported out by your committee would change this requirement so as to prohibit approval of a State plan which imposes a residence requirement under which aid is denied to a dependent child who has resided in the State for 1 year preceding his application or who was born (whether in or out of the State) within 1 year preceding the application if his parent or other relative with whom he is living resided in the State for 1 year preceding the birth. The changes in existing law are designed primarily to prevent denial of aid in cases where the child of parents normally resident in the State happens to be born across the State line—as frequently happens in large metropolitan areas bordering on or near State boundaries. It would also prevent denial of aid where the infant is living with some relative other than his mother if the relative has resided in the State for a year.

This amendment did not appear in the bill as passed by the House.

*Income and resources*

Clause (8) of section 1002 (a) now requires an approved State plan for aid to the blind to provide that the State agency shall in determining need, take into consideration any other income and resources of an individual claiming aid under the plan. Effective October 1, 1950, and until July 1, 1952, this clause would be amended by section 341 (b) of the bill to permit the State agency, if the State so desires, to disregard earned income up to \$50 per month.

Effective July 1, 1952, clause (8) would be further amended to require (instead of permitting) the State to disregard the first \$50 per month of earned income in determining need for aid to the blind.

These amendments differ in several respects from the amendments proposed, by the House bill on the same subject. In addition to a change in dates resulting from the passage of time, the bill as reported by your committee eliminates from both amendments to clause (8) as passed by the House the requirement of a certification by the State

vocational rehabilitation agency that disregarding the \$50 of earned income would encourage or assist the blind to prepare for, engage in, or continue to engage in remunerative employment. It also eliminates from the second amendment of the clause as contained in the House bill the specific requirement that the State in determining need take into account not only any other income and resources of the claimant (as required by existing law) but also "the special expenses arising from blindness."

*Examination by ophthalmologist; services of optometrists*

Section 341 (c) of the bill would add to the other requirements of State plans for aid to the blind a new clause (10) requiring the State plan to provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye. This requirement would become effective October 1, 1950. It would also, effective July 1, 1951, require the plan to provide that the services of optometrists within the scope of their practice as prescribed by State law shall be available to individuals already determined to be eligible for aid to the blind (if desired and needed by them), as well as to recipients of any grant-in-aid program for improvement or conservation of vision.

As passed by the House, this amendment would have required examination by an ophthalmologist or an optometrist to determine blindness (effective October 1, 1949). It would not have required the States to make the services of optometrists available to recipients of this and other grant-in-aid programs.

COMPUTATION OF FEDERAL SHARE OF ASSISTANCE PAYMENTS

*Old-age assistance*

Sections 3 (a) and 1003 (a) of the Social Security Act now provide for paying to each State with a plan approved under title I and title X, respectively, three-fourths of the first \$20 of the average monthly assistance payment per recipient, plus one-half of the remainder of such average payment, but excluding that part of any payment to any individual in excess of \$50. Effective October 1, 1950, the provisions on the proportion of the old-age assistance costs which will be borne by the United States will not be applicable (under sec. 3 (a) as amended by sec. 302 of the bill) to individuals who become entitled to retirement (old-age insurance) benefits under title II of the Social Security Act after the first full calendar month following the enactment of the bill and who were not entitled to retirement benefits under that title as in effect prior to such enactment. The Federal share will instead be one-half the cost of assistance for these individuals, with the excess over \$50 for any individual not being counted in determining the amount of the Federal contribution.

No change would be made in the Federal share of the cost of aid to the blind.

The existing section 3 (a) of the Social Security Act restricts payments which may be counted for purposes of a Federal contribution to those made to an individual who is 65 years of age or older. This restriction has been transferred to section 6 of the act, as amended by the bill. For reasons of convenience the present prohibition against making any Federal contribution toward payments to inmates of

public institutions has been transferred (with the modifications explained below) from sections 3 (a) and 1003 (a) of the Social Security Act to sections 6 and 1006, respectively.

The amendment reducing the Federal contribution for aged needy individuals who first become beneficiaries under title II of the Social Security Act after the bill becomes law was not in the bill as passed by the House. On the other hand, the bill as reported does not make several of the changes which would have been made in sections 3 (a) and 1003 (a) of the Social Security Act by the bill as passed by the House. As passed by the House, the bill would have amended these sections of the Social Security Act so as to change the Federal share of old-age assistance and aid to the blind to four-fifths of the first \$25 of the average monthly payment per recipient, plus one-half of the next \$10 of such average payment, plus one-third of the remainder. The individual maximum of \$50 would have been retained.

Another amendment proposed in the House bill but not in the bill as reported was one which would have permitted Puerto Rico and the Virgin Islands to share in Federal payments to States for old-age assistance and aid to the blind, although on a more limited basis than that applicable to the States and Territories now eligible.

#### *Aid to dependent children*

Effective October 1, 1950, section 322 of the bill would amend section 403 (a) of the Social Security Act by raising the maximum individual payment for the first child in a family (with respect to which the Federal Government will participate) from \$27 to \$30, and the maximum for subsequent children in the same family from \$18 to \$20.

The bill as passed by the House made no changes in this respect. The House bill would, however, have changed the provisions governing the extent of Federal participation in the cost of aid to dependent children in other respects. Thus the bill would have changed the Federal share of this cost within the maximum from three-fourths of the first \$12 of the average monthly payment per recipient plus one-half of the remainder, to four-fifths of the first \$15 of such average payment plus one-half of the next \$6 plus one-third of the remainder. As in the case of old-age assistance and aid to the blind, Puerto Rico and the Virgin Islands would also have been made eligible for Federal payments, though on a more limited basis than for States and Territories now eligible.

#### MEDICAL-CARE PAYMENTS

At the present time only unrestricted cash payments to aged and blind persons and with respect to dependent children under the approved State plans are counted as expenditures with respect to which the Federal Government will make a contribution. Sections 303, 323, and 343 of the bill would amend sections 6, 406 (b), and 1006 (definitions of old-age assistance, aid to dependent children, and aid to the blind), respectively, so as to include medical care and any type of remedial care recognized under State law in behalf of eligible individuals as well as unrestricted cash payments. These expenditures for medical care, however, will be counted for purposes of a Federal contribution only to the extent that they, plus the unrestricted cash payment to the individual, do not exceed the maximum of \$50 in the case of old-age assistance and aid to the blind and \$30 or \$20,

as the case may be (\$27 and \$18, respectively, under existing law), in the case of aid to dependent children.

As passed by the House, the bill would have authorized Federal financial participation in the cost of medical care within the individual maximum indicated above. The bill as reported by your committee also authorizes such participation in the cost of any type of remedial care recognized under State law. Thus, if a State recognizes the care rendered by Christian Science practitioners, participation in the cost of this will be authorized.

#### PAYMENTS TO INDIVIDUALS IN PUBLIC MEDICAL INSTITUTIONS

Under the existing sections 3 (a) and 1003 (a) of the Social Security Act, payments to aged or blind individuals living in any public institution are not counted as expenditures under the approved State plan with respect to which the Federal Government will make a contribution.

Sections 303 and 343 of the bill would amend the provisions of sections 6 and 1006, respectively, of the Social Security Act (and secs. 302 and 342 of the bill would amend the provisions of secs. 3 and 1003, respectively) so as to include as an expenditure, with respect to which the Federal Government will make a contribution, payments to individuals who are patients in a public medical institution. These amendments will be effective October 1, 1950. Excluded, however, would be payments to an individual who is a patient in an institution for tuberculosis or mental diseases and payments to individuals who have been diagnosed as having tuberculosis or a psychosis and are patients in a medical institution as a result thereof. Under existing law there is no exclusion of payments to individuals in any kind of private medical institution. For this reason the exclusion of payments to individuals in private mental or tuberculosis institutions will not be effective until July 1, 1952.

Aside from the change in effective dates necessitated by the passage of time, the bill as reported differs from the bill as passed by the House on this matter in only one respect, which is also related to the effective dates of the changes. As passed by the House, the bill would have postponed for almost 2 years the exclusion, from the definition of assistance, of payments to individuals who are in mental or tuberculosis institutions (whether public or private) or who are in medical institutions (whether public or private) as a result of a diagnosis of tuberculosis or a psychosis. Since under existing law there is no Federal financial participation in such payments if the individual is in a public institution, there is no reason to postpone the effectiveness of the exclusion of these payments. Consequently, the bill restricts the postponement of the effective date to the exclusion of such payments to individuals who are patients in private institutions.

#### TEMPORARY APPROVAL OF CERTAIN STATE PLANS FOR AID TO THE BLIND

Section 344 of the bill provides that for the period beginning October 1, 1950 and ending June 30, 1953, in the case of any State (as defined in the Social Security Act) which did not have an approved plan for aid to the blind on January 1, 1949, the Federal Security Administrator

shall approve a plan of such State for aid to the blind even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (requiring consideration of a blind individual's income and resources in determining his need) if it meets all other requirements under title X of the Social Security Act for approval of the plan. The Federal grant for such a State, however, will be based only upon expenditures which would be included as expenditures for purposes of section 1003 (a) under a State plan approved without regard to the provisions of this section.

Except for postponing the date as of which this amendment will first become effective (because of the passage of time) and deletion of the clause making this section inapplicable to Puerto Rico and the Virgin Islands (no longer necessary because these areas are not eligible for participation in the public assistance titles of the Social Security Act as amended by your committee), the bill as reported is the same on this matter as the bill passed by the House.

#### MATERIAL AND CHILD WELFARE

Parts 1, 2, and 3 of title V of the Social Security Act now authorize appropriations for, respectively, a program of grants to the States for maternal and child health services, a program of grants to the States for services for crippled children, and a Federal-State cooperative program for establishing, extending, and strengthening child-welfare services, especially in rural areas.

Section 331 of the bill would increase the amounts of these authorizations, as well as the allotments therefrom to each State, and would make several other amendments in the child-welfare services provisions.

##### *Maternal and child health services*

The amount authorized to be appropriated by section 501 of the Social Security Act for maternal and child health services is now \$11,000,000 annually. One-half of this amount is to be distributed among the States as follows: \$35,000 to each State, and the remainder of the one-half on the basis of the relative number of live births in the State. The second one-half is to be distributed among the States on the basis of the financial need of each State after consideration of the number of live births in the State.

Subsections (a) and (b) of section 331 of the bill would change the \$11,000,000 authorization of appropriation to \$20,000,000 and would raise the \$35,000 minimum allotment for each State to \$60,000. In other respects the existing provisions of law would remain the same.

The bill as passed by the House proposed no amendment to these provisions of the Social Security Act.

##### *Services for crippled children*

The amount authorized to be appropriated by section 511 of the Social Security Act for services for crippled children is now \$7,500,000 annually. One-half of this amount is to be distributed among the States as follows: \$30,000 to each State, and the remainder of the one-half on the basis of need after consideration of the number of crippled children in the State needing the services and the cost of such services. The second one-half is to be distributed among the States on the basis of the financial need of each State after consideration of

the number of crippled children in the State needing the services and the cost of such services.

Subsections (c) and (d) of section 331 of the bill would change the \$7,500,000 authorization of appropriation to \$15,000,000 and would raise the \$30,000 minimum allotment for each State to \$60,000. In other respects the existing provisions of law would remain the same.

The bill as passed by the House proposed no amendment to these provisions of the Social Security Act.

#### *Child-welfare services*

Section 521 of the Social Security Act now authorizes appropriations for a cooperative program between the Federal Security Administrator and State public-welfare agencies in establishing, extending, and strengthening, especially in rural areas, child-welfare services. The amount authorized to be appropriated for each year for this purpose is now \$3,500,000. Section 331 (e) of the bill would increase this authorization to \$12,000,000. This section of the Social Security Act now provides for the allotment of \$20,000 to each State for child-welfare services with the remainder of the sum allotted on the basis of the relative rural population of each State. Section 331 (e) of the bill would increase the \$20,000 to \$40,000 and would provide for allotment of the remainder on the basis of the relative rural population under age 18.

The present section 521 of the act states the purposes for which the amounts allotted to the States may be used. To these purposes would be added the payment of the cost of returning any run-away child under age 16 to his own community in another State where such return is in the interest of the child and the cost cannot otherwise be met. Also added would be a proviso to the effect that in developing the various services under the State plans the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements.

In addition to this proviso (which did not appear in the House-approved bill), the bill as reported differs from the bill as passed by the House in two respects. First, the House bill would have increased the amount authorized to be appropriated only to \$7,000,000 as compared with the increase to \$12,000,000 proposed by your committee. In addition, the bill as reported provides for determining the amount of each State's allotment in excess of the \$40,000 minimum on the basis of the relative rural population in the State under age 18 instead of on the basis of the rural population regardless of age as under existing law (which the House-approved bill would not have changed).

#### *Effective dates*

The amendments to parts 1, 2, and 3 of title V of the Social Security Act made by the bill would be effective for fiscal years beginning after June 30, 1951. The amendment to the provisions on child-welfare services made by the House would have been effective 1 year earlier.

#### MISCELLANEOUS AMENDMENTS

Section 351 of the bill amends other provisions of titles I, IV, V, and X of the Social Security Act so as to do what has already been accomplished in effect by Reorganization Plan No. 2 of 1946. It

would substitute the Federal Security Administrator in these titles of the Social Security Act for the Social Security Board, the Children's Bureau, and the Secretary of Labor.

Except for the addition of three more provisions to be amended in this respect—necessitated by the deletion of the revision of these provisions proposed in the bill as passed by the House—the bill as reported is the same on this matter as the House bill.

#### OTHER DELETIONS FROM HOUSE BILL

The bill as reported out does not contain several other proposed amendments in the bill as passed by the House.

##### *Inclusion of relative in aid to dependent children*

In the bill as passed by the House, section 406 of the Social Security Act would have been amended so as to include (effective October 1, 1949) payments and medical care to meet the needs of the relative with whom any dependent child is living for any month for which unrestricted cash payments were made under the State plan with respect to a child in such relative's care. The maximum individual expenditure for a relative for any month in which the United States would share would have been the same as that for the first child in the family (\$27, as under existing law). This amendment has been deleted by your committee.

##### *Residence requirement*

The bill as passed by the House would have amended section 1002 (b) (1) of the Social Security Act which relates to residence requirements of State plans for aid to the blind. Under existing law the Federal Security Administrator is prohibited from approving any such plan which imposes, as a condition of eligibility for the aid furnished under it, any residence requirement excluding any resident of the State who has resided therein for 5 of the 9 years immediately preceding his application and has resided therein continuously for 1 year immediately preceding his application. The House bill would have changed this by prohibiting approval of any plan which excludes any resident meeting the 1-year continuous residence test except that, until July 1, 1951, it could impose a residence requirement not in excess of that contained on July 1, 1949, in the State plan approved under title X of the Social Security Act on or prior to such date. The bill as reported leaves present law unchanged on this matter.

##### *Receipt of assistance under more than one plan*

Under existing law it is not possible, because of age requirements, for an individual to be eligible for aid under both a State plan for old-age assistance and a State plan for aid to dependent children. However, the House bill, by the addition of the needy relative in the latter, would have made such double receipt possible. So the House bill also added a provision preventing duplication of expenditures, under the three public assistance plans, to which the United States will contribute. The bill as reported does not authorize a Federal contribution toward expenditures on behalf of the relative with whom a dependent child is living and hence this amendment proposed by the House has been eliminated.

*Aid to the permanently and totally disabled*

In the bill as passed by the House, a new title XIV would have been added to the Social Security Act authorizing Federal contributions toward expenditures under approved plans for the permanently and totally disabled. The requirements and other provisions of this title would have been patterned after the aid to the blind provisions in title X of the Social Security Act. This new title has been deleted in the bill as reported.

*Training program for personnel*

Clause (5) of sections 2 (a), 402 (a), and 1002 (a) of the Social Security Act now requires the State plan to provide such methods of administration as are necessary for the proper and efficient administration of the plan. Among the amendments made to this clause in the 1939 revision of the Social Security Act was a specific inclusion of methods relating to the establishment and maintenance of personnel standards on a merit basis. The bill as passed by the House would have amended clause (5) so as to include specifically, as a method of administration, a training program for the personnel necessary for administration of the plan. Your committee deleted this amendment.

## TITLE IV.—MISCELLANEOUS PROVISIONS

## COMMISSIONER FOR SOCIAL SECURITY

Section 401 of the bill repeals the present section 701 of the Social Security Act and section 908 of the Social Security Act amendments of 1939 (already repealed in effect by Reorganization Plan No. 2 of 1946) and substitutes a new section 701 of the Social Security Act establishing in the Federal Security Agency an office of Commissioner for Social Security. The Commissioner is to be appointed by the Federal Security Administrator and is to perform such functions relating to social security as the Administrator shall assign to him.

In this respect the bill as reported and the bill as passed by the House are identical.

## REPORTS TO CONGRESS

Section 402 of the bill repeals section 541 (c) and section 704 of the Social Security Act and substitutes therefor a new section 704. The new section would require the Administrator to make an annual report to the Congress at the beginning of each session on the administration of his functions under the Social Security Act. It would also authorize an additional 5,000 copies of the report to be printed for distribution to Members of Congress and to State and other public or private agencies or organizations interested in social security.

The same provision was contained in the bill as passed by the House.

## AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

*Puerto Rico and the Virgin Islands*

In the bill as passed by the House, the definition of the term "State" contained in section 1101 (a) (1) of the Social Security Act would have been amended to include Puerto Rico and the Virgin Islands for purposes of the public assistance titles (they are already included for

purposes of title V, relating to maternal and child welfare). Since the bill as reported does not extend the public assistance titles to these two areas, the amendment to the definition of "State" has been deleted.

#### *Definition of "Administrator"*

Section 403 (a) (1) of the bill would substitute for the present section 1101 (a) (6) of the Social Security Act a definition of the term "Administrator." As defined this term would mean the Federal Security Administrator unless the context otherwise required. Insofar as this substitution repeals the definition of employee now contained in section 1101 (a) (6) of the Social Security Act, it is to be effective only with respect to services performed after 1950.

Except for the change in effective date, no change has been made in the bill as passed by the House.

#### *Osteopaths*

Section 403 (b) of the bill as reported amends section 1101 of the Social Security Act by the addition of a definition of the terms "physician," "medical care," and "hospitalization." These terms are defined to include osteopathic practitioners and the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law. The effect of this definition is to leave the States free to utilize the services of the osteopathic profession and its institutions in like manner as they may use the services of doctors of medicine and medical hospitals without fear of being denied approval of their State plans for services under the various titles of the Social Security Act.

#### *Change in references*

Section 403 (c) of the bill substitutes "Federal Security Administrator" for "Social Security Board" in section 1102 of the Social Security Act.

Section 403 (e) of the bill substitutes references to subchapter E of chapter 1 and subchapters A, C, and E of chapter 9 of the Internal Revenue Code for the present references, in section 1107 (a) of the Social Security Act, to the Federal Insurance Contributions Act and the Federal Unemployment Tax Act.

Section 403 (f) of the bill would substitute the Federal Security Administrator for the Social Security Board in section 1107 (b) of the Social Security Act. This section of the act imposes a penalty on anyone who, with intent to obtain information as to the birth, employment, wages, or benefits of an individual, represents himself to be such individual or his wife, parent, or child. To this list of relatives would be added the "former wife divorced," "husband," "widow," and "widower" of the individual.

These changes are in substance the same as those proposed in the bill as passed by the House.

#### *Disclosure of information*

Section 1106 of the Social Security Act now prohibits the disclosure of information acquired by the Federal Security Agency in the administration of the old-age and survivors insurance program except in accordance with regulations of the Federal Security Administrator. Except for changes in references similar to those described above, the bill as passed by the House would have made no substantive change

in these provisions. The bill as reported (sec. 403 (d)) would prohibit release of this information except as provided in section 205 (c) (relating to the furnishing of wage record information to the wage earner or his surviving spouse, child, parent, or agent designated in writing) and except as provided in the new section 1108 (described below)—and then only in accordance with the Administrator's regulations.

The new section 1108 (added by sec. 403 (g) of the bill) relates to the furnishing of both wage-record information and other information connected with the social-security programs.

Paragraph (1) of subsection (a) of the new section authorizes the Federal Security Administrator, upon request, to furnish wage-record information (including account numbers) to State unemployment compensation agencies for use by such agencies in the administration of the State unemployment compensation or temporary disability insurance law. This information is to be furnished only to the extent consistent with the efficient administration of the Social Security Act.

Paragraph (2) of subsection (a) of the new section 1108 authorizes the Administrator, upon request, to conduct special studies and compile statistical data with respect to any matters related to the programs authorized by the Social Security Act and to furnish the resulting information to any agency, person, or organization. The furnishing of this information is also to be made only to the extent consistent with the efficient administration of the Social Security Act and subject to conditions and limitations deemed necessary by the Administrator.

Subsection (b) of the new section 1108 provides that the information authorized by subsection (a) is to be furnished only upon agreement by the agency, person, or organization requesting it to pay for the information in such amount as may be determined by the Administrator. This amount is not to exceed the cost of furnishing the information and, particularly in cases of nominal cost, the Administrator would be authorized to furnish the information without cost. This subsection also indicates the procedure to be followed in making these payments and provides that such payments are to be deposited in the Treasury as a special deposit to be used to reimburse the appropriations for the unit or units which performed the work or furnished the information.

Subsection (c) of the new section 1108 of the Social Security Act prohibits the furnishing of information under this section when it would violate the provisions in section 1106 of the act or regulations prescribed under such section 1106.

The provisions on this subject as contained in the bill as passed by the House differed substantively in several respects from the bill as reported. The House bill would not have imposed any restrictions on the Administrator's authority to release information (in accordance with his regulations) as does the bill as reported. In addition, the new section 1108 of the Social Security Act in the bill as passed by the House would have authorized the furnishing of special reports on the wage and employment records of individuals. This has been eliminated. Furthermore, the new section 1108 in the bill as passed by the House contained a special provision relating to payment of the cost of furnishing wage record information to the State unemployment compensation agencies. It would have authorized deductions to cover such cost to be made from amounts certified by the Federal

Security Administrator under section 302 (a) of the Social Security Act for payment to the State for the administration of its unemployment compensation law. Since the administration of title III of the Social Security Act has been transferred to the Department of Labor, this provision was eliminated.

#### ADVANCES TO STATE UNEMPLOYMENT ACCOUNTS

Title XII of the Social Security Act, allowing advances to the accounts of States in the unemployment trust fund when their accounts go below a certain minimum, expired on January 1, 1950. Section 404 of the bill as reported continues the operation of this title until December 31, 1951. This amendment will be effective as of January 1, 1950.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law shown in the left column, changes in existing law shown in the right column):

**SOCIAL SECURITY ACT**

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

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

**TITLE I—GRANTS TO STATES  
FOR OLD-AGE ASSISTANCE**

**APPROPRIATION**

SECTION 1. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to aged needy individuals, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$49,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by Title VII (hereinafter referred to as the "Board"), State plans for old-age assistance.

**STATE OLD-AGE ASSISTANCE PLANS**

SEC. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (including after Janu-

**SOCIAL SECURITY ACT, AS  
AMENDED BY H. R. 6000, AS RE-  
PORTED**

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## EXISTING LAW

ary 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Board to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; (7) effective July 1, 1941, provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance; and (8) effective July 1, 1941, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of old-age assistance.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or

(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or

(3) Any citizenship requirement which excludes any citizen of the United States.

## CHANGES IN EXISTING LAW

methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) effective July 1, 1941, provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance; (8) effective July 1, 1941, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of old-age assistance; (9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or

(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or

(3) Any citizenship requirement which excludes any citizen of the United States.

## EXISTING LAW

## PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1948, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan with respect to each needy individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any such individual for any month as exceeds \$50—

(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received old-age assistance for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such

## CHANGES IN EXISTING LAW

## PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$50—

(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals (other than those included in clause (C)) who received old-age assistance for such month; plus

(B) one-half of the amount by which such expenditures (other than expenditures with respect to individuals included in clause (C)) exceed the maximum which may be counted under clause (A); plus

(C) one-half of such expenditures with respect to individuals who become entitled to old-age insurance benefits under section 202 (a) after the first month following the month in which the Social Security Act Amendments of 1950 were enacted and who were not entitled to primary insurance benefits under such section as in effect prior to the enactment of such amendments; and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

(1) The Administrator 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

## EXISTING LAW

clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, (A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 5 per centum.

## OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan for old-age assistance which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any age, residence, or

## CHANGES IN EXISTING LAW

subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

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

## OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan for old-age assistance which has been approved by the Administrator, if the Administrator, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any age, residence, or

EXISTING LAW

citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

\* \* \* \* \*

DEFINITION

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

CHANGES IN EXISTING LAW

citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until the Administrator is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

\* \* \* \* \*

DEFINITION

Sec. 6. For the purposes of this title, the term "old-age assistance" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Sec. 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund" (hereinafter in this title called the "Trust Fund"). The Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940, which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Trust Fund, and, in addition, such amounts as may be appropriated to the Trust Fund as hereinafter provided. There is hereby appropriated to the

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Sec. 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund" (hereinafter in this title called the "Trust Fund"). The Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940, which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Trust Fund, and, in addition, such amounts as may be appropriated to, or deposited in, the Trust Fund as hereinafter provided. There is hereby ap-

## EXISTING LAW

Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act and covered into the Treasury. There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title.

## CHANGES IN EXISTING LAW

appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

(3) the taxes imposed by subchapter A of chapter 9 of such code with respect to wages (as defined in section 1426 of such code) reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code after December 31, 1950, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter to such wages, which wages shall be certified by the Federal Security Administrator on the basis of the records of wages established and maintained by such Administrator in accordance with such reports; and

(4) the taxes imposed by subchapter E of chapter 1 of such code with respect to self-employment income (as defined in section 481 of such code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter to such self-employment income, which self-employment income shall be certified by the Federal Security Administrator on the basis of the records of self-employment income established and maintained by the Administrator in accordance with such returns.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the taxes, referred to in clauses (3) and (4), paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent

EXISTING LAW

(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (hereinafter in this title called the "Board of Trustees") which Board of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). It shall be the duty of the Board of Trustees to—

- (1) Hold the Trust Fund;
  - (2) Report to the Congress on the first day of each regular session of the Congress on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the next ensuing five fiscal years;
  - (3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small.
- The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund.

\* \* \* \* \*

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

CHANGES IN EXISTING LAW

prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses.

(b) There is hereby created a body to be known as the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund (hereinafter in this title called the "Board of Trustees") which Board of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Federal Security Administrator, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). The Commissioner for Social Security shall serve as Secretary of the Board of Trustees. It shall be the duty of the Board of Trustees to—

- (1) Hold the Trust Fund;
  - (2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the next ensuing five fiscal years;
  - (3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the Trust Fund is unduly small; and
  - (4) Recommend improvements in administrative procedures and policies.
- The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected future income to, and disbursement to be made from, the Trust Fund during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Fund. Such report shall be printed as a House document of the session of the Congress to which the report is made.

\* \* \* \* \*

f) ((1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of

## EXISTING LAW

payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of Titles II and VIII of this Act and the Federal Insurance Contributions Act. Such repayments shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates in any particular three-month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

\* \* \* \* \*

PRIMARY INSURANCE BENEFITS

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

## WIFE'S INSURANCE BENEFITS

(b) (1) Every wife (as defined in section 209 (i)) of an individual entitled to primary insurance benefits, if such wife (A) has attained the age of sixty-five, (B) has filed application for wife's insurance benefits, (C) was living with such individual at the time such application was filed, and (D) is not entitled to receive primary insurance benefits, or is entitled to receive primary insurance benefits each of which is less than one-half of a primary insurance benefit of her husband, shall be entitled to receive a wife's insurance benefit for each month, beginning with the month in which she becomes so

## CHANGES IN EXISTING LAW

chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code.

(2) Repayments made under paragraph (1) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under such paragraph in any particular three-month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

\* \* \* \* \*

OLD-AGE AND SURVIVORS INSURANCE  
BENEFIT PAYMENTS

## Old-Age Insurance Benefits

SEC. 202. (a) Every individual who— (1) is a fully insured individual (as defined in section 214 (a)), (2) has attained retirement age (as defined in section 216 (a)), and (3) has filed application for old-age insurance benefits, shall be entitled to an old-age insurance benefit for each month, beginning with the first month after the effective date in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

## Wife's Insurance Benefits

(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife— (A) has filed application for wife's insurance benefits, (B) has attained retirement age, (C) was living with such individual at the time such application was filed, and (D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband, shall be entitled to a wife's insurance

## EXISTING LAW

entitled to such insurance benefits, and ending with the month immediately preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to receive a primary insurance benefit equal to or exceeding one-half of a primary insurance benefit of her husband.

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

## CHANGES IN EXISTING LAW

benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

## Husband's Insurance Benefits

(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age insurance benefits, if such husband—

(A) has filed application for husband's insurance benefits,

(B) has attained retirement age,

(C) was living with such individual at the time such application was filed,

(D) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled,

(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of his wife,

shall be entitled to a husband's insurance benefit for each month, beginning with the first month after the effective date in which he becomes entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of his wife.

(2) Such husband's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of his wife for such month.

## EXISTING LAW

## CHILD'S INSURANCE BENEFITS

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

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

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

(A) such child is neither the legiti-

## CHANGES IN EXISTING LAW

## Child's Insurance Benefits

(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

(A) has filed application for child's insurance benefits,

(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death, shall be entitled to a child's insurance benefit for each month, beginning with the first month after the effective date in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children.

(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time such individual was not living with or contributing to the support of such child and—

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

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

## EXISTING LAW

mate nor adopted child of such individual, or

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

(C) such child was living with and was chiefly supported by such child's stepfather.

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

## WIDOW'S INSURANCE BENEFITS

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

## CHANGES IN EXISTING LAW

(C) such child was living with and was receiving more than one-half of his support from his stepfather.

(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1) (C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

## Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216 (e)) of an individual who died a fully insured individual after 1939, if such widow—

(A) has not remarried,

(B) has attained retirement age,

(C) 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,

(D) was living with such individual at the time of his death, and

(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband.

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

## EXISTING LAW

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

## CHANGES IN EXISTING LAW

(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

## Widower's Insurance Benefits

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

(A) has not remarried;

(B) has attained retirement age;

(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died;

(D) was living with such individual at the time of her death;

(E) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time of her death and filed proof of such support within two years of such date of death, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual, and she was a currently insured individual, at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled; and

(F) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of his deceased wife,

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after the effective date in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: He remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

(2) Such widower's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

## EXISTING LAW

## WIDOW'S CURRENT INSURANCE BENEFITS

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

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

## CHANGES IN EXISTING LAW

## Mother's Insurance Benefits

(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

(A) has not remarried,

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

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

(D) has filed application for mother's insurance benefits,

(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) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's wages or self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

## EXISTING LAW

such widow's current insurance benefit for such month shall be reduced by an amount equal to a primary insurance benefit of such widow.

## PARENTS INSURANCE BENEFITS

(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after December 31, 1939, if such individual did not leave a widow who meets the conditions in subsection (d) (1) (D) and (E) or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (c) (3) and (4), and if such parent (A) has attained the age of sixty-five, (B) was chiefly dependent upon and supported by such individual at the time of such individual's death and filed proof of such dependency and support within two years of such date of death, (C) has not married since such individual's death, (D) is not entitled to receive any other insurance benefits under this section, or is entitled to receive one or more of such benefits for a month, but the total for such month is less than one-half of a primary insurance benefit of such deceased individual, and (E) has filed application for parent's insurance benefits, shall be entitled to receive a parent's insurance benefit for each month, beginning with the month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month immediately preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to receive for any month an insurance benefit or benefits (other than a benefit under this subsection) in a total amount equal or exceeding one-half of a primary insurance benefit of such deceased individual.

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

## CHANGES IN EXISTING LAW

## Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E) or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), and if such parent—

(A) has attained retirement age,

(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

(C) has not married since such individual's death,

(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of the primary insurance amount of such deceased individual, and

(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month after the effective date in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding one-half of the primary insurance amount of such deceased individual.

(2) Such parent's insurance benefit for each month shall be equal to one-half of the primary insurance amount of such deceased individual.

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

## LUMP-SUM DEATH PAYMENTS

(g) Upon the death, after December 31, 1939, of an individual who died a fully or currently insured individual leaving no surviving widow, child, or parent who would, on filing application in the month in which such individual died, be entitled to a benefit for such month under subsection (c), (d), (e), or (f) of this section, an amount equal to six times a primary insurance benefit of such individual shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection, unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

## CHANGES IN EXISTING LAW

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

## Lump-Sum Death Payments

(i) (1) In any case in which a fully or currently insured individual died after the effective date leaving no surviving child, widow, widower, or parent who would, on filing application in the month in which such insured individual died, be entitled to a benefit on the basis of the wages and self-employment income of such insured individual, for such month under subsection (d), (e), (f), (g), or (h) of this section, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual.

(2) In any case in which (A) a fully or currently insured individual died after the effective date leaving a surviving child, widow, widower, or parent who would, on filing application in the month in which such insured individual died, be entitled to a benefit, on the basis of the wages and self-employment income of such insured individual, for such month under subsection (d), (e), (f), (g), or (h) of this section, and (B) the total of benefits (if any) paid for the month in which such insured individual died and for the succeeding eleven months is less than three times his primary insurance amount, an amount equal to the difference between such total and three times such primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they

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## APPLICATION

(h) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), or (f) for any month had he filed application therefor prior to the end of such month, shall be entitled to such benefit for such month if he files application therefor prior to the end of the third month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which before the filing of such application, the Administrator has certified for payment for such prior month.

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[Sec. 205.] (m) No application for any benefit under this title filed prior to three months before the first month for which the applicant becomes entitled to receive such benefit shall be accepted as an application for the purposes of this title.

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## CHANGES IN EXISTING LAW

shall have paid the expenses of burial of such insured individual.

(3) No payment shall be made to any person under this subsection on the basis of the wages and self-employment income of an insured individual unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

## Application for Monthly Insurance Benefits

(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after the effective date had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

(2) No application for any benefit under this section for any month after the effective date which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purpose of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

## Simultaneous Entitlement to Benefits

(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would,

## EXISTING LAW

## CHANGES IN EXISTING LAW

on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

(B) Any individual who under the preceding provisions of this section is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this paragraph) would otherwise be entitled for such month.

(3) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

## Entitlement to Survivor Benefits Under Railroad Retirement Act

(1) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee.

## REDUCTION AND INCREASE OF INSURANCE BENEFITS

SEC. 203. (a) Whenever the total of benefits under section 202, payable for a month with respect to an individual's wages, is more than \$20, and exceeds (1) \$35, or (2) an amount equal to twice a primary insurance benefit of such individual, or (3) an amount equal to 80 per centum of his average monthly wage (as defined in section 209 (f)), whichever of such three amounts is least,

REDUCTION OF INSURANCE BENEFITS  
Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds \$150, or is more than \$40 and exceeds 80 per centum of his average monthly wage (as determined under section 215), such total of benefits shall, after any deductions under this

## EXISTING LAW

such total of benefits shall, prior to any deductions under subsections (d), (e), or (h), be reduced to such least amount or to \$20, whichever is greater.

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

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

(d) Deductions, in such amounts and at such time or times as the Board shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits for any month in which such individual:

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

[(2) repealed]

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

## CHANGES IN EXISTING LAW

section, be reduced to \$150 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than \$40, except that 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, after any deductions under this section, be reduced to \$150 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than \$40. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.

## Deductions on Account of Work or Failure to Have Child in Care

(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month

(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$50; or

(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$50; or

(3) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

(4) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

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(e) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits for any month in which the individual, with respect to whose wages such benefit was payable, rendered services for wages of not less than \$15.

(f) If more than one event occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted.

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## Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$50; or

(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$50.

## [Occurrence of More Than One Event

(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

## Months to Which Net Earnings From Self-Employment Are Charged

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

(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of \$50 times the number of months in such year, no month in such year shall be charged with more than \$50 of net earnings from self-employment.

(2) If an individual's net earnings from self-employment for his taxable year are more than the product of \$50 times the number of months in such year, each month of such year shall be charged with \$50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charges to months as follows: The first \$50 of such excess shall be charged to the last

**EXISTING LAW**

(g) Any individual in receipt of benefits subject to deduction under subsection (d) or (e) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event enumerated therein, shall report such occurrence to the Board prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof; who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (d) or (e), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

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month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), or (4) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For the purposes of clause (D) of paragraph (2), 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 Administrator 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 his net earnings from self-employment for any taxable year. The Administrator 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.

**Penalty for Failure To Report Certain Events**

(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

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Report to Administrator of Net Earnings  
From Self-Employment

(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of \$50 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 Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

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(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

**Circumstances Under Which Deductions  
Not Required**

(h) Deductions by reason of subsection (b), (f), or (g) shall, notwithstanding the provisions of such subsection, be made from the benefits to which an individual is entitled only to the extent that they reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to him and the other individuals living in the same household.

**Deduction With Respect To Certain  
Lump Sum Payments**

(h) Deductions shall also be made from any primary insurance benefit to which an individual is entitled, or from any other insurance benefit payable with respect to such individual's wages, until such deductions total the amount of any

“(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such

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lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

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deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

## Attainment of Age Seventy-five

(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age.

## OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Board, by increasing or decreasing subsequent payments to which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual.

(b) There shall be no adjustment or recovery by the United States in any case where incorrect payment has been made to an individual who is without fault (including payments made prior to January 1, 1940), and where adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.

(c) No certifying or disbursing officer shall be held liable for any amount certified or paid by him to any person where the adjustment or recovery of such amount is waived under subsection (b), or where adjustment under subsection (a) is not completed prior to the death of all persons against whose benefits deductions are authorized.

## EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) The Board shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

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## EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

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

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

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(b) The Administrator is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Whenever requested by any such individual or whenever requested by a wife, widow, former wife divorced, husband, widower, child, or parent, who makes a showing in writing that his or her rights may be prejudiced by an decision the Administrator has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. The Administrator is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceedings, he may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Administrator even though inadmissible under rules of evidence applicable to court procedure.

(c) (1) For the purposes of this subsection—

(A) The term "year" means a calendar year when used with respect to wages and a taxable year (as defined in section 211 (e)) when used with respect to self-employment income.

(B) The term "time limitation" means a period of three years, two months, and fifteen days.

(C) The term "survivor" means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or any agent designated by such individual in writing of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

(3) The Administrator's records shall be evidence for the purpose of proceed-

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

(3) If, prior to the expiration of such fourth year, it is brought to the attention of the Board that any entry of such wages in such records is erroneous, or that any item of such wages has been omitted from the records, the Board may correct such entry or include such omitted item in its records, as the case may be. \* \* \*

(4) After the expiration of such fourth year, the Board may revise any entry or include in its records any omitted item of wages to conform its records with tax returns or portions of tax returns (including information returns, and other written statements) filed with the Commissioner of Internal Revenue under

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ings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

(4) Prior to the expiration of the time limitation following any year the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Administrator shall include in his records the self-employment income of such individual for such year.

(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment

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title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof. \* \* \*

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income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on any such request shall be given to the individual who made the request;

(C) to correct errors apparent on the face of such records;

(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's

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\* \* \* Written notice of any revision of any such entry, which is adverse to the interests of any individual, shall be given to such individual, in any case where such individual has previously been notified by the Board of the amount of wages and of the period of payments shown by such entry. \* \* \*

(4) \* \* \* Notice shall be given of such revision under such conditions and to such individuals as is provided for revisions under paragraph (3) of this subsection. \* \* \*

(3) \* \* \* Upon request in writing made prior to the expiration of such fourth year, or within sixty days thereafter, the Board shall afford any individual, or after his death shall afford the wife, child, or parent of such individual, reasonable notice and opportunity for hearing with respect to any entry or alleged omission of wages of such individual in such records, or any revision of any such entry. If a hearing is held, the Board shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall revise its records as may be required by such findings and decision.

(4) \* \* \* Upon request, notice and opportunity for hearing with respect to any such entry, omission, or revision, shall be afforded under such conditions and to such individuals as is provided in paragraph (3) hereof, but no evidence shall be introduced at any such hearing except with respect to conformity of

## CHANGES IN EXISTING LAW

records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individual in such taxable year;

(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Administrator;

(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of any entry in the Administrator's records of wages having been paid by such employer to such individual in such period; or

(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the period involved.

(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

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such records with such tax returns and such other data submitted under such Title VIII or the Federal Insurance Contributions Act or under such regulations.

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

(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within its jurisdiction hereunder, the Board shall have power to issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Board. Such attendance of witnesses and production of evidence at the designated place of such hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof. Subpoenas of the Board shall be served by anyone authorized by it (1) by delivering a copy thereof to the individual named therein, or (2) by registered mail addressed to such individual at his last dwelling place or principal place of business. A verified return by the individual so serving the subpoena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpoenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

(e) In case of contumacy by, or refusal to obey a subpoena duly served upon, any person, any district court of the United States for the judicial district in which said person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Board, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both; any failure to obey such order of the court may be punished by said court as contempt thereof.

\* \* \* \* \*

(g) Any individual, after any final decision of the Board made after a hearing to which he was a party, irrespective of the amount in controversy may obtain a review of such decision by a civil action commenced within sixty days after the mailing to him of notice

## CHANGES IN EXISTING LAW

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

(d) For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, or relative to any other matter within his jurisdiction hereunder, the Administrator shall have power to issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Administrator. Such attendance of witnesses and production of evidence at the designated place of such hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof. Subpoenas of the Administrator shall be served by anyone authorized by him (1) by delivering a copy thereof to the individual named therein, or (2) by registered mail addressed to such individual at his last dwelling place or principal place of business. A verified return by the individual so serving the subpoena setting forth the manner of service, or, in the case of service by registered mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpoenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.

(e) In case of contumacy by, or refusal to obey a subpoena duly served upon, any person, any district court of the United States for the judicial district in which said person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Administrator, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both; any failure to obey such order of the court may be punished by said court as contempt thereof.

\* \* \* \* \*

(g) Any individual, after any final decision of the Administrator made after a hearing to which he was a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within sixty days after the mailing to

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of such decision or within such further time as the Board may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides, or has his principal place of business, or, if he does not reside or have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia. As part of its answer the Board shall file a certified copy of the transcript of the record including the evidence upon which the findings and decision complained of are based. The court shall have power to enter, upon the pleadings and transcript of the record, a judgment affirming, modifying, or reversing the decision of the Board, with or without remanding the cause for a rehearing. The findings of the Board as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Board or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Board, because of failure of the claimant or such individual to submit proof in conformity with any regulation prescribed under subsection (a) hereof, the court shall review only the question of conformity with such regulations, and the validity of such regulations. The court shall, on motion of the Board made before it files its answer, remand the case to the Board for further action by the Board and may, at any time, on good cause shown, order additional evidence to be taken before the Board and the Board shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm its findings of fact or its decision, or both, and shall file with the court any such additional and modified findings of fact and decision, and a transcript of the additional record and testimony upon which its action in modifying or affirming was based. Such additional or modified findings of fact and decision shall be reviewable only to the extent provided for review of the original findings of fact and decision. The judgment of the court shall be final except that it shall be subject to review in the same manner as a judgment in other civil actions.

(h) The findings and decision of the Board after a hearing shall be binding upon all individuals who were parties

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him of notice of such decision or within such further time as the Administrator may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides, or has his principal place of business, or, if he does not reside or have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia. As part of his answer the Administrator shall file a certified copy of the transcript of the record including the evidence upon which the findings and decision complained of are based. The court shall have power to enter, upon the pleadings and transcript of the record, a judgment affirming, modifying, or reversing the decision of the Administrator, with or without remanding the cause for a rehearing. The findings of the Administrator as to any fact, if supported by substantial evidence, shall be conclusive, and where a claim has been denied by the Administrator or a decision is rendered under subsection (b) hereof which is adverse to an individual who was a party to the hearing before the Administrator, because of failure of the claimant or such individual to submit proof in conformity with any regulation prescribed under subsection (a) hereof, the court shall review only the question of conformity with such regulations and the validity of such regulations. The court shall, on motion of the Administrator made before he files his answer, remand the case to the Administrator for further action by the Administrator, and may, at any time, on good cause shown, order additional evidence to be taken before the Administrator, and the Administrator shall, after the case is remanded, and after hearing such additional evidence if so ordered, modify or affirm his findings of fact or his decision, or both, and shall file with the court any such additional and modified findings of fact and decision, and a transcript of the additional record and testimony upon which his action in modifying or affirming was based. Such additional or modified findings of fact and decision shall be reviewable only to the extent provided for review of the original findings of fact and decision. The judgment of the court shall be final except that it shall be subject to review in the same manner as a judgment in other civil actions.

(h) The findings and decision of the Administrator after a hearing shall be binding upon all individuals who were

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to such hearing. No findings of fact or decision of the Board shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Board, or any officer or employee thereof shall be brought under section 24 of the Judicial Code of the United States to recover on any claim arising under this title.

(i) Upon final decision of the Board, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Board shall certify to the Managing Trustee the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the Managing Trustee, through the Division of Disbursement of the Treasury Department, and prior to any action thereon by the General Accounting Office, shall make payment in accordance with the certification of the Board: *Provided*, That where a review of the Board's decision is or may be sought under subsection (g) the Board may withhold certification of payment pending such review. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Board.

(j) When it appears to the Board that the interest of an applicant entitled to a payment would be served thereby, certification of payment may be made, regardless of the legal competency or incompetency of the individual entitled thereto, either for direct payment to such applicant, or for his use and benefit to a relative or some other person.

(k) Any payment made after December 31, 1939, under conditions set forth in subsection (j), any payment made before January 1, 1940, to, or on behalf of, a legally incompetent individual, and any payment made after December 31, 1939, to a legally incompetent individual without knowledge by the Board of incompetency prior to certification of payment, if otherwise valid under this title, shall be a complete settlement and satisfaction of any claim, right, or interest in and to such payment.

(l) The Board is authorized to delegate to any member, officer, or employee of the Board designated by it any of the powers conferred upon it by this section, and is authorized to be represented by

## CHANGES IN EXISTING LAW

parties to such hearing. No findings of fact or decision of the Administrator shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Administrator, or any officer or employee thereof shall be brought under section 24 of the Judicial Code of the United States to recover on any claim arising under this title.

(i) Upon final decision of the Administrator, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this title, the Administrator shall certify to the Managing Trustee the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the Managing Trustee, through the Division of Disbursement of the Treasury Department, and prior to any action thereon by the General Accounting Office, shall make payment in accordance with the certification of the Administrator: *Provided*, That where a review of the Administrator's decision is or may be sought under subsection (g) the Administrator may withhold certification of payment pending such review. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

(j) When it appears to the Administrator that the interest of an applicant entitled to a payment would be served thereby, certification of payment may be made, regardless of the legal competency or incompetency of the individual entitled thereto, either for direct payment to such applicant, or for his use and benefit to a relative or some other person.

(k) Any payment made after December 31, 1939, under conditions set forth in subsection (j), any payment made before January 1, 1940, to, or on behalf of, a legally incompetent individual, and any payment made after December 31, 1939, to a legally incompetent individual without knowledge by the Administrator of incompetency prior to certification of payment, if otherwise valid under this title, shall be a complete settlement and satisfaction of any claim, right, or interest in and to such payment.

(l) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and

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its own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

\* \* \* \* \*

(n) The Board may, in its discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals.

**CHANGES IN EXISTING LAW**

is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).

\* \* \* \* \*

(n) The Administrator may, in his discretion, certify to the Managing Trustee any two or more individuals of the same family for joint payment of the total benefits payable to such individuals.

**Crediting of compensation under the Railroad Retirement Act**

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages or self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages or self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

**Special Rules in Case of Federal Service**

\* \* \* \* \*  
 SEC. 209 (o) (2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he

(p) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or

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may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board to make certification to it with respect to any matter determinable for the Social Security Board by the War Shipping Administrator under this subsection, which the Social Security Board finds necessary in administering this title.

\* \* \* \* \*

Sec. 205 (p) (2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, the periods of such services, the amounts of remuneration for such services which constitutes "wages" under the provisions of this section, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the Administrator, and such agents as he may designate, as evidenced by returns filed by the Administrator as an employer pursuant to section 1426 (j) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

(3) The Administrator is authorized and directed, upon written request of the Board to make certification to it with respect to any matter determinable for the Board by the Administrator under this subsection, which the Board finds necessary in administering this title.

\* \* \* \* \*

## REPRESENTATION OF CLAIMANTS BEFORE THE BOARD

Sec. 206. The Board may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Board, and may require of such agents or other persons, before being recognized as representatives of claimants that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is

## CHANGES IN EXISTING LAW

the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

(2) The head of any such agency or instrumentality is authorized and directed upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality.

## REPRESENTATION OF CLAIMANTS BEFORE THE ADMINISTRATOR

Sec. 206. The Administrator may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Administrator, and may require of such agents or other persons, before being recognized as representatives of claimants that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good

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admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Board upon filing with the Board a certificate of his right to so practice from the presiding judge or clerk of any such court. The Board may, after due notice and opportunity for hearing, suspend or prohibit from further practice before it any such person, agent, or attorney who refuses to comply with the Board's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Board may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Board under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee prescribed by the Board, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding \$500 or by imprisonment not exceeding one year, or both.

**CHANGES IN EXISTING LAW**

standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Administrator upon filing with the Administrator a certificate of his right to so practice from the presiding judge or clerk of any such court. The Administrator may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Administrator's rules and regulations or who violates any provision of this section for which a penalty is prescribed. The Administrator may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Administrator under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee prescribed by the Administrator, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding \$500 or by imprisonment not exceeding one year, or both.

\* \* \* \* \*

**PENALTIES**

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under the Federal Insurance Contributions Act) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affi-

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**PENALTIES**

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be

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davit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

## DEFINITIONS

SEC. 209. When used in this title—

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

(1) That part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year prior to 1940, is paid, prior to January 1, 1947, to such individual by such employer with respect to employment during such calendar year;

(2) That part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual with respect to employment during any calendar year after 1939, is paid to such individual, prior to January 1, 1947, with respect to employment during such calendar year;

(3) That part of the remuneration which, after remuneration equal to \$3,000 with respect to employment has been paid to an individual during any calendar year after 1946, is paid to such individual during such calendar year;

\* \* \* \* \*

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

\* \* \* \* \*

(4) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the

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made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

## DEFINITION OF WAGES

SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,000 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities,

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provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

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

(6) Dismissal payments which the employer is not legally required to make,

or \* \* \* \* \*

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or into a fund, to provide for any such payment) on account of retirement;

(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code;

(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

(g) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(h) Remuneration paid in any medium other than cash for agricultural labor; or

(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made.

**DEFINITION OF EMPLOYMENT**

SEC. 210. For the purposes of this title—

**Employment**

(b) The term "employment" means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to January 1, 1940 (except service performed by an individual after he attained the age of sixty-five if performed prior to January 1, 1939), and any service, of whatever nature, per-

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of

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formed after December 31, 1939, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

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

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

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

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either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some sixty days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter;

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such

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

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

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

\* \* \* \* \*

(o) (1) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer

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quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" includes domestic service in a private home of the employer;

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

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

(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

(7) (A) Service performed in the employ of the United States, if such service is covered by a retirement system established by a law of the United States or by the agency for which such service is performed;

(B) Service performed in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

(C) Service performed in the employ of an instrumentality of the United States which is either wholly owned or which, but for the provisions of section 1412 of the Internal Revenue Code, would be exempt from the tax imposed by section 1410 of such code and was exempt from the tax imposed by section 1410 of such code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

(i) service performed in the employ of a national farm loan association, a production credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission; or

(ii) service performed in the employ of the Tennessee Valley Authority unless

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or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission, but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country and bareboat chartered to the War Shipping Administration.

(p) (1) The term "employment" shall include such service as is determined by the Bonneville Power Administrator (hereinafter called the Administrator) to be performed after December 31, 1945, by a laborer, mechanic, or workman, in connection with construction work or the operation and maintenance of electrical facilities, as an employee performing service for the Administrator, but shall not include any service performed by such a laborer, mechanic, or workman to whom the Act of May 29, 1930 (46 Stat. 468), as amended, applies.

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such service is covered by a retirement system established by such authority; or

(iii) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment;

(D) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

(ii) in the legislative branch;

(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

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(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410 of the Internal Revenue Code:

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

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

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(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States;

(8) Service (other than service included under an agreement under section 218) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service (other than service included under an agreement under section 218) performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410 of the Internal Revenue Code;

(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order:

(B) Service in the employ of—  
(i) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) of the Internal Revenue Code and is organized and operated primarily for religious purposes; or

(ii) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) of the Internal Revenue Code and is owned and operated by one or more corporations, funds, or foundations included under clause (i) hereof; unless such service is performed on or after the first day of the calendar quarter following the calendar quarter in which such corporation, fund, or foundation files (whether filed on, before, or after January 1, 1951, with the Commissioner of Internal Revenue a statement that it desires to have the insurance system established by this title extended to services performed by its employees;

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

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

(i) the remuneration for such service does not exceed \$45, or

(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office, or is ritualistic service in connection with any such society, order, or association, or

(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1) of the Internal Revenue Code;

(C) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (i) no part of its net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (ii) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(D) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

(E) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed \$45 (exclusive of room, board, and tuition);

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

## CHANGES IN EXISTING LAW

(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than \$50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

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

## EXISTING LAW

(12) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(15) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum

## CHANGES IN EXISTING LAW

(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum

## EXISTING LAW

amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(16) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act.

(c) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (b).

(d) The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

\* \* \* \* \*

## CHANGES IN EXISTING LAW

amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

## Included and Excluded Service

(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

## American Vessel

(c) The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

## American Aircraft

(d) The term "American aircraft" means an aircraft registered under the laws of the United States.

## American employer

(e) The term "American employer" means an employer which is, (1) the United States or any instrumentality thereof, (2) a State or any political

## EXISTING LAW

(1) The term "agricultural labor" includes all service performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

(4) In handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freez-

## CHANGES IN EXISTING LAW

subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

## Agricultural Labor

(f) The term "agricultural labor" includes all service performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with the raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

## EXISTING LAW

ing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

## CHANGES IN EXISTING LAW

(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

## Farm

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

\* \* \* \* \*

(g) The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

## State

[SEC. 1101.] (a) When used in this Act—

(1) The term "State" includes Alaska, Hawaii, and the District of Columbia, and when used in Title V includes Puerto Rico and the Virgin Islands.

(h) The term "State" includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

## United States

[SEC. 1101. (a)] (2) The term "United States" when used in a geographical sense means the States, Alaska, Hawaii, and the District of Columbia.

\* \* \* \* \*

(i) The term "United States" when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

## Citizen of Puerto Rico

(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a

## EXISTING LAW

[Sec. 1101 (a)] (6) The term "employee" includes an officer of a corporation, but such term does not include (1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor or (2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.

## CHANGES IN EXISTING LAW

resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 219.

## Employee

(k) The term "employee" means—  
 (1) any officer of a corporation; or  
 (2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services; or

(B) as a full-time life insurance salesman; if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

## SELF-EMPLOYMENT

Sec. 211. For the purposes of this title—

## Net Earnings From Self-Employment

(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

## EXISTING LAW

## CHANGES IN EXISTING LAW

(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real-estate dealer;

(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

## EXISTING LAW

## CHANGES IN EXISTING LAW

(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(7) In the case of any taxable year beginning on or after the effective date specified in section 219, (A) the term "possession of the United States" as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.

## Self-Employment Income

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

(1) That part of the net earnings from self-employment which is in excess of: (A) \$3,000, minus (B) the amount of the wages paid to such individual during the taxable year; or

(2) The net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of

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the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

## Trade or Business

(c) The term "trade or business," when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

(1) The performance of the functions of a public office;

(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);

(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, or professional engineer; or the performance of such service by a partnership.

## Partnership and Partner

(d) The term "partnership" and the term "partner" shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

## Taxable Year

(e) The term "taxable year" shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

CREDITING OF SELF-EMPLOYMENT  
INCOME TO CALENDAR QUARTERS

SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-

EXISTING LAW

[Sec. 209] (g) \* \* \*  
 As used in this subsection, and in subsection (h) of this section, the term "quarter" and the term "calendar quarter" mean a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term "quarter of coverage" means a calendar quarter in which the individual has been paid not less than \$50 in wages. \* \* \* In any case where an individual has been paid in a calendar year \$3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual dies or becomes entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

\* \* \* \* \*

CHANGES IN EXISTING LAW

employment income derived during any taxable year shall be credited to calendar quarters as follows:

(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purposes of this title—

(1) The term "quarter", and the term "calendar quarter", means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid \$50 or more in wages or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income, except that—

(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

(ii) if the wages paid to any individual in a calendar year equal or exceed \$3,000, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such taxable year equals \$3,000, each quarter any part of which falls in such years shall be a quarter of coverage; and

(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

## EXISTING LAW

(r) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than \$100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than \$100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

\* \* \* \* \*

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

(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

(2) He had at least forty quarters of coverage.

\* \* \* \* \*

When the number of quarters specified in paragraph (1) of this subsection is an odd number, for purposes of such paragraph such number shall be reduced by one.

\* \* \* \* \*

## CHANGES IN EXISTING LAW

## Crediting of Wages Paid in 1937

(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937, (A) if wages of not less than \$100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period, and (B) if wages of less than \$100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

## INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

Sec. 214. For the purposes of this title—

## Fully insured individual

(a) (1) In the case of any individual who died prior to the first day of the second calendar month following the month in which this section was enacted, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

(2) In the case of any individual who did not die prior to the first day of the second calendar month following the month in which this section was enacted, the term "fully insured individual" means any individual who had not less than—

(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

(B) forty quarters of coverage.

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CHANGES IN EXISTING LAW

(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

Currently Insured Individual

(h) The term "currently insured individual" means any individual with respect to whom it appears to the satisfaction of the Administrator that he had not less than six quarters of coverage during the period consisting of the quarter in which he died and the twelve quarters immediately preceding such quarter.

(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

\* \* \* \* \*

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 215. For the purposes of this title—

Primary Insurance Amount

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

(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average monthly wage does not exceed \$50, or (B) if such average monthly wage exceeds \$50, 40 per centum of \$50, plus 10 per centum of the amount by which such average monthly wage exceeds \$50 and does not exceed \$250, and

(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which \$200 or more of wages were paid to such individual. Where the primary insurance benefit thus computed is less than \$10, such benefit shall be \$10.

(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 50 per centum of the first \$100 of his average monthly wage plus 15 per centum of the next \$150 of such wage. When the primary insurance amount thus computed is less than \$25 it shall be increased to \$25 except in the case of an individual whose average monthly wage is less than \$34, in which case his primary insurance amount thus computed shall be increased to \$20.

(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

(A) the amount computed as provided in paragraph (1) of this subsection; or

(B) the amount determined for him by use of the conversion table under subsection (c).

(3) The primary insurance amount of any other individual shall be the amount determined for him by use of the conversion table under subsection (c).

(f) The term "average monthly wage" means the quotient obtained by dividing the total wages paid an individual before the quarter in which he died or became entitled to receive primary insurance

Average Monthly Wage

(b) (1) An individual's "average monthly wage" (for purposes of subsection (a)) means the quotient obtained

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benefits, whichever first occurred, by three times the number of quarters elapsing after 1936 and before such quarter in which he died or became so entitled, excluding any quarter prior to the quarter in which he attained the age of twenty-two during which he was paid less than \$50 of wages and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939.

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by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-one which was not a quarter of coverage.

(2) An individual's "starting date" shall be December 31, 1950, or the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

(3) (A) Except to the extent provided in paragraphs (B) and (C), an individual's "closing date" shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

(B) If the number of months elapsing after an individual's starting date and prior to his closing date, as determined under subparagraph (A), is less than eighteen, his closing date shall be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

(C) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing date under subparagraphs (A) and (B) shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he became entitled to old-age insurance benefits or died, whichever first occurred.

Determinations Made by Use of the  
Conversion Table

(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (deter-

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mined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

I Primary insurance benefit (as determined under subsection (d))	II Primary insurance amount	III Assumed average monthly wage for purpose of computing maximum benefits
\$10	\$20.00	\$50.00
\$11	22.00	52.00
\$12	24.00	54.00
\$13	28.00	56.00
\$14	29.50	59.00
\$15	31.00	62.00
\$16	32.50	65.00
\$17	34.00	68.00
\$18	35.00	70.00
\$19	36.00	72.00
\$20	37.00	74.00
\$21	38.50	77.00
\$22	40.50	81.00
\$23	43.00	86.00
\$24	46.00	92.00
\$25	48.50	97.00
\$26	50.90	106.00
\$27	52.40	116.00
\$28	53.80	125.00
\$29	55.00	133.00
\$30	56.20	141.00
\$31	57.40	149.00
\$32	58.60	157.00
\$33	59.80	165.00
\$34	61.00	173.00
\$35	62.20	181.00
\$36	63.40	189.00
\$37	64.40	196.00
\$38	65.50	203.00
\$39	66.50	210.00
\$40	67.60	217.00
\$41	68.60	224.00
\$42	69.70	231.00
\$43	70.70	238.00
\$44	71.60	244.00
\$45	72.50	250.00
\$46	72.50	250.00

(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsec-

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tion (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table.

Primary Insurance Benefit for Purposes of Conversion Table

(d) For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:

(1) In the case of any individual who was entitled to a primary insurance benefit for the first month following the month in which this section was enacted, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in the first month following the month in which this section was enacted rendered services for wages of \$15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for such first month following the month in which this section was enacted, or (B) his primary insurance benefit for such month recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for such month, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

(3) In the case of any individual who died prior to the second calendar month following the month in which this section was enacted, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

(4) In the case of any other individual, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that—

(A) The computation of such benefit shall be based on the total of his wages

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and self-employment income after 1936 and prior to his closing date (as defined in subsection (b)), and the provisions of paragraph (4) of subsection (b) shall also be applicable to such computation.

(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.

(D) The provisions of subsection (e) shall be applicable to such computation.

**Certain Wages and Self-Employment Income Not To Be Counted**

(e) For the purposes of subsections (b) and (d) (4)—

(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over \$3,000 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 computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1.

**Average Monthly Wage for Computing Maximum Benefits**

(f) For the purposes of section 203 (a) the average monthly wage of any individual whose primary insurance amount is computed under subsection (a) (2) shall be whichever of the following is the larger:

(1) The average monthly wage computed in accordance with subsection (b); or

(2) The average monthly wage as derived from column III of the table in subsection (c).

**Recomputation of Benefits**

(q) Subject to such limitation as may be prescribed by regulation, the Administrator shall determine (or upon application shall recompute) the amount of any monthly benefit as though application for such benefit (or for recomputation) had been filed in the calendar quarter in which, all other conditions of entitlement being met, an application

(g) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who dies after the calendar month following the month in which this section was enacted and

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for such benefit would have yielded the highest monthly rate of benefit. This subsection shall not authorize the payment of a benefit for any month for which no benefit would, apart from this subsection, be payable, or, in the case of recomputation of a benefit, of the recomputed benefit for any month prior to the month for which application for recomputation is filed.

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prior to July 27, 1954, as provided in section 217 (b).

(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to the second month following the month in which this section was enacted or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage. A recomputation under this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing date for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after the first calendar month following the month in which this section was enacted, the Administrator shall recompute such individual's primary insurance amount, if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the

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preceding subsections of this section for computation of such amount except that his closing date for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph 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 Administrator prior to the effective date of the recomputation.

(4) Upon the death after the first calendar month following the month in which this section was enacted of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

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(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount. No such recomputation shall, for the purposes of section 203 (a), lower the average monthly wage.

## Rounding of Benefits

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

## OTHER DEFINITIONS

Sec. 216. For the purposes of this title—

## Retirement Age

(a) The term "retirement age" means age sixty-five.

## Wife

(i) The term "wife" means the wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him for a period of not less than thirty-six months immediately preceding the month in which her application is filed.

(b) The term "wife" means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

## Widow

(j) The term "widow" (except when used in section 202 (g)) means the surviving wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to the beginning of the twelfth month before the month in which he died.

(c) The term "widow" (except when used in section 202 (i)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

## Former Wife Divorced

(d) The term "former wife divorced" means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) was married to him at the time both of them legally adopted a child under the age of eighteen.

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Child

(k) The term "child" means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for thirty-six months immediately preceding the month in which application for child's benefits is filed, and (3) in the case of a deceased individual, a stepchild or adopted child who was such stepchild or adopted child for twelve months immediately preceding the month in which such individual died.

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(e) The term "child" means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

Husband

(f) The term "husband" means the husband of an individual, but only if he (1) is the father of her son or daughter, or (2) was married to her for a period of not less than three years immediately preceding the day on which his application is filed.

Widower

(g) The term "widower" (except when used in section 202 (i)) means the surviving husband of an individual, but only if he (1) is the father of her son or daughter, (2) legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) was married to her at the time both of them legally adopted a child under the age of eighteen, or (4) was married to her for a period of not less than one year immediately prior to the day on which she died.

Determination of Family Status

(m) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Board shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the

(h) (1) In determining whether an applicant is the wife, husband, widow, widower, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who accord-

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same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

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

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ing to such law would have the same status relative to taking intestate personal property as a wife, husband, widow, widower, child, or parent shall be deemed such.

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

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

## BENEFITS IN CASE OF WORLD WAR II VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after the first month following the month in which this section was enacted, or entitlement to and the amount of any lump-sum death payment in case of a death after such first month, payable under this title on the basis of the wages or self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application;

(B) a benefit (other than a benefit payable in a lump sum unless it is a

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commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by the Civil Service Commission that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined to be payable by some other agency or wholly owned instrumentality of the United States. The Federal Security Administrator shall thereupon report such decision to the Civil Service Commission. The Commission shall then ascertain whether in such case some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If in any such case such a decision has been made or is thereafter made, the Commission shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of the accrued benefits payable with respect to him by such agency or wholly owned instrumentality of the United States, shall (notwithstanding any other provision of law) be deemed to have been paid with respect to him by such agency or instrumentality on account of such accrued benefits. No such payment certified by the Federal Security Administrator and no payment certified by him for any month prior to the first month for which any such benefit is paid by such other agency or instrumentality shall be deemed by reason of this subsection to have been an erroneous payment.

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(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Civil Service Commission, certify to it, with respect to any veteran, such information as the Commission deems necessary to carry out its functions under paragraph (2) of this subsection.

## BENEFITS IN CASE OF DECEASED WORLD WAR II VETERANS

SEC. 210. (a) Any individual who has served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the date of the termination of World War II, and who has been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of a disability or injury incurred or aggravated in service in line of duty, shall in the event of his death during the period of three years immediately following separation from the active military or naval service, whether his death occurs on, before, or after the date of the enactment of this section, be deemed—

(1) to have died a fully insured individual;

(2) to have an average monthly wage of not less than \$160; and

(3) for the purposes of section 209 (e) (2) to have been paid not less than \$200 of wages in each calendar year in which he had thirty days or more of active service after September 16 1940.

This section shall not apply in the case of the death of any individual occurring (either on, before, or after the date of the enactment of this section) while he is in the active military or naval service, or in the case of the death of any individual who has been discharged or released from the active military or naval service of the United States subsequent to the expiration of four years and one day after the date of the termination of World War II.

(b) (1) If any pension or compensation is determined by the Veterans' Administration to be payable on the basis of the death of any individual referred to in subsection (a) of this section, any monthly benefits or lump-sum death payment payable under this title with respect to the wages of such individual shall be determined without regard to such subsection (a).

(b) (1) In the case of any World War II veteran who dies during the period of three years immediately following his separation from the active military or naval service of the United States, such veteran shall be deemed to have died a fully insured individual, but his primary insurance amount shall be computed only as provided in section 215 (a) (3) and, for the purposes of such computation, he shall be deemed to have an average monthly wage of \$160 and to have been paid \$200 in wages, for the purposes of section 209 (e) (2) of this Act as in effect prior to the enactment of this section, in each calendar year in which he had thirty days or more of active military or naval service after September 16, 1940, and prior to January 1, 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.

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(2) Upon an application for benefits or a lump-sum death payment with respect to the death of any individual referred to in subsection (a), the Federal Security Administrator shall make a decision without regard to paragraph (1) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such individual. The Federal Security Administrator shall notify the Veterans' Administration of any decision made by him authorizing payment, pursuant to subsection (a), of monthly benefits or of a lump-sum death payment. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, by reason of the death of any such individual, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator pursuant to subsection (a) to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of sec. 3 of the Act of August 12, 1935, as amended (U. S. C., 1940 edition, title 38, sec. 454a)) be deemed to have been paid to him by the Veterans' Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration, shall be deemed by reason of this subsection to have been an erroneous payment.

(c) In the event any individual referred to in subsection (a) has died during such three-year period but before the date of the enactment of this section—

(1) upon application filed within six months after the date of the enactment of this section, any monthly benefits payable with respect to the wages of such individual (including benefits for months before such date) shall be computed or recomputed and shall be paid in accordance with subsection (a), in the same manner as though such

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(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

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application had been filed in the first month in which all conditions of entitlement to such benefits, other than the filing of an application, were met;

(2) if any individual who upon filing application would have been entitled to benefits or to a recomputation of benefits under paragraph (1) has died before the expiration of six months after the date of the enactment of this section, the application may be filed within the same period by any other individual entitled to benefits with respect to the same wages, and the nonpayment or underpayment to the deceased individual shall be treated as erroneous within the meaning of section 204;

\* \* \* \* \*

(4) application for a lump-sum death payment or recomputation, pursuant to this section, of a lump-sum death payment certified by the Board or the Federal Security Administrator, prior to the date of the enactment of this section, for payment with respect to the wages of any such individual may be filed within a period not less than six months from the date of the enactment of this section or a period of two years after the date of the death of any individual specified in subsection (a), whichever is the later, and any additional payment shall be made to the same individual or individuals as though the application were an original application for a lump-sum death payment with respect to such wages.

No lump-sum death payment shall be made or recomputed with respect to the wages of an individual if any monthly benefit with respect to his wages is, or upon filing application would be, payable for the month in which he died; but except as otherwise specifically provided in this section no payment heretofore made shall be rendered erroneous by the enactment of this section.

\* \* \* \* \*

[c] (3) the time within which proof of dependency under section 202 (f) or any application under 202 (g) may be filed shall be not less than six months after the date of the enactment of this section; and

\* \* \* \* \*

(d) There are hereby authorized to be appropriated to the Trust Fund from time to time such sums as may be necessary to meet the additional cost, resulting from this section, of the benefits (including lump-sum death payments) payable under this title.

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(c) In the case of any World War II veteran to whom subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

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(e) For the purposes of this section the term "date of the termination of World War II" means the date proclaimed by the President as the date of such termination, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

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(d) For the purposes of this section—

(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

## VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

## Purpose of Agreement

SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services (not otherwise included as employment under this title) performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any agricultural labor, domestic service, or service performed by a student, included under an agreement entered into under this section.

## Definitions

(b) For the purposes of this section—

(1) The term "State" does not include the District of Columbia.

(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

(3) The term "employee" includes an officer of a State or political subdivision.

(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

## EXISTING LAW

## CHANGES IN EXISTING LAW

(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of which coverage group such employee shall be included in shall be made in such manner as may be specified in the agreement.

## Services Covered

(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3) or (5) of this subsection) performed by individuals as members of such group.

(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

## EXISTING LAW

## CHANGES IN EXISTING LAW

(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, domestic service, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which, if performed in the employ of an individual, would be excluded from employment by section 210 (a).

(6) Such agreement shall exclude services performed by an individual who is employed to relieve him from unemployment and shall exclude services performed in a hospital, home, or other institution by a patient or inmate thereof.

Exclusion of Positions Covered by Retirement Systems

(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

Payment and Reports by States

(e) Each agreement under this section shall provide—

(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulation prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code;

(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

Effective Date of Agreement

(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

## EXISTING LAW

## Termination of Agreement

(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

## CHANGES IN EXISTING LAW

(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

## Deposits in Trust Fund; Adjustments

(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

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## CHANGES IN EXISTING LAW

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

## Regulations

(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapters A and E of chapter 9 of the Internal Revenue Code.

## Failure To Make Payments

(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

## Instrumentalities of Two or More States

(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purposes of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

EXISTING LAW

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Delegation of Functions

(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

EFFECTIVE DATE IN CASE OF  
PUERTO RICO

SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the Legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

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TITLE IV—GRANTS TO STATES  
FOR AID TO DEPENDENT  
CHILDREN

TITLE IV—GRANTS TO STATES  
FOR AID TO DEPENDENT  
CHILDREN

APPROPRIATION

APPROPRIATION

SECTION 401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$24,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Board, State plans for aid to dependent children.

SECTION 401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$24,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to dependent children.

STATE PLANS FOR AID TO DEPENDENT  
CHILDREN

STATE PLANS FOR AID TO DEPENDENT  
CHILDREN

SEC. 402. (a) A State plan for aid to dependent children must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or desig-

SEC. 402. (a) A State plan for aid to dependent children must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or desig-

## EXISTING LAW

nation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim with respect to aid to a dependent child is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Board to be necessary for the proper and efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children and (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes as a condition of eligibility for aid to dependent children a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for one year immediately preceding the application for such aid, or (2) who was born within the State within one year immediately

## CHANGES IN EXISTING LAW

nation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children; (8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to dependent children; (9) provide that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent.

(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes as a condition of eligibility for aid to dependent children a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for one year immediately preceding the application for such aid, or (2) who was born within one year immediately pre-

## EXISTING LAW

preceding the application, if its mother has resided in the State for one year immediately preceding the birth.

## 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 to dependent children, for each quarter, beginning with the quarter commencing October 1, 1948, (1) an amount, which shall be used exclusively as aid to dependent children equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$27, or if there is more than one dependent child in the same home, as exceeds \$27 with respect to one such dependent child and \$18 with respect to each of the other dependent children—

(A) three-fourths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of \$12 multiplied by the total number of dependent children with respect to whom aid to dependent children is paid for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose.

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

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than two-thirds of the total sum of such estimated expenditures, the source or sources from which the differ-

## CHANGES IN EXISTING LAW

ceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth.

## 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 to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to dependent children equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$30, or if there is more than one dependent child in the same home, as exceeds \$30 with respect to one such dependent child and \$20 with respect to each of the other dependent children—

(A) three-fourths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of \$12 multiplied by the total number of dependent children with respect to whom aid to dependent children is paid for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose.

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

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from

## EXISTING LAW

ence is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Board may find necessary.

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

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

## OPERATION OF STATE PLANS

SEC. 404. In the case of any State plan for aid to dependent children which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence requirement prohibited by section 402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 402 (a) to be included in the plan; the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply.

## CHANGES IN EXISTING LAW

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 Administrator may find necessary.

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

## OPERATION OF STATE PLANS

SEC. 404. In the case of any State plan for aid to dependent children which has been approved by the Administrator, if the Administrator, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence requirements prohibited by section 402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 402 (a) to be included in the plan; the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply.

## EXISTING LAW

Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

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## DEFINITIONS

SEC. 406. When used in this title—

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

(b) The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

## CHANGES IN EXISTING LAW

Until the Administrator is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

\* \* \* \* \*

## DEFINITIONS

SEC. 406. When used in this title—

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

(b) The term "aid to dependent children" means money payments with respect to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, a dependent child or dependent children.

TITLE V—GRANTS TO STATES  
FOR MATERNAL AND CHILD  
WELFAREPart 1—Maternal and Child Health  
Services

## APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$11,000,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

## ALLOTMENTS TO STATES

SEC. 502. (a) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot \$5,500,000 as follows: He shall allot to each State \$35,000 and shall allot each State such part of the remainder of the \$5,500,000 as he finds that the number of live births in such State bore to the

TITLE V—GRANTS TO STATES  
FOR MATERNAL AND CHILD  
WELFAREPart 1—Maternal and Child Health  
Services

## APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$20,000,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for such services.

## ALLOTMENTS TO STATES

SEC. 502. (a) Out of the sums appropriated pursuant to section 501 for each fiscal year the Federal Security Administrator shall allot \$10,000,000 as follows: He shall allot to each State \$60,000 and shall allot each State such part of the remainder of the \$10,000,000 as he finds that the number of live births

## EXISTING LAW

total number of live births in the United States in the latest calendar year for which the Administrator has available statistics.

(b) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot to the States \$5,500,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, as determined by him after taking into consideration the number of live births in such State.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

## APPROVAL OF STATE PLANS

Sec. 503. (a) A State plan for maternal and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State health agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

## CHANGES IN EXISTING LAW

in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

(b) Out of the sums appropriated pursuant to section 501 for each fiscal year the Administrator shall allot to the States \$10,000,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, as determined by him after taking into consideration the number of live births in such State.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

## APPROVAL OF STATE PLANS

Sec. 503. (a) A State plan for maternal and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State health agency will make such reports, in such form and containing such information as the Administrator may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

## EXISTING LAW

(b) The Chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State health agency of his approval.

## CHANGES IN EXISTING LAW

(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State health agency of his approval.

## PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor 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 Labor, the amount so certified.

## PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Administrator shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Administrator finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator 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 Administrator, the amount so certified.

## EXISTING LAW

(c) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

## OPERATIONS OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

## Part 2—Services for Crippled Children

## APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$7,500,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

## CHANGES IN EXISTING LAW

(c) The Administrator shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Administrator.

## OPERATIONS OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Administrator, if the Administrator, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

## Part 2—Services for Crippled Children

## APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$15,000,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for such services.

## EXISTING LAW

## ALLOTMENTS TO STATES

SEC. 512. (a) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot \$3,750,000 as follows: he shall allot to each State \$30,000, and shall allot the remainder of the \$3,750,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to the States \$3,750,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

## APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as he may from time to time

## CHANGES IN EXISTING LAW

## ALLOTMENTS TO STATES

SEC. 512. (a) Out of the sums appropriated pursuant to section 511 for each fiscal year the Federal Security Administrator shall allot \$7,500,000 as follows: he shall allot to each State \$60,000, and shall allot the remainder of the \$7,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) Out of the sums appropriated pursuant to section 511 for each fiscal year the Administrator shall allot to the States \$7,500,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

## APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provi-

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find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State agency of his approval.

## PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount

## CHANGES IN EXISTING LAW

sions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the State agency of his approval.

## PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Administrator shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Administrator finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certi-

## EXISTING LAW

certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor 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 Labor, the amount so certified.

(c) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotment available under section 512 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

## CHANGES IN EXISTING LAW

fied for any prior quarter greater or less than the amount estimated by the Administrator 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 Administrator, the amount so certified.

(c) The Administrator shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotment available under section 512 (b), and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Administrator.

## OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

## Part 3—Child-Welfare Services

SEC. 521. (a) For the purpose of enabling the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services (hereinafter in this section referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$3,500,000. Such amount shall be allotted by the Secretary of Labor for

## OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Administrator, if the Administrator, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

## Part 3—Child-Welfare Services

SEC. 521. (a) For the purpose of enabling the United States, through the Administrator, to cooperate with State public-welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services (hereinafter in this section referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$3,500,000. Such amount shall be allotted by the Administrator for use

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use by cooperating State public-welfare agencies on the basis of plans developed jointly by the State agency and the Children's Bureau, to each State, \$20,000, and the remainder to each State on the basis of such plans, not to exceed such part of the remainder as the rural population of such State bears to the total rural population of the United States. The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominately rural, and for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need. The amount of any allotment to a State under this section for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under this section until the end of the second succeeding fiscal year. No payment to a State under this section shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

(b) From the sums appropriated therefor and the allotments available under subsection (a) the Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States, and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

\* \* \* \* \*

Part 5—Administration

SEC. 541. (a) There is hereby authorized to be appropriated for the fiscal year ending June 30, 1947, the sum of

CHANGES IN EXISTING LAW

by cooperating State public-welfare agencies on the basis of plans developed jointly by the State agency and the Administrator, to each State, \$20,000, and the remainder to each State on the basis of such plans, not to exceed such part of the remainder as the rural population of such State under age eighteen bears to the total rural population of the United States under such age. The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any run-away child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State. The amount of any allotment to a State under this section for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under this section until the end of the second succeeding fiscal year. No payment to a State under this section shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

(b) From the sums appropriated therefor and the allotments available under subsection (a) the Administrator shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States, and the Secretary of the Treasury shall, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Administrator.

\* \* \* \* \*

Part 5—Administration

SEC. 541. (a) There is hereby authorized to be appropriated for the fiscal year ending June 30, 1947, the sum of

EXISTING LAW

\$1,000,000, for all necessary expenses of the Children's Bureau in administering the provisions of this title, except section 531.

(b) The Children's Bureau shall make such studies and investigations as will promote the efficient administration of this title, except section 531.

(c) The Secretary of Labor shall include in his annual report to Congress a full account of the administration of this title.

\* \* \* \* \*

TITLE VII—SOCIAL SECURITY BOARD

SECTION 701. There is hereby established a Social Security Board (in this Act referred to as the "Board") to be composed of three members to be appointed by the President, by and with the advice and consent of the Senate. During his term of membership on the Board, no member shall engage in any other business, vocation, or employment. Not more than two of the members of the Board shall be members of the same political party. Each member shall receive a salary at the rate of \$10,000 a year and shall hold office for a term of six years, except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term; and (2) the terms of office of the members first taking office after the date of the enactment of this Act shall expire, as designated by the President at the time of appointment, one at the end of two years, one at the end of four years, and one at the end of six years, after the date of the enactment of this Act. The President shall designate one of the members as the chairman of the Board.

\* \* \* \* \*

SEC. 704. The Board shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which it is charged.

\* \* \* \* \*

CHANGES IN EXISTING LAW

\$1,000,000, for all necessary expenses of the Federal Security Agency in administering the provisions of this title, except section 531.

(b) The Administrator shall make such studies and investigations as will promote the efficient administration of this title, except section 531.

(c) [Repealed.]

\* \* \* \* \*

OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him.

\* \* \* \* \*

REPORTS

SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program.

\* \* \* \* \*

## EXISTING LAW

TITLE X—GRANTS TO STATES  
FOR AID TO THE BLIND

## APPROPRIATION

SECTION 1001. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$3,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Board, State plans for aid to the blind.

## STATE PLANS FOR AID TO THE BLIND

Sec. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for aid is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Board shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Board to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act; (8) provide that the State

## CHANGES IN EXISTING LAW

TITLE X—GRANTS TO STATES  
FOR AID TO THE BLIND

## APPROPRIATION

SECTION 1001. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$3,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to the blind.

## STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance

## EXISTING LAW

agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; and (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the blind.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for aid to the blind under the plan—

(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid and has resided therein continuously for one year immediately preceding the application; or

(2) Any citizenship requirement which excludes any citizen of the United States.

## CHANGES IN EXISTING LAW

under the State plan approved under section 2 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first \$50 per month of earned income;<sup>1</sup> (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the blind; (10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye and, effective July 1, 1953, provide that the services of optometrists within the scope of the practice of optometry as prescribed by the laws of the State shall be made available to the recipients thereof as well as to the recipients of any grant-in-aid program for improvement or conservation of vision; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the blind under the plan—

(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid and has resided therein continuously for one year immediately preceding the application; or

(2) Any citizenship requirement which excludes any citizen of the United States.

<sup>1</sup> For the period beginning October 1, 1950, and ending June 30, 1952, clause (8) is amended to read as follows: "(8) provide that the State agency shall in determining need, take into consideration any other income and resource of an individual claiming aid to the blind; except that the State agency may, in making such determination, disregard not to exceed \$50 per month of earned income;"

## EXISTING LAW

## PAYMENT TO STATES

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1948, (1) an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan with respect to each needy individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any such individual for any month as exceeds \$50—

(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received aid to the blind for such months, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

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

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board,

## CHANGES IN EXISTING LAW

## PAYMENT TO STATES

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$50—

(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$20 multiplied by the total number of such individuals who received aid to the blind for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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

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

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the

## EXISTING LAW

(A) reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Board, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

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

## OPERATION OF STATE PLANS

SEC. 1004. In the case of any State plan for aid to the blind which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1002 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1002 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no

## CHANGES IN EXISTING LAW

Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan, except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

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

## OPERATION OF STATE PLANS

SEC. 1004. In the case of any State plan for aid to the blind which has been approved by the Administrator, if the Administrator, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1002 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1002 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that

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longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

\* \* \* \* \*

DEFINITION

SEC. 1006. When used in this title the term "aid to the blind" means money payments to blind individuals who are needy.

[For former § 1101 (a) (6), see opposite amended § 210 (k), above.]

RULES AND REGULATIONS

SEC. 1102. The Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, shall make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions with which each is charged under this Act.

\* \* \* \* \*

DISCLOSURE OF INFORMATION IN POSSESSION OF BOARD

SEC. 1106. No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under Title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to

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there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

\* \* \* \* \*

DEFINITION

SEC. 1006. For the purposes of this title, the term "aid to the blind" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, blind individuals who are needy, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

SEC. 1101. (a) When used in this Act—

\* \* \* \* \*

(6) The term "Administrator," except when the context otherwise requires, means the Federal Security Administrator.

SEC. 1101. (a) (7) The terms "physician" and "medical care" and "hospitalization" include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law.

\* \* \* \* \*

RULES AND REGULATIONS

SEC. 1102. The Secretary of the Treasury, the Secretary of Labor, and the Federal Security Administrator, respectively, shall make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions with which each is charged under this Act.

\* \* \* \* \*

DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

SEC. 1106. Except as provided in section 205 (c), no disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the

## EXISTING LAW

the Board by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Board or by any officer or employee of the Board in the course of discharging the duties of the Board, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Board or from any officer or employee of the Board, shall be made except as the Board may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

## PENALTY FOR FRAUD

SEC. 1107. (a) Whoever, with the intent to defraud any person, shall make or cause to be made any false representation concerning the requirements of this Act, the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act, or of any rules or regulations issued thereunder, knowing such representations to be false, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year or both.

(b) Whoever, with the intent to elicit information as to the date of birth, employment, wages, or benefits of any individual (1) falsely represents to the Board that he is such individual, or the wife, parent, or child of such individual, or the duly authorized agent of such individual, or of the wife, parent, or child of such individual, or (2) falsely represents to any person that he is an employee or agent of the United States, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

## CHANGES IN EXISTING LAW

Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at anytime by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as authorized by section 1108 and then only in accordance with such regulations as the Administrator may prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

## PENALTY FOR FRAUD

SEC. 1107. (a) Whoever, with the intent to defraud any person, shall make or cause to be made any false representation concerning the requirements of this Act, subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code, or of any rules or regulations issued thereunder, knowing such representations to be false, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

(b) Whoever, with the intent to elicit information as to the date of birth, employment, wages, or benefits of any individual (1) falsely represents to the Administrator that he is such individual, or the wife, husband, widow, widower, former wife divorced, child, or parent of such individual, or the duly authorized agent of such individual, or of the wife, husband, widow, widower, former wife divorced, child, or parent of such individual, or (2) falsely represents to any person that he is an employee or agent of the United States, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

SEC. 1108. (a) (1) The Administrator is authorized, at the request of any agency charged with the administration

## EXISTING LAW

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of a State unemployment compensation law (with respect to which such State is entitled to payments under section 302 (a) of this Act) and to the extent consistent with the efficient administration of this Act, to furnish to such agency, for use by it in the administration of such law or a State temporary disability insurance law administered by it, information from or pertaining to records, including account numbers, maintained by the Administrator in accordance with section 205 (c) of this Act.

(2) At the request of any agency, person, or organization, the Administrator is authorized, to the extent consistent with efficient administration of this Act and subject to such conditions or limitations as he deems necessary, to conduct special statistical studies of, and compile special data with respect to, any matters related to the programs authorized by this Act and to furnish information resulting therefrom to any such agency, person, or organization.

(b) Requests under subsection (a) shall be complied with only if the agency, person, or organization making the request agrees to make payment for the work or information requested in such amount, if any (not exceeding the cost of performing the work or furnishing the information), as may be determined by the Administrator. Payments for work performed or information furnished pursuant to this section shall be made in advance or by way of reimbursement; as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-age and Survivors Insurance Trust Fund) for the unit or units of the Federal Security Agency which performed the work or furnished the information.

(c) No information shall be furnished pursuant to this section in violation of section 1106 or regulations prescribed thereunder.

TITLE XII—ADVANCES TO STATE  
UNEMPLOYMENT FUNDS

SEC. 1201. (a) In the event that the balance in a State's account in the Unemployment Trust Fund on June 30, 1947, or on the last day in any ensuing calendar quarter which ends prior to January 1, 1950, does not exceed a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that one of the

TITLE XII—ADVANCES TO STATE  
UNEMPLOYMENT FUNDS

SEC. 1201. (a) In the event that the balance in a State's account in the Unemployment Trust Fund on June 30, 1947, or on the last day in any ensuing calendar quarter which ends prior to January 1, 1952, does not exceed a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that

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two calendar years next preceding such day in which such deposits were higher, the State shall be entitled, subject to the provisions of subsections (b) and (c) hereof, to have transferred from the Federal unemployment account to its account in the Unemployment Trust Fund an amount equal to the amount by which the unemployment compensation paid out by it in the calendar quarter ending on such day exceeded 2.7 per centum of the total remuneration which was paid during such quarter and was subject to the State unemployment compensation law.

(b) The Federal Security Administrator is authorized and directed, on application of a State unemployment compensation agency, to make findings as to whether the conditions for the transfer of moneys provided for in subsection (a) hereof have been met; and if such conditions exist, the Administrator is directed to certify, to the Secretary of the Treasury, from time to time, the amounts for transfer in order to carry out the purposes of this title, reduced or increased, as the case may be, by any sum by which the Administrator finds that the amounts transferred for any prior quarter were greater or less than the amounts to which the State was entitled for such quarter. The application of a State agency shall be made on such forms, and contain such information and data, fiscal and otherwise, concerning the operation and administration of the State law, as the Administrator deems necessary or relevant to the performance of its duties hereunder.

(c) Any amount transferred to the account of any State under this section shall be treated as an advance, without interest, to the unemployment fund of such State and shall be repaid to the Federal unemployment account from the unemployment fund of that State to the extent that the balance in the State's account in the Unemployment Trust Fund, at the end of any calendar quarter, exceeds a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that one of the two calendar years next preceding such day in which such deposits were higher. The Secretary of the Treasury shall, after the end of each calendar quarter, transfer from the unemployment account of each State in the Unemployment Trust Fund to the Federal unemployment account the amount required to be repaid from the unemployment fund of such State at the end of such quarter under this subsection.

## CHANGES IN EXISTING LAW

one of the two calendar years next preceding such day in which such deposits were higher, the State shall be entitled, subject to the provisions of subsections (b) and (c) hereof, to have transferred from the Federal unemployment account to its account in the Unemployment Trust Fund an amount equal to the amount by which the unemployment compensation paid out by it in the calendar quarter ending on such day exceeded 2.7 per centum of the total remuneration which was paid during such quarter and was subject to the State unemployment compensation law.

(b) The Federal Security Administrator is authorized and directed on application of a State unemployment compensation agency, to make findings as to whether the conditions for the transfer of moneys provided for in subsection (a) hereof have been met; and if such conditions exist, the Administrator is directed to certify, to the Secretary of the Treasury, from time to time, the amounts for transfer in order to carry out the purposes of this title, reduced or increased, as the case may be, by any sum by which the Administrator finds that the amounts transferred for any prior quarter were greater or less than the amounts to which the State was entitled for such quarter. The application of a State agency shall be made on such forms, and contain such information and data, fiscal and otherwise, concerning the operation and administration of the State law, as the Administrator deems necessary or relevant to the performance of its duties hereunder.

(c) Any amount transferred to the account of any State under this section shall be treated as an advance, without interest, to the unemployment fund of such State and shall be repaid to the Federal unemployment account from the unemployment fund of that State to the extent that the balance in the State's account in the Unemployment Trust Fund, at the end of any calendar quarter, exceeds a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that one of the two calendar years next preceding such day in which such deposits were higher. The Secretary of the Treasury shall, after the end of each calendar quarter, transfer from the unemployment account of each State in the Unemployment Trust Fund to the Federal unemployment account the amount required to be repaid from the unemployment fund of such State at the end of such quarter under this subsection.

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**SOCIAL SECURITY ACT AMENDMENTS OF 1939**

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**TITLE IX—MISCELLANEOUS PROVISIONS**

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SEC. 908. All functions of the Social Security Board shall be administered by the Social Security Board under the direction and supervision of the Federal Security Administrator.

[Repealed.]

**INTERNAL REVENUE CODE**

**INTERNAL REVENUE CODE, AS AMENDED BY H. R. 6000, AS REPORTED**

SEC. 3. CLASSIFICATION OF PROVISIONS.

SEC. 3. CLASSIFICATION OF PROVISIONS.

\* \* \* \* \*

Subchapter E—Tax on Self-Employment Income (the Self-Employment Contributions Act), divided into sections.

SEC. 12. SURTAX ON INDIVIDUALS.

SEC. 12. SURTAX ON INDIVIDUALS.

\* \* \* \* \*

(g) CROSS REFERENCES.—

\* \* \* \* \*

(g) CROSS REFERENCES.—

\* \* \* \* \*

(6) Tax on Self-Employment Income.—For tax on self-employment income, see subchapter E.

SEC. 31. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES

SEC. 31. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax, to the extent provided in section 131.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax (other than the tax imposed by subchapter E, relating to tax on self-employment income), to the extent provided in section 131.

SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS

SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS

\* \* \* \* \*

(b) CONTENTS OF DECLARATION.— In the declaration required under subsection (a) the individual shall state—

\* \* \* \* \*

(b) CONTENTS OF DECLARATION.— In the declaration required under subsection (a) the individual shall state—

(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32 and 35 for taxes withheld at source;

(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32 and 35 for taxes withheld at source and without regard to the tax imposed by subchapter E on self-employment income;

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SEC. 107. COMPENSATION FOR SERVICES RENDERED FOR A PERIOD OF THIRTY-SIX MONTHS OR MORE AND BACK PAY.

SEC. 107. COMPENSATION FOR SERVICES RENDERED FOR A PERIOD OF THIRTY-SIX MONTHS OR MORE AND BACK PAY.

\* \* \* \* \*

(e) TAX ON SELF-EMPLOYMENT INCOME.—This section shall be applied without regard to, and shall not affect, the tax imposed by subchapter E, relating to tax on self-employment income.

SEC. 120. UNLIMITED DEDUCTION FOR CHARITABLE AND OTHER CONTRIBUTIONS.

SEC. 120. UNLIMITED DEDUCTION FOR CHARITABLE AND OTHER CONTRIBUTIONS.

In the case of an individual if in the taxable year and in each of the ten preceding taxable years the amount of the contributions or gifts described in section 23 (o) (or corresponding provisions of prior revenue Acts) plus the amount of income, war-profits, or excess-profits taxes paid during such year in respect of preceding taxable years, exceeds 90 per centum of the taxpayer's net income for each such year, as computed without the benefit of the applicable subsection, then the 15 per centum limit imposed by section 23 (o) shall not be applicable.

In the case of an individual if in the taxable year and in each of the ten preceding taxable years the amount of the contributions or gifts described in section 23 (o) (or corresponding provisions of prior revenue Acts) plus the amount of income (determined without regard to subchapter E, relating to tax on self-employment income), war-profits, or excess-profits taxes paid during such year in respect of preceding taxable years, exceeds 90 per centum of the taxpayer's net income for each such year, as computed without the benefit of the applicable subsection, then the 15 per centum limit imposed by section 23 (o) shall not be applicable.

SEC. 131. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES.

SEC. 131. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES.

(a) Allowance of Credit.—If the taxpayer chooses to have the benefits of this section, the tax imposed by this chapter, except the tax imposed under section 102, shall be credited with:

(a) Allowance of Credit.—If the taxpayer chooses to have the benefits of this section, the tax imposed by this chapter, except the tax imposed under section 102 and except the tax imposed under subchapter E, shall be credited with:

SEC. 161. IMPOSITION OF TAX.

SEC. 161. IMPOSITION OF TAX.

(a) Application of Tax.—The taxes imposed by this chapter upon individuals shall apply to the income of estates or of any kind of property held in trust, including—

(a) Application of Tax.—The taxes imposed by this chapter (other than the tax imposed by subchapter E, relating to tax on self-employment income) upon individuals shall apply to the income of estates or of any kind of property held in trust, including—

SEC. 294. ADDITIONS TO THE TAX IN CASE OF NONPAYMENT.

SEC. 294. ADDITIONS TO THE TAX IN CASE OF NONPAYMENT.

\* \* \* \* \*

\* \* \* \* \*

(d) ESTIMATED TAX.—

(d) ESTIMATED TAX.—

\* \* \* \* \*

(3) TAX ON SELF-EMPLOYMENT INCOME.—This subsection shall be applied without regard to the tax imposed by subchapter E, relating to tax on self-employment income.

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## SEC. 322. REFUNDS AND CREDITS.

## (a) AUTHORIZATION.—

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## SEC. 322. REFUNDS AND CREDITS.

## (a) AUTHORIZATION.—

\* \* \* \* \*

(4) CREDIT FOR "SPECIAL REFUNDS" OF EMPLOYEE SOCIAL SECURITY TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the tax imposed by this chapter for any taxable year of the amount determined by the taxpayer or the Commissioner to be allowable under section 1401 (d) as a special refund of tax imposed on wages received during the calendar year in which such taxable year begins. If more than one taxable year begins in such calendar year, such amount shall not be allowed under this section as a credit against the tax for any taxable year other than the last taxable year so beginning. The amount allowed as a credit under such regulations shall, for the purposes of this chapter, be considered an amount deducted and withheld at the source as tax under subchapter D of chapter 9.

## SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

## SEC. 480. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual, a tax as follows:

(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1956, the tax shall be equal to  $2\frac{1}{4}$  per centum of the amount of the self-employment income for such taxable year.

(2) In the case of any taxable year beginning after December 31, 1955, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to  $3\frac{3}{4}$  per centum of the amount of the self-employment income for such taxable year.

(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to  $4\frac{1}{2}$  per centum of the amount of the self-employment income for such taxable year.

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(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4% per centum of the amount of the self-employment income for such taxable year.

## SEC. 481. DEFINITIONS.

For the purposes of this subchapter—

(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term “net earnings from self-employment” means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest (other than interest described in section 25 (a)) are received in the course of a trade or business as a dealer in stocks or securities;

(4) There shall be excluded any gain or loss (A) which is considered as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible

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in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(7) In the case of any taxable year beginning on or after the effective date specified in section 3810, (A) the term "possession of the United States" as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1951) ending within or with his taxable year.

(b) SELF-EMPLOYMENT INCOME.—The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after December 31, 1950; except that such term shall not include—

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(1) That part of the net earnings from self-employment which is in excess of: (A) \$3,000, minus (B) the amount of the wages paid to such individual during the taxable year; or

(2) The net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

For the purposes of clause (1) the term "wages" includes remuneration paid to an employee if such remuneration is for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees). In the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subchapter, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 3810) a resident of Puerto Rico shall not, for the purposes of this subchapter, be considered to be a nonresident alien individual.

(c) TRADE OR BUSINESS.—The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—

(1) The performance of the functions of a public office;

(2) The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) performed by an individual who has attained the age of eighteen);

(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, or optometrist, or as a Christian Science practitioner, or as an architect, certified public accountant, or professional engineer; or the performance of such service by a partnership.

## EXISTING LAW

## SEC. 1400. RATE OF TAX

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

(1) With respect to wages received during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.

(2) With respect to wages received during the calendar years 1950 and 1951, the rate shall be 1½ per centum.

(3) With respect to wages received after December 31, 1951, the rate shall be 2 per centum.

## CHANGES IN EXISTING LAW

(d) EMPLOYEE AND WAGES.—The term "employee" and the term "wages" shall have the same meaning as when used in subchapter A of chapter 9.

## SEC. 482. MISCELLANEOUS PROVISIONS

(a) RETURNS.—Every individual (other than a nonresident alien individual) having net earnings from self-employment of \$400 or more for the taxable year shall make a return containing such information for the purpose of carrying out the provisions of this subchapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Such return shall be considered a return required under section 51 (a). In the case of a husband and wife filing a joint return under section 51 (b), the tax imposed by this subchapter shall not be computed on the aggregate income but shall be the sum of the taxes computed under this subchapter on the separate self-employment income of each spouse.

(b) TITLE OF SUBCHAPTER.—This subchapter may be cited as the "Self-Employment Contributions Act."

(c) EFFECTIVE DATE IN CASE OF PUERTO RICO.—For effective date in case of Puerto Rico, see section 3810.

(d) COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.—For provisions relating to collection of taxes in Virgin Islands and Puerto Rico, see section 3811.

## SEC. 1400. RATE OF TAX

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

(1) With respect to wages received during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.

(2) With respect to wages received during the calendar years 1950 to 1955, both inclusive, the rate shall be 1½ per centum.

(3) With respect to wages received during the calendar years 1956 to 1959, both inclusive, the rate shall be 2 per centum.

(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

## EXISTING LAW

## SEC. 1401. DEDUCTION OF TAX FROM WAGES.

(a) REQUIREMENT.—The tax imposed by section 1400 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

(d) SPECIAL REFUNDS.—

## CHANGES IN EXISTING LAW

(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum.

(b) WAGES SUBJECT TO COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.—If wages as defined in section 1633 (relating to combined withholding of income and employee social security taxes) are received by an individual, there shall be levied, collected, and paid upon the income of such individual, in lieu of the tax determined under subsection (a) with respect to such wages, the tax which under section 1633 (d) (1) is considered as imposed by this subsection.

## SEC. 1401. DEDUCTION OF TAX FROM WAGES.

(a) REQUIREMENT.—The tax imposed by section 1400 (a) shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. The tax imposed by section 1400 (b) shall be collected by the employer of the taxpayer in the manner prescribed by section 1633 (relating to combined withholding of income and employee social security taxes).

\* \* \* \* \*  
(d) SPECIAL REFUNDS.—

\* \* \* \* \*  
(3) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

(A) Federal Employees.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (c) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (2) of this subsection, be deemed a separate employer; and the term "wages" includes, for the purposes of paragraph (2) of this subsection, the amount, not to exceed \$3,000, determined by each such head or agent as constituting wages paid to an employee.

(B) State Employees.—For the purposes of paragraph (2) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1950, the term "wages" includes remuneration for services covered by an

**EXISTING LAW****SEC. 1403. RECEIPTS FOR EMPLOYEES.**

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

**SEC. 1410. RATE OF TAX.**

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426

**CHANGES IN EXISTING LAW**

agreement made pursuant to section 218 of the Social Security Act; the term "employer" includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term "tax" or "tax imposed by section 1400" includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 1400 (a), if such services constituted employment as defined in section 1426; and the provisions of paragraph (2) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury.

**SEC. 1403. RECEIPTS FOR EMPLOYEES.**

(a) **REQUIREMENT.**—Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with respect to wages paid after December 31, 1950, see section 1636.) Each statement shall cover a calendar year, or one, two, three, or four calendar quarters, whether or not within the same calendar year, and shall show the name of the employer, the name of the employee, the period covered by the statement, the total amount of wages paid within such period, and the amount of the tax imposed by section 1400 with respect to such wages. Each statement shall be furnished to the employee not later than the last day of the second calendar month following the period covered by the statement, except that, if the employee leaves the employ of the employer, the final statement shall be furnished on the day on which the last payment of wages is made to the employee. The employer may, at his option, furnish such a statement to any employee at the time of each payment of wages to the employee during any calendar quarter, in lieu of a statement covering such quarter; and, in such case, the statement may show the date of payment of the wages, in lieu of the period covered by the statement.

**SEC. 1410. RATE OF TAX.**

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426

## EXISTING LAW

(a) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages paid during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1950 and 1951; the rate shall be 1½ per centum.

(3) With respect to wages paid after December 31, 1951, the rate shall be 2 per centum.

## CHANGES IN EXISTING LAW

(a) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages paid during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 per centum.

(2) With respect to wages paid during the calendar years 1950 to 1955, both inclusive, the rate shall be 1½ per centum.

(3) With respect to wages paid during the calendar years 1956 to 1959, both inclusive, the rate shall be 2 per centum.

(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum.

## SEC. 1411. ADJUSTMENT OF TAX.

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

## SEC. 1411. ADJUSTMENT OF TAX.

If more or less than the correct amount of tax imposed by section 1410 is paid with respect to any payment of remuneration, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this subchapter. For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

## SEC. 1412. INSTRUMENTALITIES OF THE UNITED STATES

Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section.

EXISTING LAW

CHANGES IN EXISTING LAW

SEC. 1420. COLLECTION AND PAYMENT OF TAXES

SEC. 1420. COLLECTION AND PAYMENT OF TAXES

\* \* \* \* \*

(e) FEDERAL SERVICE.—In the case of the taxes imposed by this subchapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the \$3,000 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality.

SEC. 1426. DEFINITIONS.

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

(1) That part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employ-

SEC. 1426. DEFINITIONS.

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

(1) That part of the remuneration which after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal

## EXISTING LAW

ment during any calendar year, is paid, prior to January 1, 1947, to such individual by such employer with respect to employment during such calendar year; or that part of the remuneration which, after remuneration equal to \$3,000 with respect to employment after 1936 has been paid to an individual by an employer during any calendar year after 1946, is paid to such individual by such employer during such calendar year;

(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

## CHANGES IN EXISTING LAW

to \$3,000 with respect to employment has been paid to an individual by an employer during any calendar year is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to \$3,000 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

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

(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

## EXISTING LAW

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

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

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

## CHANGES IN EXISTING LAW

(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

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

(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(8) Remuneration paid in any medium other than cash for agricultural labor; or

(9) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made.

(b) EMPLOYMENT.—The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

## EXISTING LAW

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

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

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

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

## CHANGES IN EXISTING LAW

(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some sixty days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter;

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" includes domestic service in a private home of the employer;

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

## EXISTING LAW

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

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

## CHANGES IN EXISTING LAW

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

(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

(7) (A) Service performed in the employ of the United States, if such service is covered by a retirement system established by a law of the United States or by the agency for which such service is performed;

(B) Service performed in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

(C) Service performed in the employ of an instrumentality of the United States which is either wholly owned or which, but for the provisions of section 1412, would be exempt from the tax imposed by section 1410 and was exempt from the tax imposed by section 1410 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

(i) service performed in the employ of a national farm loan association, a production credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission; or

(ii) service performed in the employ of the Tennessee Valley Authority unless such service is covered by a retirement system established by such authority; or

(iii) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment;

(D) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

## EXISTING LAW

(7) Service performed in the employ of a State or any political subdivision thereof or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or

## CHANGES IN EXISTING LAW

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

(ii) in the legislative branch;

(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States;

(8) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or

## EXISTING LAW

political subdivisions to the extent that the instrumentality is with respect to such service immune under the Constitution of the United States from the tax imposed by section 1410;

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

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

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

(i) the remuneration for such service does not exceed \$45, or

(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office, or is ritualistic service in connection with any such society, order, or association, or

(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1);

(C) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (i) no part of its net earnings inures (other than through such

## CHANGES IN EXISTING LAW

political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410;

(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(B) Service in the employ of—

(i) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) and is organized and operated primarily for religious purposes; or

(ii) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) and is owned and operated by one or more corporations, funds, or foundations included under clause (i) of this subparagraph; unless such service is performed on or after the first day of the calendar quarter following the calendar quarter in which such corporation, fund, or foundation files (whether filed on, before, or after January 1, 1951) with the Commissioner a statement that it desires to have the insurance system established by title II of the Social Security Act extended to services performed by its employees;

(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than \$50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

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payments) to the benefit of any private shareholder or individual, and (ii) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(D) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

(E) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed \$45 (exclusive of room, board, and tuition);

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

(12) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

## CHANGES IN EXISTING LAW

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

(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

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(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(15) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(16) Service performed in the employ of an International Organization.

(c) INCLUDED AND EXCLUDED SERVICE.—If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (b).

## CHANGES IN EXISTING LAW

(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(17) Service performed in the employ of an international organization.

(c) INCLUDED AND EXCLUDED SERVICE.—If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (b).

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(d) EMPLOYEE.—The term “employee” includes an officer of a corporation, but such term does not include (1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor or (2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.

(e) STATE.—The term “State” includes Alaska, Hawaii, and the District of Columbia.

\* \* \* \* \*

(g) AMERICAN VESSEL.—The term “American vessel” means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under

## CHANGES IN EXISTING LAW

(d) EMPLOYEE.—The term “employee” means—

(1) any officer of a corporation; or  
(2) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services; or

(B) as a full-time life insurance salesman; if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term “employee” under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

(e) STATE, ETC.—

(1) The term “State” includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

(2) UNITED STATES.—The term “United States” when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 3810.

\* \* \* \* \*

(g) AMERICAN VESSEL AND AIRCRAFT.—The term “American vessel” means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations

## EXISTING LAW

the laws of the United States or of any State.

(h) AGRICULTURAL LABOR.—The term "agricultural labor" includes all services performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation of maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

(4) In handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

## CHANGES IN EXISTING LAW

organized under the laws of the United States or of any State; and the term "American aircraft" means an aircraft registered under the laws of the United States.

(h) AGRICULTURAL LABOR.—The term "agricultural labor" includes all service performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

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As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(i) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission, but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country and bareboat chartered to the War Shipping Administration. The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee

## CHANGES IN EXISTING LAW

(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

As used in this section, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

[The matter contained in sections 1426 (i) and (j) of the Internal Revenue Code is covered in sections 1420 (e) and 1426 (b) (7) of the Internal Revenue Code as amended by the bill.]

## EXISTING LAW

imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection. The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the \$3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code.

(j) CERTAIN EMPLOYEES OF BONNEVILLE POWER ADMINISTRATOR.—The term "employment" shall include such service as is determined by the Bonneville Power Administrator (hereinafter called the Administrator) to be performed after December 31, 1945, by a laborer, mechanic, or workman, in connection with construction work or the operation and maintenance of electrical facilities, as an employee performing service for the Administrator, but shall not include any service performed by such a laborer, mechanic, or workman, to whom the Act of May 29, 1930 (46 Stat. 468), as amended, applies. The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator to be paid for such service. The Administrator is authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection.

SEC. 1428. ESTIMATE OF REVENUE REDUCTION.

The Secretary at intervals of not longer than three years shall estimate the reduction in the amount of taxes collected under this subchapter by reason of the operation of paragraph (9) of subsection (b) of section 1426 and shall include such estimate in his annual report.

## CHANGES IN EXISTING LAW

(i) AMERICAN EMPLOYER.—The term "American employer" means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State.

SEC. 1428. ESTIMATE OF REVENUE REDUCTION.

The Secretary at intervals of not longer than three years shall estimate the reduction in the amount of taxes collected under this subchapter by reason of the operation of paragraph (10) of subsection (b) of section 1426 and shall include such estimate in his annual report.

## EXISTING LAW

## SEC. 1607. DEFINITIONS.

When used in this subchapter—

\* \* \* \* \*

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

(1) That part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid after December 31, 1939, and prior to January 1, 1947, to such individual by such employer with respect to employment during such calendar year; or that part of the remuneration which, after remuneration equal to \$3,000 with respect to employment after 1938 has been paid to an individual by an employer during any calendar year after 1946, is paid to such individual by such employer during such calendar year;

(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of

## CHANGES IN EXISTING LAW

## SEC. 1607. DEFINITIONS.

When used in this subchapter—

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

(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to \$3,000 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to \$3,000 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

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

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provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

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

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

(c) EMPLOYMENT.—The term "employment" means any service performed prior to July 1, 1946, which was employment as defined in this section as in effect at the time the service was performed; and any service, of whatever nature, performed after June 30, 1946, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the

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tion expenses in connection with sickness or accident disability, or (D) death;

(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6).

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

(7) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made;

(8) Dismissal payments which the employer is not legally required to make.

[Under section 209 (a) (3) of the bill, paragraph (8) above is inapplicable with respect to remuneration paid after December 31, 1951.]

(c) EMPLOYMENT.—The term "employment" means any service performed prior to July 1, 1946, which was employment as defined in this section as in effect at the time the service was performed; and any service, of whatever nature, performed after June 30, 1946, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the em-

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employee is employed on and in connection with such vessel when outside the United States, except—

\* \* \* \* \*

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

(i) the remuneration for such service does not exceed \$45, or

\* \* \* \* \*

(E) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed \$45 (exclusive of room, board, and tuition);

SEC. 1621. DEFINITIONS.

As used in this subchapter—

(a) WAGES.—The term “wages” means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

\* \* \* \* \*

(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

(4) for casual labor not in the course of the employer's trade or business, or

\* \* \* \* \*

CHANGES IN EXISTING LAW

ployee is employed on and in connection with such vessel when outside the United States, except—

\* \* \* \* \*

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

(i) the remuneration for such service is less than \$50, or

\* \* \* \* \*

(E) Service performed in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

SEC. 1621. DEFINITIONS.

As used in this subchapter—

(a) WAGES.—The term “wages” means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

\* \* \* \* \*

(3) (A) for domestic service in a private home, or (B) for domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university, or

(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter, or

\* \* \* \* \*

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(9) for services performed as a minister of the gospel.

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(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, or

(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution, or

(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back, or

(11) for services not in the course of the employer's trade or business, if paid in any medium other than cash, or

(12) to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (b) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6).

## SEC. 1622. INCOME TAX COLLECTED AT SOURCE.

(a) REQUIREMENT OF WITHHOLDING.—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to 15 per centum of the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption as shown in subsection (b) (1).

## SEC. 1622. INCOME TAX COLLECTED AT SOURCE.

(a) REQUIREMENT OF WITHHOLDING.—(1) IN GENERAL.—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to 15 per centum of the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption as shown in subsection (b) (1).

(2) WAGES SUBJECT TO COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.—The provisions of paragraph (1) of this subsection and of subsection (c) (1) of this section shall not apply with respect to any payment of wages as defined in section 1633 (relating to combined withholding of income and employee social security taxes). Every employer mak-

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## SEC. 1625. RECEIPTS.

## SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN OR PAY TAX.

In case of a failure to make and file any return, or a failure to pay any tax, required by this chapter, or both, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$5.

## CHANGES IN EXISTING LAW

ing payment of such wages shall deduct and withhold upon such wages, in the manner prescribed by section 1633, the tax which under section 1633 (d) (1) is considered as imposed by this paragraph.

## SEC. 1625. RECEIPTS.

\* \* \* \* \*

(d) APPLICATION OF SECTION.—This section shall apply only with respect to wages paid before January 1, 1951. For corresponding provisions with respect to wages paid after December 31, 1950, see section 1636.

## SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN.

In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be shown on such return shall not be less than \$5.

## SEC. 1633. COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.

(a) DEFINITION OF WAGES SUBJECT TO COMBINED WITHHOLDING.—As used in this section, the term "wages" means a payment of remuneration by a person to an individual if the person making such payment is the employer of such individual within the meaning of subchapters A and D of this chapter or is authorized under section 1632 to deduct and withhold the tax under this section with respect to such payment, and if all of such payment is both—

(1) wages as defined in section 1621 (a) (relating to wages subject to income tax withholding), and

(2) wages as defined in section 1426 (a) (relating to wages subject to employee social security tax), determined without regard to paragraph (1) of section 1426 (a) (relating to the \$3,000 limitation on remuneration) and without regard to paragraph (2) (B), (C), and (D) and paragraph (4) of section 1426 (a) (relating to sickness, accident disability, medical and hospitalization, and death payments).

(b) PERCENTAGE WITHHOLDING.—Every employer making a payment of wages to an employee shall deduct and withhold from such wages a tax equal to the sum of the following:

(1) 1½ per centum of the wages, and  
(2) 15 per centum of the wages in excess of an amount equal to one with-

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holding exemption as determined under section 1622 (b) multiplied by the number of withholding exemptions claimed (as defined in section 1621 (e)).

(c) WAGE BRACKET WITHHOLDING.—

At the election of the employer with respect to any payment of wages to an employee, the employer shall deduct and withhold from the wages paid to such employee a tax determined in accordance with tables prescribed by the Commissioner pursuant to section 1634, which shall be in lieu of the tax required to be deducted and withheld under subsection (b) of this section.

(d) APPORTIONMENT OF TAX.—

(1) TAX REQUIRED TO BE DEDUCTED AND WITHHELD.—The tax required to be deducted and withheld under this section during any calendar year shall be considered the tax required to be deducted and withheld under section 1622 (a) (2) to the extent such tax under this section exceeds  $1\frac{1}{2}$  per centum of the wages paid by the employer to the employee during such calendar year. The balance of such tax under this section shall be considered the tax imposed by section 1400 (b). For the purposes of this subsection, in determining  $1\frac{1}{2}$  per centum of the wages, the term "wages" shall not include any amount which is not wages as defined in section 1426 (a).

(2) TAX ACTUALLY DEDUCTED AND WITHHELD.—The amount deducted and withheld as tax under this section shall be apportioned, in the manner provided in paragraph (1) (relating to the tax required to be deducted and withheld under this section), on the basis of the facts and circumstances known at the close of the period during which such amount was deducted and withheld, and, to the extent determined by such apportionment, shall be deemed an amount deducted and withheld as tax under section 1622 and an amount deducted and withheld as tax under section 1401, respectively.

(e) CHANGE OF RATE UNDER SECTION 1400.—If for any calendar year the applicable rate prescribed by section 1400 (a) is not  $1\frac{1}{2}$  per centum, then there shall be substituted for the rate of  $1\frac{1}{2}$  per centum wherever specified in this section the rate prescribed by section 1400 (a) for such calendar year.

(f) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the tax required to be deducted and withheld under section 1622 shall, insofar as applicable and not inconsistent with the provisions of this section, be applicable with respect to the tax under this section.

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## SEC. 1634. WAGE BRACKET WITHHOLDING TABLES

The Commissioner shall prescribe the wage bracket withholding tables referred to in section 1633 (c). Such tables shall be identical with the tables prescribed by section 1622 (c), except that the tax to be withheld under such tables shall differ from the tax to be withheld under the tables prescribed by section 1622 (c) only in the following respects:

(a) Wherever the tables prescribed by section 1622 (c) show a specific amount (including a showing of \$0) of tax to be withheld with respect to a wage bracket, except where such amount is shown for the highest wage bracket in the table, such specific amount shall be increased by an amount equal to the applicable tax rate prescribed by section 1400 (a) applied to the amount at the midpoint of the wage bracket.

(b) In the case of the highest wage bracket shown in a table, the specific amount of tax to be withheld shown in the corresponding table prescribed by section 1622 (c) shall be increased by an amount equal to the applicable tax rate prescribed by section 1400 (a) applied to the amount at the lower limit of such highest wage bracket.

(c) Wherever the tables prescribed by section 1622 (c) show a specific percentage, such percentage shall be increased by the applicable tax rate prescribed by section 1400 (a).

## SEC. 1635. TAX PAID BY RECIPIENT

If the employer, in violation of the provisions of section 1633, fails to deduct and withhold the tax under such section, if by reason of section 1633 (d) a portion of such tax is considered tax required to be deducted and withheld under section 1622, and if thereafter the tax against which such portion may be credited is paid, such portion of the tax required to be deducted and withheld under section 1633 (determined in accordance with section 1633 (d)) shall not be collected from the employer; but this section shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

## SEC. 1636. RECEIPTS FOR EMPLOYEES.

(a) REQUIREMENT.—Every person required to deduct and withhold from an employee a tax under section 1400, 1622, or 1633, or who would have been required to deduct and withhold a tax under section 1622 if the employee had

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claimed no more than one withholding exemption, 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 1426 (a) have been paid), (3) the total amount of wages as defined in section 1621 (a), (4) the total amount deducted and withheld as tax under section 1622, (5) the total amount of wages as defined in section 1426 (a), and (6) the total amount deducted and withheld as tax under section 1400. For the determination of the portion of the amount deducted and withheld as tax under section 1633 which is deemed an amount deducted and withheld as tax under section 1622 and the portion which is deemed an amount deducted and withheld as tax under section 1400, see section 1633 (d) (2).

(b) STATEMENTS TO CONSTITUTE INFORMATION RETURNS.—The statements required to be furnished by this section in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of any such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such remuneration under section 147. If such statement is required for a period other than a calendar year, the apportionment for such other period shall be made in a manner similar to that provided in section 1633 (d).

(c) EXTENSION OF TIME.—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any person a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

## SEC. 1637. PENALTIES.

(a) PENALTIES FOR FRAUDULENT STATEMENT OF FAILURE TO FURNISH STATEMENT.—In lieu of any other penalty provided by law (except the

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penalty provided by subsection (b) of this section), any person required under the provisions of section 1636 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1636, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than \$1,000, or imprisoned for not more than one year, or both.

(b) **ADDITIONAL PENALTY.**—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1636 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1636, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of \$50. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410.

**SEC. 1638. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION OF CERTAIN EMPLOYMENT TAXES.**

(a) **GENERAL RULE.**—The amount of any tax imposed by subchapter A of this chapter subchapter D of this chapter or this subchapter shall (except as otherwise provided in the following subsections of this section) be assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period.

(b) **FALSE RETURN OR NO RETURN.**—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed or a proceeding in court for the collection of such tax may be begun without assessment at any time.

(c) **WILLFUL ATTEMPT TO EVADE TAX.**—In case of a willful attempt in any manner to defeat, or evade tax, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment at any time.

(d) **COLLECTION AFTER ASSESSMENT.**—Where the assessment of any tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court,

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but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer.

(e) DATE OF FILING OF RETURN.—For the purposes of this section, if a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year.

(f) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, which are required to be collected and paid by making and filing returns.

(g) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax imposed with respect to remuneration paid during any calendar year before 1951.

**SEC. 1639. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS OF CERTAIN EMPLOYMENT TAXES.**

(a) GENERAL RULE.—In the case of any tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter—

(1) PERIOD OF LIMITATION.—Unless a claim for credit or refund is filed by the taxpayer within three years from the time the return was filed or within two years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed, then no credit or refund shall be allowed or made after two years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

(2) LIMIT ON AMOUNT OF CREDIT OR REFUND.—The amount of the credit or refund shall not exceed the portion of the tax paid—

(A) If a return was filed and the claim was filed within three years from the time the return was filed during the three years immediately preceding the filing of the claim.

(B) If a claim was filed and (i) no return was filed or (ii) if the claim was not filed within three years from the time the return was filed during the two years immediately preceding the filing of the claim.

(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the

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return was filed during the three years immediately preceding the allowance of the credit or refund.

(D) If no claim was filed and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed during the two years immediately preceding the allowance of the credit or refund.

(b) PENALTIES, ETC.—The provisions of subsection (a) of this section shall apply to any penalty or sum assessed or collected with respect to the tax imposed by subchapter A of this chapter, subchapter D of this chapter or this subchapter.

(c) DATE OF FILING RETURN AND DATE OF PAYMENT OF TAX.—For the purposes of this section—

(1) If a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year, and

(2) If a tax with respect to remuneration paid during any period ending with or within a calendar year is paid before March 15 of the succeeding calendar year, such tax shall be considered paid on March 15 of such succeeding calendar year.

(d) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, which are required to be collected and paid by making and filing returns.

(e) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax paid or collected with respect to remuneration paid during any calendar year before 1951 or to any penalty or sum paid or collected with respect to such tax.

**SEC. 3312. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION.**

Except in the case of income, war-profits, excess-profits, estate, and gift taxes—

**SEC. 3313. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS.**

All claims for the refunding or crediting of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty alleged to have been collected without

**SEC. 3312. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION.**

Except in the case of income, war-profits, excess-profits, estate, and gift taxes and except as otherwise provided in section 1638 with respect to employment taxes under subchapters A, D, and E of chapter 9—

**SEC. 3313. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS.**

All claims for the refunding or crediting of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty alleged to have been collected without

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authority, or of any sum alleged to have been excessive or in any manner wrongfully collected must, except as otherwise provided by law in the case of income, war-profits, excess-profits, estate, and gift taxes, be presented to the Commissioner within four years next after the payment of such tax, penalty, or sum. The amount of the refund (in the case of taxes other than income, war-profits, excess-profits, estate, and gift taxes) shall not exceed the portion of the tax, penalty, or sum paid during the four years immediately preceding the filing of the claim, or if no claim was filed, then during the four years immediately preceding the allowance of the refund.

**SEC. 3645. PERIODS OF LIMITATION UPON ASSESSMENT.**

For the periods of limitation prescribed for making assessments, see the following:

\* \* \* \* \*  
Employment taxes, section 3312.

**SEC. 3772. SUITS FOR REFUND.**

**(c) CROSS REFERENCES.—**

For provisions relating to claims for refund or credit filed with the Commissioner in respect of—

**SEC. 3801. MITIGATION OF EFFECT OF LIMITATION AND OTHER PROVISIONS IN INCOME TAX CASES.**

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authority, or of any sum alleged to have been excessive or in any manner wrongfully collected must, except as otherwise provided by law in the case of income, war-profits, excess-profits, estate, and gift taxes, and except as otherwise provided by law in the case of employment taxes under subchapters A, D, and E of chapter 9 be presented to the Commissioner within four years next after the payment of such tax, penalty, or sum. The amount of the refund (in the case of taxes other than income, war-profits, excess-profits, estate, and gift taxes, and other than such employment taxes) shall not exceed the portion of the tax, penalty, or sum paid during the four years immediately preceding the filing of the claim, or if no claim was filed, then during the four years immediately preceding the allowance of the refund.

**SEC. 3645. PERIODS OF LIMITATION UPON ASSESSMENT.**

For the periods of limitation prescribed for making assessments, see the following:

\* \* \* \* \*  
Employment taxes, sections 1638 and 3312.

**SEC. 3772. SUITS FOR REFUND.**

**(c) CROSS REFERENCES.—**

For provisions relating to claims for refund or credit filed with the Commissioner in respect of—

\* \* \* \* \*  
Employment taxes, see sections 1639 and 3313.

**SEC. 3801. MITIGATION OF EFFECT OF LIMITATION AND OTHER PROVISIONS IN INCOME TAX CASES.**

**(g) TAXES IMPOSED BY CHAPTER 9—**

The provisions of this section shall not be construed to apply to any tax imposed by chapter 9.

**SEC. 3810. EFFECTIVE DATE IN CASE OF PUERTO RICO**

If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to on sections 1426 (e), 481 (a) (7), and 481 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

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## SEC. 3811. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO

Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapter E of chapter 1 and by subchapter A of chapter 9 shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections.

## SEC. 3812. MITIGATION OF EFFECT OF STATUTE OF LIMITATIONS AND OTHER PROVISIONS IN CASE OF RELATED TAXES UNDER DIFFERENT CHAPTERS.

(a) SELF-EMPLOYMENT TAX AND TAX ON WAGES.—In the case of the tax imposed by subchapter E of chapter 1 (relating to tax on self-employment income) and the tax imposed by section 1400 of subchapter A of chapter 9 (relating to tax on employees under the Federal Insurance Contributions Act)—

(1) (i) if an amount is erroneously treated as self-employment income, or (ii) if an amount is erroneously treated as wages, and

(2) if the correction of the error would require an assessment of one such tax and the refund or credit of the other tax, and

(3) if at any time the correction of the error is authorized as to one such tax but is prevented as to the other tax by any law or rule of law (other than section 3761, relating to compromises), then if the correction authorized is made, the amount of the assessment, or the amount of the credit or refund, as the case may be, authorized as to the one tax shall be reduced by the amount of the credit or refund, or the amount of the assessment, as the case may be, which would be required with respect to such other tax for the correction of the error if such credit or refund, or such assessment, of such other tax were not prevented by any law or rule of law (other than section 3761, relating to compromises).

(b) DEFINITIONS.—For the purposes of subsection (a) of this section, the terms "self-employment income" and "wages" shall have the same meaning as when used in section 481 (b).

## SUPPLEMENTAL VIEWS AND RESERVATIONS OF SENATORS LUCAS AND MYERS ON H. R. 6000

We have joined with the other members of the Senate Committee on Finance in voting to report out H. R. 6000. We believe that this bill makes many major improvements in our social-insurance system. In certain particulars the committee recommendations are more liberal than those adopted by the House of Representatives in passing H. R. 6000. We point with favor to the more liberal average monthly wage provisions and to the use of the 15-percent factor, in place of the 10-percent figure, agreed to in the House benefit formula. The Senate committee bill is to be commended, too, for liberalizing the eligibility requirements for social-security coverage in several important respects.

We feel impelled, however, to reserve fully our rights to support on the Senate floor some additional liberalizing amendments which were not accepted by a majority of the Senate committee. Among other things, these amendments are concerned primarily with four principles which we consider to be of substantial importance: (1) We regard the \$3,000 wage and tax base adopted by the committee to be inadequate; (2) we favor retention of an increment factor, such as is found in the present law and in the bill as it passed the House; (3) we believe the principle of permanent and total disability insurance should be established; and (4) we doubt seriously that State unemployment insurance funds can be protected adequately by the Government loan provision agreed to by a majority of the committee.

Turning our attention to a comparison of the insurance benefit formulas adopted by the House and by the Senate Finance Committee, we would like to repeat here the substantial details of each. Under the bill as passed by the House, insurance benefits were computed by taking 50 percent of the first \$100 of the average monthly wage, plus 10 percent of the next \$200 (based on a maximum wage and tax base of \$3,600 for the year), plus a one-half of 1 percent increase for each year of coverage. The Senate committee has recommended that the maximum wage and tax base be lowered to \$3,000 a year and that the one-half of 1 percent increase for each year of coverage be eliminated. As already indicated, the Senate committee increased the 10-percent provision in the formula to 15 percent. We supported this change in the committee and believe it is a realistic approach to bringing benefits in line with the increased costs of living. For a person earning \$250 a month, this will mean a monthly increase of \$11.25 in benefits to himself and his wife.

### I. WE RECOMMEND THAT THE WAGE BASE BE RAISED ABOVE \$3,000

We find it difficult to reconcile the committee's action in reducing the maximum wage base with the committee's recognition that changes in wages and the cost of living since 1939 required a change

in the benefit formula. The decision to retain the wage base at \$3,000 instead of the \$3,600 provided by the House bill is a backward step in the provision of insurance against wage loss. It would perpetuate a provision that was appropriate for wage levels more than a decade ago, when only 5 percent of the steadily employed workers covered by the program earned more than \$3,000 a year.

For benefits to be reasonably related to the worker's former level of living they should be based to the largest possible extent on his entire earnings. They were so based in 1940. They are not today when nearly one-half of all male workers, regularly employed in covered occupations, have wages of \$3,000 a year or more.

This point was recognized by the Advisory Council on Social Security, appointed by the Eightieth Congress, in its report to the Senate committee. The majority of the Council recommended that the wage base be raised to \$4,200, as an adjustment to present day price and wage levels. Five of the 17 members stated that a full adjustment to present levels would require a wage base of \$4,800.

Retention of the \$3,000 wage base establishes a flat benefit amount for those whose average earnings exceed \$250 a month. Clearly, there is no real relation to total earnings when a retiring worker who averaged \$350 a month receives the same benefit as one whose average monthly earnings were only \$250.

## II. WE FAVOR RETENTION OF AN INCREMENT FACTOR IN CALCULATING INSURANCE BENEFITS

We feel the committee's action in voting to eliminate the increment detracts from the progressive and realistic results which would otherwise be achieved by the increase in the benefit formula. Without an increment, the person who contributes to the insurance program for 45 years will get no more in benefits than one who contributes for only a year and a half. We feel this is neither fair nor reasonable. Retention of the increment is in line with the sound principles of contributory insurance embodied in the other financing and benefit provisions of the bill.

The present insurance system provides for an increase in an individual's insurance benefit of one percent for each year he has contributed substantially to the insurance system. As H. R. 6000 passed the House, it provided for an increment of one-half of 1 percent yearly. We feel the action of the committee in eliminating the increment altogether is undesirable.

The increment is psychologically important to assure support for a contributory program. It is consonant with the psychological value of individual incentive. It emphasizes and reinforces the principle that the man who pays more contributions receives more in benefits.

Future benefits will be larger with an increment than without one. This is important because any increase in insurance benefits will help reduce public assistance costs that are today heavy burdens on State and Federal tax revenues.

Thus, the use of the increment serves the dual purpose of lightening the ultimate public assistance burden while, at the same time, preserving the time-honored principle that pension benefits customarily increase with the length of time that an employee contributes.

### III. WE RECOMMEND THAT THE PRINCIPLE OF PERMANENT AND TOTAL DISABILITY INSURANCE BE ESTABLISHED

Almost every major retirement system in this country, whether public or private, provides in some measure for the premature retirement of those who are unable to work up to the full retirement age. Private plans, however, are extremely limited both as to scope and coverage. As constituted, these plans are incapable of meeting the income losses sustained by a worker outside his normal scope of employment. This is a problem of real magnitude when it is recalled that 90 percent of the accidents causing total permanent disability are not work-connected.

Permanent total disability is closely associated with the aging process, and it is most serious for those disabled in the years immediately preceding retirement. The problem of rehabilitation into new types of employment is also more difficult for the older worker.

Under existing conditions, the disabled worker is treated inequitably. If he has contributed toward retirement insurance for a substantial part of his working life, and yet becomes disabled prior to retirement age, he is forced to await retirement age before pension benefits are available. Thus, he is deprived of protection when he needs it most—when he is disabled. Moreover, the disabled worker, incapable of work, is no longer able to contribute to the insurance system, thus reducing his eventual benefits or perhaps causing them to be wiped out altogether.

Arbitrary retirement at a fixed age creates a false dividing line between the productive and nonproductive years. A worker is as old as his physical and mental capacities, whether he be 55, 65, or 75. For the many workers forced to abandon work before their sixty-fifth year, the present system of old-age-insurance benefits is inflexible and unrealistic. Permanent total disability insurance would provide our present retirement insurance system with a much-needed flexibility.

### IV. WE BELIEVE THE GOVERNMENT LOAN PROVISION IS INADEQUATE TO MEET THE REALISTIC NEEDS OF STATE UNEMPLOYMENT INSURANCE FUNDS

The committee has included in the bill a provision for loans to States whose unemployment insurance funds are inadequate. A Government loan fund, such as is proposed in the committee bill, has been tried previously. A similar fund existed between 1944 and 1949, but was never utilized by the States.

State unemployment insurance funds are financed by a tax on payrolls. At times of increasing local unemployment, the demand for benefits mounts. On the other hand, total revenue from the unemployment tax remains constant or actually diminishes. In this situation, States whose funds are overburdened will be reluctant to borrow money without foreseeable means of repayment.

The committee's recommendation merely reestablishes the loan authorization previously provided. The establishment of a Federal unemployment trust fund by earmarking the Federal unemployment tax for this purpose might more adequately meet the needs of depleted State unemployment funds. It would seem desirable to have this fund available for grants as well as loans.

## V. SUMMARY

We concur in the belief that the social security bill, as recommended by a majority of the Senate Finance Committee, proposes a long-overdue revitalization of the social security program, and one which is of signal importance to the well-being of the American people. It is for this reason that we voted to report the bill in its present form. We reserve the right, however, to support additional liberalizing amendments at the time the bill is brought to the Senate floor for a vote, because we believe certain additional changes would further strengthen the social insurance program in the public interest.

SCOTT W. LUCAS.

FRANCIS J. MYERS.

## MINORITY VIEWS OF SENATOR HUGH BUTLER

I recommend that the Senate reject H. R. 6000 in the form recommended by the Senate Finance Committee. My disagreement with the majority of the committee, however, is not based on any disagreement with the broad objective of providing security through governmental action to our older citizens and other needy groups. On the contrary, I firmly believe that the Government must take a major share of the responsibility for meeting this need. It is in part because I favor this objective that I am opposed to the bill as reported by the committee. The bill, in my judgment, does not meet the need.

In dealing with this subject this year, the committee has not attempted to make an analysis of the fundamental basis of our so-called Social Security System. Although there was some discussion of making such a study and considering alternative methods of meeting the need, the committee, in effect, decided against taking such action this year. Instead, it was content to accept the present system substantially as it stands; revise the tax and benefit scale; patch up some of the inadequacies; attempt to fill some of the more glaring loopholes; and report a bill which will merely push us farther along a course which I believe to be unwise.

Even with the revisions proposed by the committee, enormous gaps in coverage will remain; large areas of need will not be taken care of; the essential arbitrariness of the scale of benefits will persist and be strengthened; and the top-heavy administrative superstructure will be expanded even beyond its present size. That fact is clear proof that there are fundamental defects in the present system. The committee has done about as well as could be expected with the materials it chose to work with. But no one can turn out a good product with inferior raw materials. At a later point in this report, I shall suggest an alternative approach which in my judgment may prove more helpful.

In this bill are certain provisions dealing with aid to the blind and to dependent children and with certain other welfare programs. I shall not attempt to deal with those provisions in this report. They are important, but the provisions dealing with the old people are of greater magnitude, and it seems best to confine my comments to the latter.

In approaching the general problem of providing security for our old people, it seems to me best to pose the following questions:

1. Where is the area of greatest need and how great is that need?
2. To what extent can the economy of the Nation meet that need?
3. Through what system of financing can the need best be met?

The defects of the committee-approved bill appear to be based on the fact that the committee never posed these questions to itself nor frankly faced the necessity of solving them.

First, as to the area of greatest need. This bill has clearly failed to make any substantial provision for the present aged. Let me illustrate this fact by a statistical summary of the treatment that is

accorded those now over 65. These figures are worked out in the rough and are not precise to the last degree. They are substantially correct, however, and I believe they are adequate in giving a picture of the present situation.

As members of the Senate are aware, when the Social Security System was inaugurated it was set up on the basis of requiring through payroll taxes a contribution from both employers and employees which was supposed to go into a fund to provide benefits at the age of 65. In addition to those covered by the system and required to contribute, it was recognized at that time that the system made no provision for those who had reached the age of 65 and quit work. In other words, there was a fraction of the population which was already too old to come under a contributory system. This was expected to be a temporary group which could be taken care of temporarily through a parallel program called old-age assistance—really relief. However, it was expected that as this group died and others took their places in the ranks of the aged, those others would have old-age insurance coverage, and that the group on assistance would rapidly dwindle in number.

Strange to relate, this shrinkage in old-age assistance never occurred. The Social Security System is no longer new. It has been in effect 15 years. Many of those who in 1935 were over 65 years of age are no longer living. Yet the expenditures for old-age assistance or relief and the number receiving such relief have increased and increased year by year and continue to grow. In 1936 the Federal Government spent only \$17,000,000 for old-age assistance. By 1949 the Federal portion of the cost had climbed to \$726,700,000. Including what the States spent, a total of 1½ billion dollars was spent in 1949 for old-age assistance alone.

It is evident from the figures that the old-age and survivors insurance program has to date not met its goal of providing security for every elderly person. Instead, 15 years after the system was established, most elderly persons are forced to accept assistance generally on the basis of a needs test, or do without any help at all.

Actually, there were on the first of last January 2,000,000 aged persons receiving old-age and survivors insurance benefits under the assistance program. By way of contrast, there were 2,700,000 receiving old-age assistance. In other words, old-age assistance which was supposed to dwindle away is actually far ahead of old-age and survivors insurance when the number of recipients is considered. The same is true when we compare the actual sums paid out to assistance clients with those paid out to beneficiaries of OASI.

Nor is this all. As stated above, there are 2,000,000 old persons receiving OASI and 2.7 million receiving assistance—a total of 4.7 million. There are approximately 11.5 million persons in this country 65 years of age and over. In other words, 6,800,000 old people—more than half—receive nothing from either system. Some of these people are still working; a few of them receive retirement benefits from some other source; a few are wives of those working or receiving OASI benefits; a few are being cared for in institutions. After allowing for all such groups, it appears that there are still over 3½ million old people for whom no provision of any kind is made. That is the largest group of all.

In fact, when we add together those depending on old-age assistance with this group of nonrecipients who are not working and not being cared for in any manner by the Government, we reach the astonishing figure of 6,250,000 who may be in need and who are receiving no insurance benefits. That is three times as large as the number covered by OASI. Under the Social Security System we have today, there are three times as many outside the System as there are in it.

The Federal Security Agency will tell you that the way to correct this situation is to extend coverage of old age and survivors insurance. That has been done before. The committee has attempted to go still further in this direction. Under the committee bill, OASI coverage is extended on a compulsory basis to about 8,000,000 persons and on a voluntary basis to about 1½ million persons.

It is important to realize, however, that even this program for a large expansion of coverage will not even begin to meet the situation I have just discussed. The committee bill is still just a patchwork attempt. It will still leave many millions of persons uncovered. More important for our immediate purposes, it will do very little for the present aged. A great majority of them are left exactly where they were. To my mind, that is clear proof that there is something fundamentally wrong with the kind of insurance system that has been set up.

Proceeding with the second principal problem which was outlined in my introduction, no real attempt was made to evaluate the resources available for the support of the needy aged and to make the best possible use of those resources in meeting the need. One fact is of prime importance and should be kept clearly in mind. It is the working force of this country who must provide the help for the old people. There is a limit to the amount of the pay envelope that can go to the old. Any system which promises more than that is bound to fail.

It is important to make a determination as to just how large that margin is and what sum is available to provide assistance. Such a determination has not yet been made by any committee of Congress. Until that is done, it will be difficult to set up any sound system of social insurance.

It is equally important to conserve the use of the fund so as to make sure that it is made to go as far as possible in meeting the real need. One of the great difficulties with the present system is that in practical effect it is arbitrary and capricious in its operation. As pointed out above, vast areas of need are untouched entirely, 15 years after the inauguration of the system. On the other side, there are innumerable opportunities for windfall benefits, for large payments where no real need exists, for manipulation of the system by an individual so that he may receive large benefits in return for a token tax payment.

Take two contrasting situations and place them side by side. The first is from a letter in my own files. It relates to a man who ends up with 15 quarters of coverage when he had to have 22 quarters to qualify. We look into this case. We find that he would have qualified under the original act, but that subsequent amendments have the effect of freezing him out. He is in dire need. He has paid taxes and believes he deserves consideration.

On the other side, take the case cited by Representative Carl Curtis of Nebraska. This is the case of a man who reached 65 years of age on January 1 of this year and has been under Social Security since it started at an average monthly wage of \$100. His wife is the same age. This man has paid only \$144 in taxes altogether, and his employer has paid a like amount. Actuarially, this would have purchased for him a monthly benefit of only \$1.45.

Under the present law, he receives \$28 monthly as long as he lives, and his wife receives \$14. Should his wife live longer than he does, she will draw \$21 a month as long as she lives. The actuarial value of his benefit is \$3,460, and the wife's and widow's benefit is \$2,240, or a total actuarial value of \$5,700. This is provided at a cost to the man and his employer of \$288. The measure before us will raise this man's monthly benefit sharply. When the resources of the Social Security fund are paid out extravagantly, those resources are depleted by just that much and thereby prevented from being used to meet some real need.

Place these two cases side by side—the man who has paid in and receives nothing back, and the man who has paid little and receives much. Who can say that justice is being done under a system which permits such arbitrary discrepancies. Furthermore, the present system is open to manipulation. Honest people won't do it. Dishonest people will.

It has become fairly common practice for some persons to seek coverage whose chief source of income is from an uncovered source. Perhaps such a person will find a small part-time job at a nominal income for a temporary period. He may keep that job for just long enough to secure coverage and to build up a wage credit in the elaborate system of wage records maintained by the Social Security System in Baltimore. By such a means he may be able to cash in on the windfall provisions of this system in a manner similar to that of the second example given above and get back in benefits perhaps 20 times what he and his employer paid in. Such a practice does not constitute fraud in any criminal sense, and a strong temptation to use the System for financial gain is certainly there. Much of the money which has been paid in faithfully and sincerely by people who believed they were making provision for their own security has gone for such purposes.

I submit that the present System encourages and leads to such practices. So long as we maintain this elaborate system of wage credits, graduated benefits, and covered and uncovered employment, such cases will continue to occur. I do not believe they can be eradicated without changing the System entirely.

Coming now to what I have called the third major problem, what system of financing can best meet the need? It is in this respect that the present System falls down most completely. The outstanding characteristic of OASI is that it does not meet the need that we know of—the present aged—but that it promises to meet a need of the future. In other words, it is short on present performance and long on future promises. Whether it will or can actually keep those promises is another question.

The present system and the proposals of the Senate committee set up a scale of benefits for the future and a level of tax deductions pre-

sumed to be sufficient to meet the cost of those benefits. This system is commonly called a contributory system because the beneficiaries and their employers are presumed to have contributed sufficient taxes to pay the benefits. In actual fact, however, we do not know whether the tax contributions will be sufficient to pay the benefits. The benefits to be paid and the taxes to be levied are set forth in precise terms. But, of course, neither the total cost nor the actual revenue can be exactly calculated. In fact, numerous actuaries have sharply questioned the financial stability of the system and have called attention to the grave uncertainty that affects many of the factors in the actuarial calculation.

This is a supremely important fact. If the tax contributions will not be sufficient to pay the benefits that are promised, how can we properly call this a contributory old-age insurance program? A large source of the benefits in the distant future may have to be made up from general revenues of the Treasury, or from a higher rate of payroll tax than that contemplated in this bill.

In either case we are laying a heavier tax burden on the productive forces of America than we now contemplate. How much heavier such a burden may prove to be we have no way of knowing today. The actuary for the committee has made three or four different computations comparing revenues and disbursements of the trust fund based on various assumptions. Under the so-called intermediate-cost estimate, the tax rates provided in the bill, running up to 6½ percent, will not be sufficient to meet the cost of the benefits. Under the most unfavorable assumptions, the trust fund would never rise above the level it would reach next year. It would decline rapidly thereafter under these assumptions. Presumably within a few years it would be dissipated entirely, leaving us with a heavy obligation of benefits to pay but no funds other than current payroll taxes with which to pay them.

For the time being, of course, the fund is all right. The present aged are drawing little or nothing. The present working population is paying in tax contributions and will continue to do so for years ahead on the basis of the promise that they will receive large benefits when they are old. The trustees of the old age and survivors insurance trust fund have announced that for the next five years receipts of the fund will be more than sufficient to cover the disbursements. Of course they will—for a few years. But what will the picture be 20, 30, or 40 years from now when a far greater proportion of the aged will be entitled to draw benefits and on a more generous scale? They will demand that the promises made in this bill be kept.

How will these promises be kept? Or will they ever be kept? I do not know, but I can tell you how they have been kept up to date. When the social security program was started in 1935, those contributing were promised that they would receive a certain number of dollars when they reached a certain age. Those promises have been kept. Beneficiaries have received the number of dollars they were promised. The catch is that those dollars will not buy what they were expected to at the time the program was instituted. The claims of present beneficiaries of OASI are being paid off in depreciated dollars.

What will happen to the dollar between now and, say, 1990, we do not know. If we are to judge by the experience of the last 40 years,

the dollar in 1990 will not buy very much. No doubt the scale of benefits payments set forth in this bill will be met somehow or other on that distant date. But the payments may be made in dollars which have lost most of their buying power. There may be no other way to meet those obligations.

In my judgment the problem cannot be solved at all through the present elaborate and confusing system of mammoth wage records, large but distant promises, and a trust fund which is big enough to form a constant temptation to political demagogues, but perhaps not big enough to meet its obligations. I am in hopes that a better system can be established. I believe this possibility should be thoroughly investigated before we go ahead and compound the evil that is already with us.

If I have been against a good many things involved in this legislation, my position is not merely negative. I am for a constructive program.

The steps which should be taken are these: (1) Defeat the pending bill. No good can come from patching up a system which does not work or from over-promising and leaving to future generations the problem of making good on those promises. (2) Establish a completely independent research body with full power to investigate the present system and to examine what other systems have to offer. The greatest care must be taken that this research body be drawn primarily from the ranks of private actuaries without preconceived notions in favor of the present system. (3) Let the most careful examination be made of the possibilities of a universal flat-rate pension system which may be financed on a strictly pay-as-you-go basis. Under such a system the Federal Government should get out of the old-age assistance business, once and for all. I do not advocate such a flat-rate system today because I do not have sufficiently trustworthy statistical material on which to base a judgment, but I do believe a careful investigation of it should be made.

As I understand, the term "pay-as-you-go" means a system under which the cost for any year is raised within that year and under which at the end of the year nothing is owned and nothing is promised.

I specify neither the age nor the level of benefits that such a system might pay. Only an honest investigation can get us the answer, but I expect that we would find administrative cost shrinking to an astonishing degree. And I believe that if Americans are openly and honestly taxed to support such a system, they will have a much clearer idea of what constitute reasonable benefits and reasonable tax rates than they have today. Today we have a system in which we all but promise the recipient a dollar in exchange for a nickel. It is politically saleable as long as the promises are kept in the distant future. As soon as the day arrives when those promises must be kept, I am afraid this system may collapse of its own weight. And I am especially afraid that that collapse may carry the buying power of the dollar down with it.

If this bill is passed this year, there is a grave danger that neither the House nor the Senate committee will be anxious to start in all over again next year with the prolonged hearings and study which would be necessary to make the kind of fundamental change in the system that I have suggested. It would probably be some years before

either committee could be persuaded to undertake the tremendous task of studying the whole problem again. By that time it might well be that this system with its promises, its mountain of wage records, and its tremendous fund would be so firmly fastened upon us that we could never get rid of it. That is the great danger of passing this legislation. I earnestly urge that the Senate refuse to bind this country forevermore to a system which is substantially unworkable.

HUGH BUTLER.



Calendar No. 1680

81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6000

[Report No. 1669]

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IN THE SENATE OF THE UNITED STATES

OCTOBER 6 (legislative day, SEPTEMBER 3), 1949

Read twice and referred to the Committee on Finance

MAY 17 (legislative day, MARCH 29), 1950

Reported by Mr. GEORGE, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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## AN ACT

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 ~~That this Act, with the following table of contents, may be~~  
4 ~~cited as the "Social Security Act Amendments of 1949".~~

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1     **TITLE I—AMENDMENTS TO TITLE II OF THE**  
2                     **SOCIAL SECURITY ACT**

3             ~~OLD-AGE AND SURVIVORS INSURANCE BENEFITS~~

4             **SEC. 101. (a)** Section 202 of the Social Security Act is  
5 amended to read as follows:

6     ~~“OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS~~

7                     ~~“Old Age Insurance Benefits~~

8             ~~“SEC. 202. (a) Every individual who—~~

9                     ~~“(1) is a fully insured individual (as defined in~~  
10                     ~~section 214 (a)),~~

11                     ~~“(2) has attained retirement age (as defined in~~  
12                     ~~section 216 (a)), and~~

13                     ~~“(3) has filed application for old-age insurance~~  
14                     ~~benefits or was entitled to disability insurance bene-~~  
15                     ~~fits for the month preceding the month in which he~~  
16                     ~~attained retirement age,~~

17 shall be entitled to an old-age insurance benefit for each

1 month, beginning with the first month after 1949 in which  
2 such individual becomes so entitled to such insurance benefits  
3 and ending with the month preceding the month in which  
4 he dies. Such individual's old-age insurance benefit for any  
5 month shall be equal to his primary insurance amount (as  
6 defined in section 215 (a)) for such month.

7                   “Wife's Insurance Benefits

8           “(b) (1) The wife (as defined in section 216 (b)) of  
9 an individual entitled to old-age insurance benefits, if such  
10 wife—

11           “(A) has filed application for wife's insurance  
12 benefits,

13           “(B) has attained retirement age or has in her care  
14 (individually or jointly with her husband) at the time  
15 of filing such application a child entitled to a child's  
16 insurance benefit on the basis of the wages or self-  
17 employment income of her husband,

18           “(C) was living with such individual at the time  
19 such application was filed, and

20           “(D) is not entitled to old-age insurance bene-  
21 fits, or is entitled to old-age insurance benefits each  
22 of which is less than one-half of an old-age insurance  
23 benefit of her husband,

24 shall be entitled to a wife's insurance benefit for each  
25 month, beginning with the first month after 1949 in which

1 she becomes so entitled to such insurance benefits and end-  
 2 ing with the month preceding the first month in which  
 3 any of the following occurs: she dies, her husband dies, they  
 4 are divorced a vinculo matrimonii, no child of her husband  
 5 is entitled to a child's insurance benefit and she has not  
 6 attained retirement age, or she becomes entitled to an old-  
 7 age insurance benefit equal to or exceeding one-half of an  
 8 old-age insurance benefit of her husband.

9       “(2) Such wife's insurance benefit for each month shall  
 10 be equal to one-half of the old-age insurance benefit of her  
 11 husband for such month.

12                               “Child's Insurance Benefits

13       “(e) (1) Every child (as defined in section 216 (e))  
 14 of an individual entitled to old-age insurance benefits, or  
 15 of an individual who died a fully or currently insured indi-  
 16 vidual (as defined in section 214) after 1939, if such child—

17               “(A) has filed application for child's insurance  
 18 benefits,

19               “(B) at the time such application was filed, was un-  
 20 married and had not attained the age of eighteen, and

21               “(C) was dependent upon such individual at the  
 22 time such application was filed, or, if such individual  
 23 has died, was dependent upon such individual at the  
 24 time of such individual's death,

25 shall be entitled to a child's insurance benefit for each month,

1 beginning with the first month after 1949 in which such  
2 child becomes so entitled to such insurance benefits and  
3 ending with the month preceding the first month in which  
4 any of the following occurs such child dies, marries, is  
5 adopted (except for adoption by a stepparent, grandparent,  
6 aunt, or uncle subsequent to the death of such fully or  
7 currently insured individual), or attains the age of eighteen.

8       “(2) Such child’s insurance benefit for each month  
9 shall, if the individual on the basis of whose wages or self-  
10 employment income the child is entitled to such benefit has  
11 not died prior to the end of such month, be equal to one-half  
12 of the old-age insurance benefit of such individual for such  
13 month. Such child’s insurance benefit for each month shall,  
14 if such individual has died in or prior to such month, be  
15 equal to three-fourths of the primary insurance amount of  
16 such individual, except that, if there is more than one child  
17 entitled to benefits on the basis of such individual’s wages  
18 or self-employment income, each such child’s insurance  
19 benefit for such month shall be equal to the sum of (A)  
20 one-half of the primary insurance amount of such individual,  
21 and (B) one-fourth of such primary insurance amount  
22 divided by the number of such children.

23       “(3) A child shall be deemed dependent upon his  
24 father or adopting father at the time specified in paragraph  
25 (1) (C) unless, at such time, such individual was not

1 living with or contributing to the support of such child  
2 and—

3       “(A) such child is neither the legitimate nor  
4 adopted child of such individual, or

5       “(B) such child had been adopted by some other  
6 individual, or

7       “(C) such child was living with and was receiving  
8 more than one-half of his support from his stepfather.

9       “(4) A child shall be deemed dependent upon his step-  
10 father at the time specified in paragraph (1) (C) if, at  
11 such time, the child was living with or was receiving at  
12 least one-half of his support from such stepfather.

13       “(5) A child shall be deemed dependent upon his natu-  
14 ral or adopting mother at the time of her death if, at such  
15 time, she was both a fully and a currently insured individual.  
16 A child shall also be deemed dependent upon his natural or  
17 adopting mother, or upon his stepmother, at the time speci-  
18 fied in paragraph (1) (C) if, at such time, (A)  
19 she was living with or contributing to the support of  
20 such child, and (B) either (i) such child was neither  
21 living with nor receiving contributions from his father or  
22 adopting father, or (ii) such child was receiving at least  
23 one-half of his support from her.

24                       “Widow’s Insurance Benefits

25       “(d) (1) The widow (as defined in section 216 (c))

1 of an individual who died a fully insured individual after  
2 1939, if such widow—

3           “(A) has not remarried,

4           “(B) has attained retirement age,

5           “(C) has filed application for widow's insurance  
6 benefits or was entitled, after attainment of retirement  
7 age, to wife's insurance benefits, on the basis of the  
8 wages or self-employment income of such individual,  
9 for the month preceding the month in which he died,

10           “(D) was living with such individual at the time  
11 of his death, and

12           “(E) is not entitled to old-age insurance benefits,  
13 or is entitled to old-age insurance benefits each of which  
14 is less than three-fourths of the primary insurance  
15 amount of her deceased husband,

16 shall be entitled to a widow's insurance benefit for each  
17 month, beginning with the first month after 1949 in which  
18 she becomes so entitled to such insurance benefits and  
19 ending with the month preceding the first month in which  
20 any of the following occurs: she remarries, dies, or becomes  
21 entitled to an old-age insurance benefit equal to or exceed-  
22 ing three-fourths of the primary insurance amount of her  
23 deceased husband.

24           “(2) Such widow's insurance benefit for each month

1 shall be equal to three-fourths of the primary insurance  
2 amount of her deceased husband.

3                   “Mother’s Insurance Benefits

4       “(c) (1) The widow and every former wife divorced  
5 (as defined in section 216 (d)) of an individual who died  
6 a fully or currently insured individual after 1939, if such  
7 widow or former wife divorced—

8           “(A) has not remarried,

9           “(B) is not entitled to a widow’s insurance benefit,

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

14          “(D) has filed application for mother’s insurance  
15 benefits,

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

19          “(F) (i) in the case of a widow, was living  
20 with such individual at the time of his death, or (ii) in  
21 the case of a former wife divorced, was receiving  
22 from such individual (pursuant to agreement or court  
23 order) at least one-half of her support at the time of his  
24 death, and the child referred to in clause (E) is her

1 son, daughter, or legally adopted child and the benefits  
2 referred to in such clause are payable on the basis of  
3 such individual's wages or self-employment income,  
4 shall be entitled to a mother's insurance benefit for each  
5 month, beginning with the first month after 1949 in which  
6 she becomes so entitled to such insurance benefits and ending  
7 with the month preceding the first month in which  
8 any of the following occurs: no child of such deceased  
9 individual is entitled to a child's insurance benefit; such widow  
10 or former wife divorced becomes entitled to an old-age  
11 insurance benefit equal to or exceeding three-fourths of the  
12 primary insurance amount of such deceased individual; she  
13 becomes entitled to a widow's insurance benefit, she re-  
14 marries, or she dies. Entitlement to such benefits shall also  
15 end, in the case of a former wife divorced, with the month  
16 immediately preceding the first month in which no son,  
17 daughter, or legally adopted child of such former wife  
18 divorced is entitled to a child's insurance benefit on the basis  
19 of the wages or self-employment income of such deceased  
20 individual.

21 ~~"(2)~~ Such mother's insurance benefit for each month  
22 shall be equal to three-fourths of the primary insurance  
23 amount of such deceased individual.

24 "Parent's Insurance Benefits

25 ~~"(f) (1)~~ Every parent (as defined in this subsection)

1 of an individual who died a fully insured individual after  
 2 1939, if such individual did not leave a widow who meets  
 3 the conditions in subsection ~~(d)~~ ~~(1)~~ ~~(D)~~ and ~~(E)~~ or  
 4 an unmarried child under the age of eighteen deemed  
 5 dependent on such individual under subsection ~~(c)~~ ~~(3)~~,  
 6 ~~(4)~~, or ~~(5)~~, and if such parent—

7           ~~“(A)~~ has attained retirement age,

8           ~~“(B)~~ was receiving at least one-half of his support  
 9 from such individual at the time of such individual’s  
 10 death and filed proof of such support within two years of  
 11 such date of death,

12           ~~“(C)~~ has not married since such individual’s death,

13           ~~“(D)~~ is not entitled to old-age insurance benefits,  
 14 or is entitled to old-age insurance benefits each of which  
 15 is less than three-fourths of the primary insurance  
 16 amount of such deceased individual, and

17           ~~“(E)~~ has filed application for parent’s insurance  
 18 benefits;

19 shall be entitled to a parent’s insurance benefit for each  
 20 month, beginning with the first month after 1949 in which  
 21 such parent becomes so entitled to such parent’s insurance  
 22 benefits and ending with the month preceding the first  
 23 month in which any of the following occurs: such parent  
 24 dies, marries, or becomes entitled to an old-age insurance

1 benefit equal to or exceeding three-fourths of the primary  
2 insurance amount of such deceased individual.

3       “(2) Such parent’s insurance benefit for each month  
4 shall be equal to three-fourths of the primary insurance  
5 amount of such deceased individual.

6       “(3) As used in this subsection, the term ‘parent’ means  
7 the mother or father of an individual; a stepparent of an  
8 individual by a marriage contracted before such individual  
9 attained the age of sixteen; or an adopting parent by whom  
10 an individual was adopted before he attained the age of  
11 sixteen.

12                               “Lump-Sum Death Payments

13       “(g) Upon the death, after 1949, of an individual who  
14 died a fully or currently insured individual, an amount equal  
15 to three times such individual’s primary insurance amount  
16 shall be paid in a lump sum to the person, if any, determined  
17 by the Administrator to be the widow or widower of the  
18 deceased and to have been living with the deceased at the  
19 time of death. If there is no such person, or if such person  
20 dies before receiving payment, then such amount shall be  
21 paid to any person or persons, equitably entitled thereto,  
22 to the extent and in the proportions that he or they shall  
23 have paid the expenses of burial of such insured individual.  
24 No payment shall be made to any person under this sub-  
25 section unless application therefor shall have been filed, by or

1 on behalf of any such person (whether or not legally com-  
 2 petent), prior to the expiration of two years after the date  
 3 of death of such insured individual.

4           “Application for Monthly Insurance Benefits

5           “(h) (1) An individual who would have been entitled  
 6 to a benefit under subsection (a), (b), (c), (d), (e), or  
 7 (f) for any month after 1949 had he filed application  
 8 therefor prior to the end of such month shall be entitled to  
 9 such benefit for such month if he files application therefor  
 10 prior to the end of the sixth month immediately succeeding  
 11 such month. Any benefit for a month prior to the month in  
 12 which application is filed shall be reduced, to any extent  
 13 that may be necessary, so that it will not render erroneous  
 14 any benefit which, before the filing of such application, the  
 15 Administrator has certified for payment for such prior month.

16           “(2) No application for any benefit under this section  
 17 for any month after 1949 which is filed prior to three months  
 18 before the first month for which the applicant becomes en-  
 19 titled to such benefit shall be accepted as an application for  
 20 the purposes of this section; and any application filed within  
 21 such three months' period shall be deemed to have been  
 22 filed in such first month.

23           “Simultaneous Entitlement to Benefits

24           “(i) (1) Any individual who is entitled for any month



1 amendment made by subsection ~~(a)~~ of this section shall  
2 take effect January 1, 1950.

3 ~~(2)~~ Section 205 ~~(m)~~ of the Social Security Act is re-  
4 pealed effective with respect to monthly benefits under  
5 section 202 of the Social Security Act, as amended by this  
6 Act, for months after 1949.

7 ~~(3)~~ Section 202 ~~(h)~~ ~~(2)~~ of the Social Security Act, as  
8 amended by this Act, shall take effect October 1, 1949.

9 ~~(e)~~ ~~(1)~~ Any individual entitled to primary insurance  
10 benefits or widow's current insurance benefits under section  
11 202 of the Social Security Act as in effect prior to its  
12 amendment by this Act who would, but for the enactment  
13 of this Act, be entitled to such benefits for January 1950  
14 shall be deemed to be entitled to old-age insurance bene-  
15 fits or mother's insurance benefits (as the case may be)  
16 under section 202 of the Social Security Act, as amended  
17 by this Act, as though such individual became entitled to  
18 such benefits in January 1950, the primary insurance amount  
19 on which such benefits are based to be determined as pro-  
20 vided in section 111 of this Act.

21 ~~(2)~~ Any individual entitled to any other monthly in-  
22 surance benefits under section 202 of the Social Security  
23 Act as in effect prior to its amendment by this Act who  
24 would, but for the enactment of this Act, be entitled to such  
25 benefits for January 1950 shall be deemed to be entitled

1 to such benefits under section 202 of the Social Security Act,  
2 as amended by this Act, as though such individual became  
3 entitled to such benefits in January 1950, the primary  
4 insurance amount on which such benefits are based to be  
5 determined as provided in section 111 of this Act.

6 ~~(3)~~ Any individual who files application after 1949  
7 for monthly benefits under any subsection of section 202  
8 of the Social Security Act who would, but for the enact-  
9 ment of this Act, be entitled to benefits under such subsection  
10 ~~(as in effect prior to such enactment)~~ for any month prior  
11 to 1950 shall be deemed entitled to such benefits for such  
12 month prior to 1950 to the same extent and in the same  
13 amounts as though this Act had not been enacted.

14 ~~(d)~~ In the case of any parent of an individual who—

15 ~~(1)~~ died after June 1947 but prior to 1950,

16 ~~(2)~~ was not a fully insured individual under the  
17 provisions of section 209 ~~(g)~~ of the Social Security  
18 Act as in effect at the time of his death, and

19 ~~(3)~~ who is insured under the provisions of section  
20 214 ~~(a)~~ of such Act, as amended by this Act,

21 such parent shall be deemed to have met the requirement,  
22 in section 202 ~~(f)~~ ~~(1)~~ ~~(B)~~ of such Act as so amended,  
23 of filing proof of support within two years of the date of  
24 such individual's death if such proof is filed prior to 1952.

25 ~~(e)~~ Lump-sum death payments shall be made in the

1 ease of individuals who died prior to 1950 as though this  
 2 Act had not been enacted; except that in the case of any  
 3 individual who died outside the forty-eight States and the  
 4 District of Columbia after December 6, 1941, and prior  
 5 to August 10, 1946, the last sentence of section 202 (g)  
 6 of the Social Security Act shall not be applicable if appli-  
 7 cation for a lump-sum death payment is filed prior to 1952.

8 **MAXIMUM BENEFITS**

9 **SEC. 102.** (a) So much of section 203 of the Social  
 10 Security Act as precedes subsection (d) is amended to read  
 11 as follows:

12 **"REDUCTION OF INSURANCE BENEFITS OTHER THAN**  
 13 **DISABILITY BENEFITS**

14 **"Maximum Benefits**

15 **"SEC. 203.** (a) Whenever the total of monthly benefits  
 16 to which individuals are entitled under section 202 for a  
 17 month on the basis of the wages or self-employment income  
 18 of an individual exceeds \$150, or exceeds 80 per centum  
 19 of his average monthly wage (as defined in section 215  
 20 (c)), such total of benefits shall, after any deductions  
 21 under this section, be reduced to \$150 or to 80 per centum  
 22 of his average monthly wage, whichever is the lesser.  
 23 Whenever a reduction is made under this subsection, each  
 24 benefit, except the old-age insurance benefit, shall be pro-  
 25 portionately decreased."



1 not have in her care (individually or jointly with her  
2 husband) a child of her husband entitled to a child's  
3 insurance benefit; or

4 “(4) in which such individual, if a widow entitled  
5 to a mother's insurance benefit, did not have in her care  
6 a child of her deceased husband entitled to a child's  
7 insurance benefit; or

8 “(5) in which such individual, if a former wife  
9 divorced entitled to a mother's insurance benefit, did  
10 not have in her care a child, of her deceased former  
11 husband, who (A) is her son, daughter, or legally  
12 adopted child and (B) is entitled to a child's insurance  
13 benefit with respect to the wages or self-employment  
14 income of her deceased former husband.

15 “Deductions From Dependents' Benefits Because of Work  
16 by Old-Age Insurance Beneficiary

17 “(c) Deductions shall be made from any wife's or child's  
18 insurance benefit to which a wife or child is entitled, until  
19 the total of such deductions equals such wife's or child's in-  
20 surance benefit or benefits under section 202 for any month  
21 after 1949—

22 “(1) in which the individual, on the basis of whose  
23 wages or self-employment income such benefit was pay-  
24 able, is under the age of seventy-five and in which he  
25 rendered services for wages (as determined under section

1 200 without regard to subsection (a) thereof) of more  
2 than \$50; or

3 “(2) in which the individual referred to in para-  
4 graph (1) is under the age of seventy five and for  
5 which month he is charged, under the provisions of  
6 subsection (c) of this section, with net earnings from  
7 self-employment of more than \$50.

8 “Occurrence of More Than One Event

9 “(d) If more than one event specified in subsections  
10 (b) and (c) occurs in any one month which would occasion  
11 deductions equal to a benefit for such month, only an amount  
12 equal to such benefit shall be deducted. The charging of  
13 net earnings from self-employment to any month shall be  
14 treated as an event occurring in the month to which such  
15 net earnings are charged.

16 “Months to Which Net Earnings Are Charged

17 “(e) For the purposes of subsections (b) and (c)—

18 “(1) If an individual's net earnings from self-  
19 employment for his taxable year are not more than  
20 the product of \$50 times the number of months in such  
21 year, no month in such year shall be charged with more  
22 than \$50 of net earnings from self-employment.

23 “(2) If an individual's net earnings from self-  
24 employment for his taxable year are more than the prod-  
25 uct of \$50 times the number of months in such year, each

1 month of such year shall be charged with \$50 of net  
2 earnings from self-employment, and the amount of such  
3 net earnings in excess of such product shall be  
4 further charged to months as follows: The first \$50  
5 of such excess shall be charged to the last month  
6 of such taxable year, and the balance, if any, of  
7 such excess shall be charged at the rate of \$50  
8 per month to each preceding month in such year until  
9 all of such balance has been applied, except that no  
10 part of such excess shall be charged to any month (A)  
11 for which such individual was not entitled to a benefit  
12 under this title, (B) in which an event described in  
13 paragraph (1), (3), (4), or (5) of subsection (b)  
14 occurred, (C) in which such individual was age seventy-  
15 five or over, or (D) in which such individual did not  
16 engage in self-employment.

17 “(3) (A) As used in paragraph (2), the term  
18 ‘last month of such taxable year’ means the latest month  
19 in such year to which the charging of the excess de-  
20 scribed in such paragraph is not prohibited by the appli-  
21 cation of clauses (A), (B), (C), and (D) thereof.

22 “(B) For the purposes of clause (D) of paragraph  
23 (2), an individual will be presumed, with respect to any  
24 month, to have been engaged in self-employment in  
25 such month until it is shown to the satisfaction of the

1 Administrator that such individual rendered no sub-  
2 stantial services in such month with respect to any  
3 trade or business the net income or loss of which is  
4 includible in computing his net earnings from self-  
5 employment for any taxable year. The Administrator  
6 shall by regulations prescribe the methods and criteria  
7 for determining whether or not an individual has  
8 rendered substantial services with respect to any trade  
9 or business.

10 "Penalty for Failure to Report Certain Events

11 "~~(f)~~ Any individual in receipt of benefits subject to  
12 deduction under subsection ~~(b)~~ or ~~(c)~~ (or who is in  
13 receipt of such benefits on behalf of another individual),  
14 because of the occurrence of an event specified therein (other  
15 than an event described in subsection ~~(b)~~ (2) or ~~(c)~~ (2)),  
16 shall report such occurrence to the Administrator prior  
17 to the receipt and acceptance of an insurance benefit for  
18 the second month following the month in which such event  
19 occurred. Any such individual having knowledge thereof,  
20 who fails to report any such occurrence, shall suffer an  
21 additional deduction equal to that imposed under subsection  
22 ~~(b)~~ or ~~(c)~~, except that the first additional deduction im-  
23 posed by this subsection in the case of any individual shall  
24 not exceed an amount equal to one month's benefit even



1 deduction in an amount equal to his benefit or benefits  
2 for the last month in such taxable year for which he  
3 was entitled to a benefit under section 202; and

4 ~~“(B) if the failure to make such report continues~~  
5 ~~after the close of the fourth calendar month following the~~  
6 ~~close of such taxable year, such individual shall suffer~~  
7 ~~an additional deduction in the same amount for each~~  
8 ~~month or fraction thereof during which such failure~~  
9 ~~continues after such fourth month;~~

10 except that the number of the additional deductions required  
11 by this paragraph shall not exceed the number of months in  
12 such taxable year for which such individual received and  
13 accepted insurance benefits under section 202 and for which  
14 deductions are imposed under subsection ~~(b)~~ ~~(2)~~ by  
15 reason of such net earnings from self-employment. If  
16 more than one additional deduction would be imposed under  
17 this paragraph with respect to a failure by an individual  
18 to file a report required by paragraph ~~(1)~~ and such failure  
19 is the first for which any additional deduction is imposed  
20 under this paragraph, only one additional deduction shall  
21 be imposed with respect to such first failure.

22 ~~“(3) If the Administrator determines, on the basis of~~  
23 ~~information obtained by or submitted to him, that it may~~  
24 ~~reasonably be expected that an individual entitled to bene-~~  
25 ~~fits under section 202 for any taxable year will suffer deduc-~~

1 tions imposed under subsection ~~(b) (2)~~ by reason of his  
2 net earnings from self-employment for such year, the  
3 Administrator may, before the close of such taxable  
4 year, suspend the payment for each month in such year  
5 ~~(or for only such months as the Administrator may specify)~~  
6 of the benefits payable on the basis of such individual's  
7 wages and self-employment income; and such suspension  
8 shall remain in effect with respect to the benefits for any  
9 month until the Administrator has determined whether or not  
10 any deduction is imposed for such month under subsection  
11 ~~(b)~~. The Administrator is authorized, before the close of the  
12 taxable year of an individual entitled to benefits during such  
13 year, to request of such individual that he make, at such  
14 time or times as the Administrator may specify, a declaration  
15 of his estimated net earnings from self-employment for the  
16 taxable year and that he furnish to the Administrator such  
17 other information with respect to such net earnings as the  
18 Administrator may specify. A failure by such individual  
19 to comply with any such request shall in itself constitute  
20 justification for a determination under this paragraph that it  
21 may reasonably be expected that the individual will suffer  
22 deductions imposed under subsection ~~(b) (2)~~ by reason of  
23 his net earnings from self-employment for such year.

24 "~~Deductions With Respect to Certain Lump Sum Payments~~

25 "~~(h)~~ Deductions shall also be made from any old-age

1 insurance benefit to which an individual is entitled, or from  
2 any other insurance benefit payable on the basis of such  
3 individual's wages or self-employment income, until such  
4 deductions total the amount of any lump sum paid to such  
5 individual under section 204 of the Social Security Act in  
6 force prior to the date of enactment of the Social Security  
7 Act Amendments of 1939.

8                   “Attainment of Age Seventy-five

9           “(i) For the purposes of this section, an individual  
10 shall be considered as seventy-five years of age during the  
11 entire month in which he attains such age.”

12           (b) The amendments made by this section shall take  
13 effect January 1, 1950.

14                                   DEFINITIONS

15           SEC. 104. (a) Title II of the Social Security Act is  
16 amended by striking out section 209 and inserting in lieu  
17 thereof the following:

18                                   “DEFINITION OF WAGES

19           “SEC. 209. For the purposes of this title, the term  
20 ‘wages’ means remuneration paid prior to 1950 which was  
21 wages for the purposes of this title under the law applicable  
22 to the payment of such remuneration, and remuneration paid  
23 after 1949 for employment, including the cash value of all  
24 remuneration paid in any medium other than cash; except

1 that, in the case of remuneration paid after 1949, such term  
2 shall not include—

3       “(a) That part of the remuneration which, after  
4 remuneration (other than remuneration referred to in the  
5 succeeding subsections of this section) equal to \$3,600  
6 with respect to employment has been paid to an indi-  
7 vidual by an employer during any calendar year, is  
8 paid to such individual by such employer during such  
9 calendar year. If an employer during any calendar  
10 year acquires substantially all the property used in a  
11 trade or business of another person (hereinafter referred  
12 to as a predecessor), or used in a separate unit of a  
13 trade or business of a predecessor, and immediately  
14 after the acquisition employs in his trade or business an  
15 individual who immediately prior to the acquisition was  
16 employed in the trade or business of such predecessor,  
17 then, for the purpose of determining whether such  
18 employer has paid remuneration (other than remunera-  
19 tion referred to in the succeeding subsections of this  
20 section) with respect to employment equal to \$3,600  
21 to such individual during such calendar year, any remu-  
22 nation with respect to employment paid (or considered  
23 under this subsection as having been paid) to such indi-  
24 vidual by such predecessor during such calendar year

1 and prior to such acquisition shall be considered as  
2 having been paid by such employer;

3 ~~“(b) The amount of any payment made to, or on~~  
4 ~~behalf of, an employee under a plan or system estab-~~  
5 ~~lished by an employer which makes provision for his~~  
6 ~~employees generally or for a class or classes of his~~  
7 ~~employees (including any amount paid by an employer~~  
8 ~~for insurance or annuities, or into a fund, to provide~~  
9 ~~for any such payment), on account of (1) retirement,~~  
10 ~~or (2) sickness or accident disability, or (3) medical~~  
11 ~~or hospitalization expenses in connection with sickness~~  
12 ~~or accident disability, or (4) death;~~

13 ~~“(c) Any payment made to an employee (includ-~~  
14 ~~ing any amount paid by an employer for insurance or~~  
15 ~~annuities, or into a fund, to provide for any such pay-~~  
16 ~~ment) on account of retirement;~~

17 ~~“(d) Any payment on account of sickness or~~  
18 ~~accident disability, or medical or hospitalization ex-~~  
19 ~~penditures in connection with sickness or accident disability,~~  
20 ~~made by an employer to, or on behalf of, an employee~~  
21 ~~after the expiration of six calendar months following~~  
22 ~~the last calendar month in which the employee worked~~  
23 ~~for such employer;~~

24 ~~“(e) Any payment made to, or on behalf of, an~~

1       employee ~~(1)~~ from or to a trust exempt from tax  
2       under section 165 ~~(a)~~ of the Internal Revenue Code  
3       at the time of such payment unless such payment is  
4       made to an employee of the trust as remuneration for  
5       services rendered as such employee and not as a bene-  
6       ficiary of the trust, or ~~(2)~~ under or to an annuity plan  
7       which, at the time of such payment, meets the require-  
8       ments of section 165 ~~(a)~~ ~~(3)~~, ~~(4)~~, ~~(5)~~, and ~~(6)~~  
9       of such code;

10       “~~(f)~~ The payment by an employer ~~(without de-~~  
11       duction from the remuneration of the employee) ~~(1)~~  
12       of the tax imposed upon an employee under section  
13       1400 of the Internal Revenue Code, or ~~(2)~~ of any  
14       payment required from an employee under a State  
15       unemployment compensation law;

16       “~~(g)~~ Remuneration paid in any medium other than  
17       cash to an employee for service not in the course of  
18       the employer's trade or business ~~(including domestic~~  
19       service in a private home of the employer); or

20       “~~(h)~~ Any payment ~~(other than vacation or sick~~  
21       pay) made to an employee after the month in which  
22       he attains retirement age ~~(as defined in section 216~~  
23       ~~(a))~~, if he did not work for the employer in the period  
24       for which such payment is made.

1 Tips and other cash remuneration customarily received by  
2 an employee in the course of his employment from persons  
3 other than the person employing him shall, for the purposes  
4 of this title, be considered as remuneration paid to him by  
5 his employer; except that, in the case of tips, only so much  
6 of the amount thereof received during any calendar quarter  
7 as the employee, before the expiration of ten days after the  
8 close of such quarter, reports in writing to his employer  
9 as having been received by him in such quarter shall be  
10 considered as remuneration paid by his employer, and the  
11 amount so reported shall be considered as having been paid  
12 to him by his employer on the date on which such report  
13 is made to the employer.

14                                    ~~“DEFINITION OF EMPLOYMENT~~

15           ~~“SEC. 201. For the purposes of this title—~~

16                                   ~~“Employment~~

17           ~~“(a) The term ‘employment’ means any service per-~~  
18 ~~formed after 1936 and prior to 1950 which was employ-~~  
19 ~~ment for the purposes of this title under the law applicable~~  
20 ~~to the period in which such service was performed, and any~~  
21 ~~service of whatever nature performed after 1949 either (A)~~  
22 ~~by an employee for the person employing him, irrespective~~  
23 ~~of the citizenship or residence of either, (i) within the~~  
24 ~~United States, or (ii) on or in connection with an American~~  
25 ~~vessel or American aircraft under a contract of service which~~

1 is entered into within the United States or during the per-  
2 formance of which the vessel or aircraft touches at a port in  
3 the United States; if the employee is employed on and in con-  
4 nection with such vessel or aircraft when outside the United  
5 States, or ~~(B)~~ outside the United States by a citizen of the  
6 United States as an employee for an American employer  
7 ~~(as defined in subsection (e))~~; except that, in the case of  
8 service performed after 1949, such term shall not include—

9       ~~“(1) Agricultural labor (as defined in subsec-~~  
10       ~~tion (f))~~;

11       ~~“(2) (A) Service not in the course of the em-~~  
12       ~~ployer’s trade or business (including domestic service in~~  
13       ~~a private home of the employer) performed on a farm~~  
14       ~~operated for profit;~~

15       ~~“(B) Domestic service performed in a local college~~  
16       ~~club, or local chapter of a college fraternity or sorority,~~  
17       ~~by a student who is enrolled and is regularly attending~~  
18       ~~classes at a school, college, or university;~~

19       ~~“(3) Service not in the course of the employer’s~~  
20       ~~trade or business performed in any calendar quarter by~~  
21       ~~an employee, unless the cash remuneration paid for such~~  
22       ~~service is \$25 or more and such service is performed~~  
23       ~~by an individual who is regularly employed by such~~  
24       ~~employer to perform such service. For the purposes of~~  
25       ~~this paragraph, an individual shall be deemed to be~~

1 regularly employed by an employer during a calendar  
2 quarter only if ~~(A)~~ such individual performs for such  
3 employer service not in the course of the employer's  
4 trade or business during some portion of at least twenty-  
5 six days during such quarter, or ~~(B)~~ if such individual  
6 was regularly employed ~~(as determined under clause~~  
7 ~~(A))~~ by such employer in the performance of such  
8 service during the preceding calendar quarter. As used  
9 in this paragraph, the term 'service not in the course  
10 of the employer's trade or business' includes domestic  
11 service in a private home of the employer;

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

16       ~~"(5)~~ Service performed by an individual on or  
17 in connection with a vessel not an American vessel,  
18 or on or in connection with an aircraft not an American  
19 aircraft, if the individual is employed on and in connec-  
20 tion with such vessel or aircraft when outside the United  
21 States;

22       ~~"(6)~~ Service performed in the employ of any in-  
23 strumentality of the United States, if such instrumentality  
24 is exempt from the tax imposed by section 1410 of the  
25 Internal Revenue Code by virtue of any provision of

1 law which specifically refers to such section in granting  
2 such exemption;

3       ~~“(7) Service performed in the employ of the~~  
4 United States, or in the employ of any instrumentality  
5 of the United States which is partly or wholly owned  
6 by the United States, but only if ~~(i)~~ such service is  
7 covered by a retirement system, established by a law  
8 of the United States, for employees of the United States  
9 or of such instrumentality, or ~~(ii)~~ such service is  
10 performed—

11           ~~“(A) by the President or Vice President of~~  
12 the United States or by a Member, Delegate, or  
13 Resident Commissioner, of or to the Congress;

14           ~~“(B) in the legislative branch;~~

15           ~~“(C) in the field service of the Post Office~~  
16 Department;

17           ~~“(D) in or under the Bureau of the Census~~  
18 of the Department of Commerce by temporary em-  
19 ployees employed for the taking of any census;

20           ~~“(E) by any employee who is excluded by~~  
21 Executive order from the operation of the Civil  
22 Service Retirement Act of 1930 because he is paid  
23 on a contract or fee basis;

24           ~~“(F) by any employee receiving nominal com-~~  
25 pensation of \$12 or less per annum;

1           “(G) in a hospital, home, or other institution  
2 of the United States by a patient or inmate thereof;

3           “(H) by any employee who is excluded by  
4 Executive order from the operation of the Civil  
5 Service Retirement Act of 1930 because he is serv-  
6 ing under a temporary appointment pending final  
7 determination of eligibility for permanent or in-  
8 definite appointment;

9           “(I) by any consular agent appointed under  
10 authority of section 551 of the Foreign Service Act  
11 of 1946 (22 U. S. C., sec. 951);

12           “(J) by any employee included under section  
13 2 of the Act of August 4, 1947 (relating to certain  
14 interns, student nurses, and other student employees  
15 of hospitals of the Federal Government; 5 U. S. C.,  
16 sec. 1052);

17           “(K) in the employ of the Tennessee Valley  
18 Authority in a position which is covered by a retire-  
19 ment system established by such Authority;

20           “(L) by any employee serving on a tempo-  
21 rary basis in case of fire, storm, earthquake, flood,  
22 or other emergency; or

23           “(M) by any employee who is employed under  
24 a Federal relief program to relieve him from un-  
25 employment;

1           “(8) (A) Service (other than service included  
2           under an agreement under section 218 and other than  
3           service to which subparagraph (B) of this paragraph  
4           is applicable) performed in the employ of a State, or  
5           any political subdivision thereof, or any instrumentality  
6           of any one or more of the foregoing which is wholly  
7           owned by one or more States or political subdivisions;

8           “(B) Service (other than service included under  
9           an agreement under section 218) performed in the em-  
10          ploy of any political subdivision of a State in connection  
11          with the operation of any public transportation system  
12          unless such service is performed by an employee who—

13               “(i) became an employee of such political sub-  
14               division in connection with and at the time of its  
15               acquisition after 1936 of such transportation system  
16               or any part thereof; and

17               “(ii) prior to such acquisition rendered services  
18               in employment (as an employee of a person other  
19               than one designated in subparagraph (A) of this  
20               paragraph) in connection with the operation of  
21               such transportation system or part thereof.

22          In the case of an employee described in clauses (i) and  
23          (ii) who became such an employee in connection with  
24          an acquisition made prior to 1950, this subparagraph  
25          shall not be applicable with respect to such employee

1 if the political subdivision employing him files with  
2 the Commissioner of the Internal Revenue prior to  
3 January 1, 1950, a statement that it does not favor  
4 the inclusion under this subparagraph of any individual  
5 who became an employee in connection with such acqui-  
6 sitions made prior to 1950. For the purposes of this  
7 subparagraph the term 'political subdivision' includes  
8 an instrumentality of one or more political subdivisions  
9 of a State;

10       “(9) Service performed by a duly ordained, com-  
11 missioned, or licensed minister of a church in the exer-  
12 cise of his ministry or by a member of a religious order  
13 in the exercise of duties required by such order;

14       “(10) Service performed by an individual as an  
15 employee or employee representative as defined in sec-  
16 tion 1532 of the Internal Revenue Code;

17       “(11) (A) Service performed in any calendar  
18 quarter in the employ of any organization exempt from  
19 income tax under section 101 of the Internal Revenue  
20 Code, if the remuneration for such service is less than  
21 \$100;

22       “(B) Service performed in the employ of a school,  
23 college, or university if such service is performed by a  
24 student who is enrolled and is regularly attending classes  
25 at such school, college, or university;

1           ~~“(12) Service performed in the employ of a foreign~~  
2           ~~government (including service as a consular or other~~  
3           ~~officer or employee or a nondiplomatic representative);~~

4           ~~“(13) Service performed in the employ of an instru-~~  
5           ~~mentality wholly owned by a foreign government—~~

6           ~~“(A) If the service is of a character similar to~~  
7           ~~that performed in foreign countries by employees of~~  
8           ~~the United States Government or of an instrumen-~~  
9           ~~tality thereof; and~~

10          ~~“(B) If the Secretary of State shall certify to~~  
11          ~~the Secretary of the Treasury that the foreign gov-~~  
12          ~~ernment, with respect to whose instrumentality and~~  
13          ~~employees thereof exemption is claimed, grants an~~  
14          ~~equivalent exemption with respect to similar service~~  
15          ~~performed in the foreign country by employees of~~  
16          ~~the United States Government and of instrumentali-~~  
17          ~~ties thereof;~~

18          ~~“(14) Service performed as a student nurse in the~~  
19          ~~employ of a hospital or a nurses' training school by an~~  
20          ~~individual who is enrolled and is regularly attending~~  
21          ~~classes in a nurses' training school chartered or approved~~  
22          ~~pursuant to State law; and service performed as an~~  
23          ~~interne in the employ of a hospital by an individual who~~  
24          ~~has completed a four years' course in a medical school~~  
25          ~~chartered or approved pursuant to State law;~~

1           ~~“(15) Service performed by an individual in (or~~  
2           ~~as an officer or member of the crew of a vessel while~~  
3           ~~it is engaged in) the catching, taking, harvesting, cul-~~  
4           ~~tivating, or farming of any kind of fish, shellfish, crus-~~  
5           ~~tacea, sponges, seaweeds, or other aquatic forms of~~  
6           ~~animal and vegetable life (including service performed~~  
7           ~~by any such individual as an ordinary incident to any~~  
8           ~~such activity), except (A) service performed in con-~~  
9           ~~nection with the catching or taking of salmon or halibut,~~  
10           ~~for commercial purposes, and (B) service performed~~  
11           ~~on or in connection with a vessel of more than ten net~~  
12           ~~tens (determined in the manner provided for deter-~~  
13           ~~mining the register tonnage of merchant vessels under~~  
14           ~~the laws of the United States);~~

15           ~~“(16) (A) Service performed by an individual~~  
16           ~~under the age of eighteen in the delivery or distribution~~  
17           ~~of newspapers or shopping news, not including delivery~~  
18           ~~or distribution to any point for subsequent delivery or~~  
19           ~~distribution;~~

20           ~~“(B) Service performed by an individual in, and~~  
21           ~~at the time of, the sale of newspapers or magazines to~~  
22           ~~ultimate consumers, under an arrangement under which~~  
23           ~~the newspapers or magazines are to be sold by him at~~  
24           ~~a fixed price, his compensation being based on the reten-~~  
25           ~~tion of the excess of such price over the amount at~~

1       which the newspapers or magazines are charged to him,  
2       whether or not he is guaranteed a minimum amount of  
3       compensation for such service, or is entitled to be  
4       credited with the unsold newspapers or magazines  
5       turned back;

6           “(17) Service performed in the employ of an inter-  
7       national organization entitled to enjoy privileges, ex-  
8       emptions, and immunities as an international organiza-  
9       tion under the International Organizations Immunities  
10      Act (59 Stat. 669); or

11          “(18) Service performed by an individual in the  
12      sale or distribution of goods or commodities for another  
13      person, off the premises of such person, under an ar-  
14      rangement whereby such individual receives his entire  
15      remuneration (other than prizes) for such service  
16      directly from the purchasers of such goods or commodi-  
17      ties, if such person makes no provision (other than by  
18      correspondence) with respect to the training of such  
19      individual for the performance of such service and  
20      imposes no requirement upon such individual with re-  
21      spect to (A) the fitness of such individual to perform  
22      such service, (B) the geographical area in which such  
23      service is to be performed, (C) the volume of goods  
24      or commodities to be sold or distributed, or (D) the  
25      selection or solicitation of customers.

1                   “Included and Excluded Service

2           “(b) If the services performed during one-half or more  
3 of any pay period by an employee for the person employing  
4 him constitute employment, all the services of such employee  
5 for such period shall be deemed to be employment; but if  
6 the services performed during more than one-half of any such  
7 pay period by an employee for the person employing him do  
8 not constitute employment, then none of the services of such  
9 employee for such period shall be deemed to be employment.  
10 As used in this subsection, the term ‘pay period’ means a  
11 period (of not more than thirty-one consecutive days) for  
12 which a payment of remuneration is ordinarily made to the  
13 employee by the person employing him. This subsection  
14 shall not be applicable with respect to services performed in  
15 a pay period by an employee for the person employing him,  
16 where any of such service is excepted by paragraph (10) of  
17 subsection (a).

18                   “American Vessel

19           “(c) The term ‘American vessel’ means any vessel  
20 documented or numbered under the laws of the United  
21 States; and includes any vessel which is neither documented  
22 or numbered under the laws of the United States nor  
23 documented under the laws of any foreign country, if its  
24 crew is employed solely by one or more citizens or residents

1 of the United States or corporations organized under the  
2 laws of the United States or of any State.

3                                   ~~“American Aircraft~~

4       ~~“(d) The term ‘American aircraft’ means an aircraft~~  
5 ~~registered under the laws of the United States.~~

6                                   ~~“American Employer~~

7       ~~“(e) The term ‘American employer’ means an em-~~  
8 ~~ployer which is (1) the United States or any instrumental-~~  
9 ~~ity thereof, (2) a State or any political subdivision thereof,~~  
10 ~~or any instrumentality of any one or more of the foregoing,~~  
11 ~~(3) an individual who is a resident of the United States,~~  
12 ~~(4) a partnership, if two-thirds or more of the partners are~~  
13 ~~residents of the United States. (5) a trust, if all of the~~  
14 ~~trustees are residents of the United States, or (6) a corpora-~~  
15 ~~tion organized under the laws of the United States or of any~~  
16 ~~State.~~

17                                   ~~“Agricultural Labor~~

18       ~~“(f) The term ‘agricultural labor’ includes all service~~  
19 ~~performed—~~

20           ~~“(1) On a farm, in the employ of any person, in~~  
21 ~~connection with cultivating the soil, or in connection~~  
22 ~~with raising or harvesting any agricultural or hortical-~~  
23 ~~tural commodity, including the raising, shearing, feeding,~~

1 caring for, training, and management of livestock, bees,  
2 poultry, and fur-bearing animals and wildlife.

3 “(2) In the employ of the owner or tenant or other  
4 operator of a farm, in connection with the operation,  
5 management, conservation, improvement, or mainte-  
6 nance of such farm and its tools and equipment, or in  
7 salvaging timber or clearing land of brush and other  
8 debris left by a hurricane, if the major part of such  
9 service is performed on a farm.

10 “(3) In connection with the production or harvest-  
11 ing of any commodity defined as an agricultural com-  
12 modity in section 15 (g) of the Agricultural Marketing  
13 Act, as amended, or in connection with the ginning of  
14 cotton.

15 “(4) (A) In the employ of the operator of a farm  
16 in handling, planting, drying, packing, packaging, proc-  
17 essing, freezing, grading, storing, or delivering to storage  
18 or to market or to a carrier for transportation to market,  
19 in its unmanufactured state, any agricultural or horti-  
20 cultural commodity; but only if such operator produced  
21 more than one-half of the commodity with respect to  
22 which such service is performed.

23 “(B) In the employ of a group of operators of  
24 farms (other than a cooperative organization) in the  
25 performance of services described in subparagraph (A);

1 but only if such operators produced all of the commodity  
2 with respect to which such service is performed. For  
3 the purposes of this subparagraph, any unincorporated  
4 group of operators shall be deemed a cooperative organi-  
5 zation if the number of operators comprising such group  
6 is more than twenty at any time during the calendar  
7 quarter in which such service is performed.

8 ~~“(C) The provisions of subparagraphs (A) and~~  
9 ~~(B) shall not be deemed to be applicable with respect to~~  
10 ~~service performed in connection with commercial can-~~  
11 ~~ning or commercial freezing or in connection with any~~  
12 ~~agricultural or horticultural commodity after its delivery~~  
13 ~~to a terminal market for distribution for consumption.~~

14 ~~“Farm~~

15 ~~“(g) The term ‘farm’ includes stock, dairy, poultry,~~  
16 ~~fruit, fur-bearing animal, and truck farms, plantations,~~  
17 ~~ranches, nurseries, ranges, greenhouses or other similar~~  
18 ~~structures used primarily for the raising of agricultural or~~  
19 ~~horticultural commodities, and orchards.~~

20 ~~“State~~

21 ~~“(h) The term ‘State’ includes Alaska, Hawaii, the~~  
22 ~~District of Columbia, and the Virgin Islands; and on and~~  
23 ~~after the effective date specified in section 221 such term~~  
24 ~~includes Puerto Rico.~~

1                                   “United States

2           “(i) The term ‘United States’ when used in a geo-  
3 graphical sense means the States, Alaska, Hawaii, the Dis-  
4 trict of Columbia, and the Virgin Islands; and on and after  
5 the effective date specified in section 221 such term includes  
6 Puerto Rico.

7                                   “Citizen of Puerto Rico

8           “(j) An individual who is a citizen of Puerto Rico  
9 (but not otherwise a citizen of the United States) and  
10 who is not a resident of the United States shall not be  
11 considered, for the purposes of this section, as a citizen  
12 of the United States prior to the effective date specified  
13 in section 221.

14                                   “Employee

15           “(k) The term ‘employee’ means—

16                   “(1) any officer of a corporation; or  
17                   “(2) any individual who, under the usual common  
18 law rules applicable in determining the employer-  
19 employee relationship, has the status of an employee.  
20 For purposes of this paragraph, if an individual (either  
21 alone or as a member of a group) performs service for  
22 any other person under a written contract expressly  
23 reciting that such person shall have complete control  
24 over the performance of such service and that such in-  
25 dividual is an employee, such individual with respect

1 to such service shall, regardless of any modification  
2 not in writing, be deemed an employee of such person  
3 (or, if such person is an agent or employee with respect  
4 to the execution of such contract, the employee of the  
5 principal or employer of such person); or

6 "~~(B)~~ any individual (other than an individual who  
7 is an employee under paragraph (1) or (2) of this  
8 subsection) who performs services for remuneration  
9 for any person—

10 "~~(A)~~ as an outside salesman in the manufac-  
11 turing or wholesale trade;

12 "~~(B)~~ as a full-time life insurance salesman;

13 "~~(C)~~ as a driver-lessee of a taxicab;

14 "~~(D)~~ as a home worker on materials or goods  
15 which are furnished by the person for whom the  
16 services are performed and which are required to be  
17 returned to such person or to a person designated  
18 by him;

19 "~~(E)~~ as a contract logger;

20 "~~(F)~~ as a lessee or licensee of space within  
21 a mine when substantially all of the product of such  
22 services is required to be sold or turned over to the  
23 lessor or licensor; or

24 "~~(G)~~ as a house-to-house salesman if under

1 the contract of service or in fact such individual ~~(i)~~  
2 is required to meet a minimum sales quota, or ~~(ii)~~  
3 is expressly or impliedly required to furnish the  
4 services with respect to designated or regular cus-  
5 tomers or customers along a prescribed route, or  
6 ~~(iii)~~ is prohibited from furnishing the same or  
7 similar services for any other person—

8 if the contract of service contemplates that substantially  
9 all of such services ~~(other than the services described~~  
10 ~~in subparagraph (F))~~ are to be performed personally  
11 by such individual; except that an individual shall not  
12 be included in the term 'employee' under the provi-  
13 sions of this paragraph if such individual has a substan-  
14 tial investment ~~(other than the investment by a sales-~~  
15 ~~man in facilities for transportation)~~ in the facilities of  
16 the trade, occupation, business, or profession with  
17 respect to which the services are performed, or if the  
18 services are in the nature of a single transaction not  
19 part of a continuing relationship with the person for  
20 whom the services are performed; or

21 “~~(4)~~ any individual who is not an employee  
22 under paragraph ~~(1)~~, ~~(2)~~, or ~~(3)~~ of this subsection  
23 but who, in the performance of service for any per-  
24 son for remuneration, has, with respect to such serv-  
25 ice, the status of an employee, as determined by the

1 combined effect of ~~(A)~~ control over the individual,  
2 ~~(B)~~ permanency of the relationship, ~~(C)~~ regularity  
3 and frequency of performance of the service, ~~(D)~~ inte-  
4 gration of the individual's work in the business to which  
5 he renders service, ~~(E)~~ lack of skill required of the  
6 individual, ~~(F)~~ lack of investment by the individual in  
7 facilities for work, and ~~(G)~~ lack of opportunities of the  
8 individual for profit or loss.

9 "SELF-EMPLOYMENT

10 "SEC. 211. For the purposes of this title—

11 "Net Earnings from Self-Employment

12 "(a) The term 'net earnings from self-employment'  
13 means the gross income, as computed under chapter 1  
14 of the Internal Revenue Code, derived by an indi-  
15 vidual from any trade or business carried on by such indi-  
16 vidual, less the deductions allowed under such chapter which  
17 are attributable to such trade or business, plus his distributive  
18 share (whether or not distributed) of the net income or loss,  
19 as computed under such chapter, from any trade or busi-  
20 ness carried on by a partnership of which he is a member,  
21 except that in computing such gross income and deductions  
22 and such distributive share of partnership net income or  
23 loss—

24 "(1) There shall be excluded rentals from real  
25 estate (including personal property leased with the real

1 estate) and deductions attributable thereto, unless such  
2 rentals are received in the course of a trade or business  
3 as a real estate dealer;

4 “(2) There shall be excluded income derived from  
5 any trade or business in which, if the trade or business  
6 were carried on exclusively by employees, the major  
7 portion of the services would constitute agricultural  
8 labor as defined in section 210 (f); and there shall be  
9 excluded all deductions attributable to such income;

10 “(3) There shall be excluded dividends on any  
11 share of stock, and interest on any bond, debenture, note,  
12 or certificate, or other evidence of indebtedness, issued  
13 with interest coupons or in registered form by any  
14 corporation (including one issued by a government or  
15 political subdivision thereof) unless such dividends  
16 and interest are received in the course of a trade or busi-  
17 ness as a dealer in stocks or securities;

18 “(4) There shall be excluded any gain or loss  
19 (A) which is considered under chapter 1 of the Internal  
20 Revenue Code as gain or loss from the sale or exchange  
21 of a capital asset, (B) from the cutting or disposal of  
22 timber if section 117 (j) of such code is applicable  
23 to such gain or loss, or (C) from the sale, exchange,  
24 involuntary conversion, or other disposition of property

1 if such property is neither (i) stock in trade or other  
2 property of a kind which would properly be includible  
3 in inventory if on hand at the close of the taxable year,  
4 nor (ii) property held primarily for sale to customers in  
5 the ordinary course of the trade or business;

6 “(5) The deduction for net operating losses pro-  
7 vided in section 23 (s) of such code shall not be allowed;

8 “(6) (A) If any of the income derived from a  
9 trade or business (other than a trade or business car-  
10 ried on by a partnership) is community income under  
11 community property laws applicable to such income,  
12 all of the gross income and deductions attributable to  
13 such trade or business shall be treated as the gross in-  
14 come and deductions of the husband unless the wife  
15 exercises substantially all of the management and con-  
16 trol of such trade or business, in which case all of such  
17 gross income and deductions shall be treated as the gross  
18 income and deductions of the wife;

19 “(B) If any portion of a partner’s distributive share  
20 of the net income or loss from a trade or business carried  
21 on by a partnership is community income or loss under  
22 the community property laws applicable to such share, all  
23 of such distributive share shall be included in computing  
24 the net earnings from self-employment of such partner;

1 and no part of such share shall be taken into account  
2 in computing the net earnings from self-employment of  
3 the spouse of such partner;

4 “(7) In the case of any taxable year beginning  
5 on or after the effective date specified in section 221,  
6 ~~(A)~~ the term ‘possession of the United States’ as used  
7 in section 251 of the Internal Revenue Code shall not  
8 include Puerto Rico; and ~~(B)~~ a citizen or resident of  
9 Puerto Rico shall compute his net earnings from self-  
10 employment in the same manner as a citizen of the  
11 United States, and without regard to the provisions of  
12 section 252 of such code;

13 “(8) There shall be excluded income derived from  
14 a trade or business of publishing a newspaper or other  
15 publication having a paid circulation, together with the  
16 income derived from other activities conducted in con-  
17 nection with such trade or business; and there shall be  
18 excluded all deductions attributable to such income.

19 If the taxable year of a partner is different from that of the  
20 partnership, the distributive share which he is required to  
21 include in computing his net earnings from self-employment  
22 shall be based upon the net income or loss of the partnership  
23 for any taxable year of the partnership ~~(even though begin-~~  
24 ~~ning prior to 1950)~~ ending within or with his taxable year.

1                   ~~“Self-Employment Income~~

2           ~~“(b) The term ‘self-employment income’ means the net~~  
3 ~~earnings from self-employment derived by an individual~~  
4 ~~(other than a nonresident alien individual) during any~~  
5 ~~taxable year beginning after 1949; except that such term~~  
6 ~~shall not include—~~

7           ~~“(1) That part of the net earnings from self-~~  
8 ~~employment which is in excess of: (A) \$3,600, minus~~  
9 ~~(B) the amount of the wages paid to such individual~~  
10 ~~during the taxable year; or~~

11           ~~“(2) The net earnings from self-employment, if~~  
12 ~~such net earnings for the taxable year are less than~~  
13 ~~\$400.~~

14 ~~In the case of any taxable year beginning prior to the~~  
15 ~~effective date specified in section 221, an individual who is~~  
16 ~~a citizen of Puerto Rico (but not otherwise a citizen of the~~  
17 ~~United States) and who is not a resident of the United~~  
18 ~~States during such taxable year shall be considered, for the~~  
19 ~~purposes of this subsection, as a nonresident alien individual.~~  
20 ~~An individual who is not a citizen of the United States but~~  
21 ~~who is a resident of the Virgin Islands or (after the effective~~  
22 ~~date specified in section 221) a resident of Puerto Rico~~  
23 ~~shall not, for the purposes of this subsection, be considered~~  
24 ~~to be a nonresident alien individual.~~

1                    ~~“Trade or Business~~

2           ~~“(e) The term ‘trade or business’, when used with~~  
3 reference to self-employment income or net earnings from  
4 self-employment, shall have the same meaning as when  
5 used in section 23 of the Internal Revenue Code, except  
6 that such term shall not include—

7           ~~“(1) The performance of the functions of a public~~  
8 office;

9           ~~“(2) The performance of service by an individual~~  
10 as an employee (other than service described in sec-  
11 tion 210 (a) (16) (B) or section 210 (a) (18)  
12 performed by an individual who has attained the age of  
13 eighteen);

14           ~~“(3) The performance of service by an individual~~  
15 as an employee or employee representative as defined  
16 in section 1532 of the Internal Revenue Code;

17           ~~“(4) The performance of service by a duly or-~~  
18 dained, commissioned, or licensed minister of a church  
19 in the exercise of his ministry or by a member of a  
20 religious order in the exercise of duties required by  
21 such order; or

22           ~~“(5) The performance of service by an individual~~  
23 in the exercise of his profession as a physician, lawyer,  
24 dentist, osteopath, veterinarian, chiropractor, or optome-  
25 trist, or as a Christian Science practitioner, or as an

1 aeronautical, chemical, civil, electrical, mechanical,  
2 metallurgical, or mining engineer; or the performance  
3 of such service by a partnership.

#### 4 "Partnership and Partner

5 "(d) The term 'partnership' and the term 'partner'  
6 shall have the same meaning as when used in supplement  
7 F of chapter 1 of the Internal Revenue Code.

#### 8 "Taxable Year

9 "(e) The term 'taxable year' shall have the same  
10 meaning as when used in chapter 1 of the Internal Revenue  
11 Code; and the taxable year of any individual shall be a  
12 calendar year unless he has a different taxable year for the  
13 purposes of chapter 1 of such code, in which case his taxable  
14 year for the purposes of this title shall be the same as his  
15 taxable year under such chapter 1.

#### 16 "CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR 17 YEARS

18 "SEC. 212. For the purposes of determining the average  
19 monthly wage, quarters of coverage, and years of coverage,  
20 the amount of self-employment income derived during any  
21 taxable year shall be credited to calendar years as follows:

22 "(1) In the case of a taxable year which is a  
23 calendar year, or which begins and ends in the same  
24 calendar year, the self-employment income of such tax-  
25 able year shall be credited to such calendar year.

1           “(2) In the case of a taxable year which begins  
 2           in one calendar year and ends in another calendar  
 3           year, the calendar year in which such taxable year  
 4           began shall be credited with the same proportion of  
 5           the self-employment income derived during the taxable  
 6           year as the number of months in such calendar year  
 7           which are included in such taxable year is of the num-  
 8           ber of months in the taxable year, and the balance of  
 9           such self-employment income shall be credited to the  
 10          calendar year in which such taxable year ended. For  
 11          the purposes of this paragraph a fractional part of a  
 12          month shall be considered as a month.

13                           “QUARTER AND QUARTER OF COVERAGE

14   “Definitions

15           SEC. 213. (a) For the purposes of this title—

16           “(1) The term ‘quarter’, and the term ‘calendar quar-  
 17          ter’, means a period of three calendar months ending on  
 18          March 31, June 30, September 30, or December 31.

19           “(2) (A) The term ‘quarter of coverage’ means, in the  
 20          case of any quarter occurring prior to 1950, a quarter in  
 21          which the individual has been paid \$50 or more in wages. In  
 22          the case of any individual who has been paid, in a calendar  
 23          year prior to 1950, \$3,000 or more in wages each quarter  
 24          of such year following his first quarter of coverage shall be  
 25          deemed a quarter of coverage, excepting any quarter in such

1 year in which such individual died or became entitled to a  
2 primary insurance benefit and any quarter succeeding such  
3 quarter in which he died or became so entitled.

4 ~~“(B) The term ‘quarter of coverage’ means, in the case~~  
5 ~~of a quarter occurring after 1949, a quarter in which the~~  
6 ~~individual has been paid \$100 or more in wages or for which~~  
7 ~~he has been credited (as determined under subsection (b))~~  
8 ~~with \$200 or more of self-employment income, except~~  
9 ~~that—~~

10 ~~“(i) no quarter after the quarter in which such~~  
11 ~~individual died shall be a quarter of coverage;~~

12 ~~“(ii) no quarter any part of which is included in~~  
13 ~~a period of disability (as defined in section 210 (i)),~~  
14 ~~other than the initial or last quarter, shall be a quarter~~  
15 ~~of coverage;~~

16 ~~“(iii) if the sum of the wages paid to an individual~~  
17 ~~in a calendar year and his self-employment income~~  
18 ~~credited to such year (as determined under section 212)~~  
19 ~~is equal to or exceeds \$3,600, each quarter of such year~~  
20 ~~shall (subject to clauses (i) and (ii)) be a quarter of~~  
21 ~~coverage; and~~

22 ~~“(iv) no quarter shall be counted as a quarter of~~  
23 ~~coverage prior to the beginning of such quarter.~~

1 "Crediting of Self-Employment Income to Quarters in a  
2 Calendar Year

3 "~~(b)~~ For the purposes of subsection ~~(a)~~—

4 "~~(1)~~ If an individual's self-employment income  
5 credited to a calendar year (as determined under sec-  
6 tion 212) is \$800 or more, one-fourth of such self-  
7 employment income shall be credited to each quarter  
8 in such year.

9 "~~(2)~~ Except as provided in paragraph ~~(3)~~, if an  
10 individual's self-employment income credited to the  
11 calendar year is less than \$800, the first \$200 thereof  
12 shall be credited to the last quarter of such year which  
13 is not a quarter of coverage by reason of wages paid to  
14 him in such year, and the balance of such self-employ-  
15 ment income, if any, shall be credited at the rate of  
16 \$200 to each preceding quarter in the calendar year  
17 which is not a quarter of coverage by reason of wages  
18 so paid until all of such balance has been credited.  
19 If the individual died during such year, the quarter in  
20 which he died shall be considered to be the last quarter  
21 in such calendar year.

22 "~~(3)~~ If an individual's self-employment income  
23 credited to the calendar year is less than \$800 and ~~(A)~~  
24 such individual attained retirement age in or prior to  
25 such calendar year, or ~~(B)~~ such individual's disability  
26 determination date (as determined under section

1       219. (c) occurs in such calendar year, the first  
2       \$200 of such self-employment income shall be  
3       credited to the first quarter of such year which is  
4       not a quarter of coverage by reason of wages  
5       paid to him, in such year, and the balance thereof,  
6       if any, shall be credited at the rate of \$200 to each  
7       succeeding quarter in the calendar year which is not a  
8       quarter of coverage by reason of wages so paid until  
9       all of such balance has been credited.

10                   “Crediting of Wages Paid in 1937

11       “(c) With respect to wages paid to an individual in  
12       the six-month periods commencing either January 1, 1937,  
13       or July 1, 1937; (A) if wages of not less than \$100 were  
14       paid in any such period, one-half of the total amount thereof  
15       shall be deemed to have been paid in each of the calendar  
16       quarters in such period; and (B) if wages of less than \$100  
17       were paid in any such period, the total amount thereof shall  
18       be deemed to have been paid in the latter quarter of such  
19       period, except that if in any such period, the individual  
20       attained age sixty-five, all of the wages paid in such period  
21       shall be deemed to have been paid before such age was  
22       attained.

23                   “INSURED STATUS FOR PURPOSES OF OLD-AGE AND  
24                   SURVIVORS INSURANCE BENEFITS.

25                   “SEC. 214. For the purposes of this title—

## 1                   “Fully Insured Individual

2           “(a) (1) The term ‘fully insured individual’ means any  
3 individual who had not less than—

4           “(A) one quarter of coverage (as determined  
5 under section 213 (a) (2)) for each two of the  
6 quarters, elapsing after 1936, or after the quarter in  
7 which he attained the age of twenty-one, whichever  
8 quarter is later, and up to but excluding the quarter in  
9 which he attained retirement age, or died, whichever  
10 first occurred, and in no case less than six quarters of  
11 coverage; or

12           “(B) twenty quarters of coverage within the forty-  
13 quarter period ending with the quarter in which he  
14 attained retirement age or with any subsequent quarter  
15 or ending with the quarter in which he died; or

16           “(C) forty quarters of coverage;  
17 not counting as an elapsed quarter for purposes of sub-  
18 paragraph (A), and not counting as part of the forty-quarter  
19 period referred to in subparagraph (B), any quarter any  
20 part of which is included in a period of disability (as defined  
21 in section 210 (i)) unless such quarter is a quarter of  
22 coverage. When the number of elapsed quarters specified  
23 in subparagraph (A) is an odd number, for the purposes of  
24 such subparagraph such number shall be reduced by one.

1       “(2) If an individual upon attainment of retirement  
 2 age is not, under paragraph (1), a fully insured individual  
 3 but (were it not for his attainment of retirement age)  
 4 would have been entitled to a disability insurance benefit  
 5 for the month in which he attained retirement age or for  
 6 any subsequent month, he shall be a fully insured individual  
 7 beginning with the first month for which he would have  
 8 been so entitled to disability insurance benefits. For the  
 9 purpose of determining whether an individual would have  
 10 been so entitled to disability insurance benefits, his applica-  
 11 tion for old-age insurance benefits shall be considered  
 12 as an application for disability insurance benefits.

13                               “Currently Insured Individual

14       “(b) The term ‘currently insured individual’ means  
 15 any individual who had not less than six quarters of coverage  
 16 during the thirteen-quarter period ending with the quarter in  
 17 which he died, excluding from such period any quarter any  
 18 part of which is included in a period of disability unless such  
 19 quarter is a quarter of coverage.

20       “COMPUTATION OF PRIMARY INSURANCE AMOUNT AND  
 21                               DISABILITY INSURANCE BENEFIT

22       “SEC. 215. For the purposes of this title—

23       “Primary Insurance Amount and Disability Insurance  
 24                               Benefit

25       “(a) An individual’s ‘primary insurance amount’, and

1 an individual's 'disability insurance benefit', means an amount  
2 equal to the sum of the following:

3        "~~(1)~~ his base amount multiplied by his continu-  
4        ation factor, and

5        "~~(2)~~ one half of 1 per centum of his base amount  
6        multiplied by the number of his years of coverage.

7 When the primary insurance amount or disability insurance  
8 benefit thus computed is less than \$25, it shall be increased  
9 to \$25. (~~For special rules applicable, in certain cases, for~~  
10 ~~the computation of the primary insurance amount of an~~  
11 ~~individual who died prior to 1950 or who was paid a primary~~  
12 ~~insurance benefit prior to 1950, see section 111 of the Social~~  
13 ~~Security Act Amendments of 1949.)~~

14                                    "~~Base Amount~~

15        "~~(b)~~ An individual's 'base amount' means an amount  
16 equal to 50 per centum of the first \$100 of his average  
17 monthly wage plus 10 per centum of the next \$200 of such  
18 wage.

19                                    "~~Average Monthly Wage~~

20        "~~(c)~~ ~~(1)~~ An individual's 'average monthly wage'  
21 means the quotient obtained by dividing ~~(A)~~ the total of  
22 his wages and self-employment income during all his years  
23 of coverage after his starting date, by ~~(B)~~ the product of  
24 twelve times the number of his years of coverage after such  
25 starting date; except that if in any case the product deter-

1 mined under clause (B) is less than sixty it shall be  
2 increased to sixty. For the purposes of this paragraph an  
3 individual's 'starting date' shall be 1936, 1940, or the year  
4 in which he attains the age of twenty-one, whichever results  
5 in the highest average monthly wage.

6       “(2) If an individual's average monthly wage com-  
7 puted under paragraph (1) is less than \$50, his average  
8 monthly wage shall be increased to \$50.

9       “(3) For the purposes of this subsection—

10           (A) in computing an individual's average monthly  
11 wage there shall not be counted, in the case of any  
12 calendar year after 1940, the excess over \$3,600 of  
13 (i) the wages paid to him in such year, plus (ii) the  
14 self-employment income credited to such year (as  
15 determined under section 212);

16           (B) if the total of an individual's wages and self-  
17 employment income for any calendar year is not a  
18 multiple of \$1, such total shall be reduced to the next  
19 lower multiple of \$1; and

20           (C) if an individual's average monthly wage com-  
21 puted under paragraph (1) of this subsection is not  
22 a multiple of \$1, it shall be reduced to the next lower  
23 multiple of \$1.

1                                   “Continuation Factor

2           ~~“(d)~~ In the case of any individual who dies or attains  
3 retirement age before 1956 or dies before the year in which  
4 he attains the age of twenty-eight, the continuation factor  
5 shall be one. In all cases, the continuation factor of an  
6 individual shall be the quotient obtained by dividing ~~(1)~~  
7 the number of his years of coverage after his starting date,  
8 or the number 5, whichever is the greater, by ~~(2)~~ the  
9 number of his continuation factor years; except that if such  
10 quotient is greater than one it shall be reduced to one. For  
11 the purposes of this subsection, an individual's starting date  
12 shall be 1936 or 1949, whichever results in the higher con-  
13 tinuation factor. His continuation factor years shall be the  
14 calendar years elapsing after his starting date (or after the  
15 year in which he attained the age of twenty-one, if later)  
16 and prior to the year in which he attained retirement age,  
17 or died, whichever first occurred, or, if the computation  
18 under this subsection is being made for an individual who is  
19 entitled to disability insurance benefits with respect to a  
20 disability, prior to the year in which occurs his disability  
21 determination date (as determined under section 219 (e))  
22 for such disability; but no such calendar year, any part of  
23 which was included in a period of disability (as defined in

1 section 219) ~~(i)~~, shall be a continuation factor year unless  
 2 such calendar year was a year of coverage.

3 ~~“Year of Coverage~~

4 ~~“(e) A ‘year of coverage’ for any individual means—~~

5 ~~“(1) in the case of any calendar year prior to 1950,~~  
 6 ~~a year in which the sum of the wages paid to him in such~~  
 7 ~~year was \$200 or more; and~~

8 ~~“(2) in the case of any calendar year after 1949,~~  
 9 ~~a year in which the sum of ~~(A)~~ the wages paid to him~~  
 10 ~~in such year and ~~(B)~~ his self-employment income cred-~~  
 11 ~~ited to such year ~~(as determined under section 212)~~~~  
 12 ~~was \$400 or more.~~

13 ~~“Treatment of Wages and Self-employment Income in Year~~  
 14 ~~of Computation~~

15 ~~“(f) For the purposes of this section ~~(other than sub-~~~~  
 16 ~~section ~~(g)~~)—~~

17 ~~“(1) in computing an individual’s average monthly~~  
 18 ~~wage and his years of coverage with respect to an appli-~~  
 19 ~~cation for old-age or disability insurance benefits, there~~  
 20 ~~shall be taken into account only the self-employment~~  
 21 ~~income of such individual for taxable years ending prior~~  
 22 ~~to the date on which he filed such application, and there~~  
 23 ~~shall be counted only the wages paid to him prior to~~

1 the quarter in which he filed such application. For the  
 2 purposes of this paragraph an individual who was en-  
 3 titled to disability insurance benefits for the month pre-  
 4 ceding the month in which he attained retirement age  
 5 shall be deemed to have filed an application for old-age  
 6 insurance benefits on the date he attained retirement  
 7 age; and

8 “~~(2)~~ in computing the average monthly wage and  
 9 the years of coverage of an individual who died, there  
 10 shall not be counted wages (other than compensation  
 11 described in section 205 (p)) paid in or after the quarter  
 12 in which he died.

13 “Recomputation of Benefits

14 “~~(g)~~ ~~(1)~~ After an individual's primary insurance  
 15 amount has been determined under this section (or under  
 16 section 111 of the Social Security Act Amendments of 1949,  
 17 if applicable), there shall be no recomputation of such in-  
 18 dividual's primary insurance amount except as provided in  
 19 this subsection or, in the case of a World War II veteran who  
 20 dies after 1949 and prior to July 27, 1954, as provided in  
 21 section 217 (b). An individual's disability insurance bene-  
 22 fit shall not be recomputed except as provided in paragraph  
 23 ~~(3)~~ of this subsection.

24 “~~(2)~~ Upon application by an individual entitled to  
 25 old-age insurance benefits, the Administrator shall recom-

1   pute his primary insurance amount if the application therefor  
2   is filed after the twelfth month for which deductions under  
3   section 203 ~~(b) (1) and (2)~~ have been imposed ~~(within~~  
4   a period of thirty-six months) with respect to such benefit,  
5   not taking into account any month prior to 1950 or prior  
6   to the earliest month for which the last previous compu-  
7   tation of his primary insurance amount was effective. A  
8   recomputation under this paragraph shall take into account  
9   only ~~(A)~~ wages paid to such individual prior to the year  
10  in which such application is filed and ~~(B)~~ his self-employ-  
11  ment income for taxable years ending prior to the date of  
12  such application. Such recomputation shall be effective  
13  for and after the month in which such application is filed.

14       ~~“(3)~~ If upon application by an individual for old-age  
15  or disability insurance benefits such individual had less than  
16  five years of coverage, the Administrator shall recompute  
17  his primary insurance amount or his disability insurance  
18  benefit, as the case may be, by taking into account only  
19  ~~(A)~~ the wages and self-employment income which were  
20  included in the original computation of his average monthly  
21  wage and ~~(B)~~ his self-employment income for the taxable  
22  year in which he filed application for the old-age or dis-  
23  ability insurance benefits. Such recomputation shall be  
24  effective for and after the first month following the close of  
25  such taxable year.

1       ~~“(4) Upon the death after 1949 of an individual en-~~  
2       ~~titled to old-age insurance benefits, if any person is entitled~~  
3       ~~to monthly benefits, or to a lump-sum death payment, on~~  
4       ~~the basis of the wages or self-employment income of such~~  
5       ~~individual, the Administrator shall recompute the decedent’s~~  
6       ~~primary insurance amount, but (except as provided in para-~~  
7       ~~graph (3)) only if—~~

8               ~~“(A) the decedent would have been entitled to a~~  
9       ~~recomputation under paragraph (2) if he had filed~~  
10       ~~application therefor in the month in which he died; or~~

11               ~~“(B) the decedent during his lifetime was paid~~  
12       ~~compensation which is treated, under section 205 (p),~~  
13       ~~as remuneration for employment.~~

14       If the recomputation is required by subparagraph (A), the  
15       recomputation shall take into account only the following:  
16       The self-employment income of the decedent for all taxable  
17       years other than his last taxable year, the wages (other than  
18       compensation described in section 205 (p)) paid to him  
19       prior to the year in which he died, and the compensation  
20       (described in section 205 (p)) paid to him prior to his  
21       death. If the recomputation is not permitted under sub-  
22       paragraph (A) but is required by subparagraph (B), the  
23       recomputation shall take into account only the following:  
24       The wages and self-employment income which were per-

1 mitted to be taken into account in the last previous computa-  
 2 tion of the primary insurance amount of such individual  
 3 (including any recomputation required by paragraph (3)),  
 4 and the compensation (described in section 205 (p)) paid  
 5 to him prior to his death.

6 “(5) Any recomputation under this subsection shall  
 7 be effective only if such recomputation results in a higher  
 8 primary insurance amount or disability insurance benefit.  
 9 No such recomputation shall, for the purposes of section  
 10 203 (a), lower the average monthly wage.

#### 11 “Rounding of Benefits

12 “(h) The amount of any primary insurance amount  
 13 and of any disability insurance benefit and the amount of  
 14 any monthly benefit computed under section 202 which,  
 15 after reduction under section 203 (a) or section 210 (c),  
 16 is not a multiple of \$0.10 shall be raised to the next higher  
 17 multiple of \$0.10.

#### 18 “OTHER DEFINITIONS

19 “Sec. 216. For the purposes of this title—

#### 20 “Retirement Age

21 “(a) The term ‘retirement age’ means age sixty five.

#### 22 “Wife

23 “(b) The term ‘wife’ means the wife of an individual,  
 24 but only if she (1) is the mother of his son or daughter, or

1 ~~(2)~~ was married to him for a period of not less than three  
2 years immediately preceding the day on which her applica-  
3 tion is filed.

4 "Widow

5 "~~(c)~~ The term 'widow' (except when used in section  
6 202 ~~(g)~~) means the surviving wife of an individual, but only  
7 if she ~~(1)~~ is the mother of his son or daughter, ~~(2)~~ legally  
8 adopted his son or daughter while she was married to him  
9 and while such son or daughter was under the age of eight-  
10 een, ~~(3)~~ was married to him at the time both of them legally  
11 adopted a child under the age of eighteen, or ~~(4)~~ was mar-  
12 ried to him for a period of not less than one year immedi-  
13 ately prior to the day on which he died.

14 "Former Wife Divorced

15 "~~(d)~~ The term 'former wife divorced' means a woman  
16 divorced from an individual, but only if she ~~(1)~~ is the  
17 mother of his son or daughter, ~~(2)~~ legally adopted his son or  
18 daughter while she was married to him and while such son  
19 or daughter was under the age of eighteen, or ~~(3)~~ was  
20 married to him at the time both of them legally adopted a  
21 child under the age of eighteen.

22 "Child

23 "~~(e)~~ The term 'child' means ~~(1)~~ the child of an in-  
24 dividual, and ~~(2)~~ in the case of a living individual, a step-  
25 child or adopted child who has been such stepchild or

1 adopted child for not less than three years immediately  
2 preceding the day on which application for child's benefits is  
3 filed, and ~~(3)~~ in the case of a deceased individual, ~~(A)~~ an  
4 adopted child, or ~~(B)~~ a stepchild who has been such stepchild  
5 for not less than one year immediately preceding the day  
6 on which such individual died. In determining whether an  
7 adopted child has met the length of time requirement in  
8 clause ~~(2)~~, time spent in the relationship of stepchild shall  
9 be counted as time spent in the relationship of adopted child.

10                   “Determination of Family Status

11           “~~(f)~~ ~~(1)~~ In determining whether an applicant is the  
12 wife, widow, child, or parent of a fully insured or currently  
13 insured individual for purposes of this title, the Administrator  
14 shall apply such law as would be applied in determining the  
15 devolution of intestate personal property by the courts of the  
16 State in which such insured individual is domiciled at the time  
17 such applicant files application, or, if such insured individual  
18 is dead, by the courts of the State in which he was domiciled  
19 at the time of his death, or if such insured individual is or was  
20 not so domiciled in any State, by the courts of the District of  
21 Columbia. Applicants who according to such law would have  
22 the same status relative to taking intestate personal property  
23 as a wife, widow, child, or parent shall be deemed such.

24           “~~(2)~~ A wife shall be deemed to be living with her hus-  
25 band if they are both members of the same household, or she

1 is receiving regular contributions from him toward her sup-  
2 port, or he has been ordered by any court to contribute to her  
3 support; and a widow shall be deemed to have been living  
4 with her husband at the time of his death if they were both  
5 members of the same household on the date of his death, or  
6 she was receiving regular contributions from him toward her  
7 support on such date, or he had been ordered by any court to  
8 contribute to her support."

9       (b) The amendment made by subsection (a) shall  
10 take effect January 1, 1950, except that—

11           (1) Section 214 of the Social Security Act shall  
12 be applicable (A) in the case of applications filed  
13 after September 1949 for monthly benefits for months  
14 after 1949, and (B) in the case of applications for lump-  
15 sum death payments with respect to deaths after 1949.

16           (2) Section 216 of the Social Security Act shall  
17 be applicable in the case of applications filed after  
18 September 1949 for monthly benefits for months after  
19 1949.

20           (3) If the provisions of section 111 of this Act  
21 are applicable in computing any benefits for months after  
22 1949, section 215 of the Social Security Act shall not  
23 be applicable with respect to such benefits unless and  
24 until such benefits are recomputed under subsection  
25 (g) of such section 215.

## 1 WORLD WAR II VETERANS

2 SEC. 105. Title II of the Social Security Act is  
3 amended by striking out section 210 and by adding after  
4 section 216 (added by section 104 (a) of this Act) the  
5 following:

## 6 "BENEFITS IN CASE OF WORLD WAR II VETERANS

7 "SEC. 217. (a) For purposes of determining entitle-  
8 ment to and the amount of any monthly benefit for any  
9 month after 1949, or entitlement to and the amount of any  
10 lump-sum death payment in case of a death after 1949,  
11 payable under this title on the basis of the wages or self-  
12 employment income of any World War II veteran, such  
13 veteran shall be deemed to have been paid wages (in addi-  
14 tion to the wages, if any, actually paid to him) of \$160 in  
15 each month during any part of which he served in the active  
16 military or naval service of the United States during World  
17 War II. This subsection shall not be applicable in the case  
18 of any monthly benefit or lump-sum death payment if a  
19 larger benefit or payment, as the case may be, would be  
20 payable without its application.

21 "(b) (1) In the case of any World War II veteran  
22 who dies during the period of three years immediately fol-  
23 lowing his separation from the active military or naval  
24 service of the United States and who (i) died prior to 1950  
25 and on the basis of whose wages no monthly benefit for any

1 month prior to 1952 was paid and no lump-sum death  
2 payment was made, or (ii) died after 1949, such veteran  
3 shall be deemed to have died a fully insured individual with  
4 an average monthly wage of \$160 and, for the purposes of  
5 section 215 (a) (2), to have been paid \$400 in wages in  
6 each calendar year in which he had thirty days or more of  
7 active military or naval service after September 16, 1940,  
8 and prior to July 27, 1951. This subsection shall not be  
9 applicable in the case of any monthly benefit or lump-sum  
10 death payment if—

11       ~~“(A) a larger such benefit or payment, as the case~~  
12       ~~may be, would be payable without its application;~~

13       ~~“(B) any pension or compensation is determined~~  
14       ~~by the Veterans' Administration to be payable by it on~~  
15       ~~the basis of the death of such veteran;~~

16       ~~“(C) the death of the veteran occurred while he~~  
17       ~~was in the active military or naval service of the~~  
18       ~~United States; or~~

19       ~~“(D) such veteran has been discharged or released~~  
20       ~~from the active military or naval service of the United~~  
21       ~~States subsequent to July 26, 1951.~~

22       ~~“(2) Upon an application for benefits or a lump-sum~~  
23       ~~death payment on the basis of the wages or self-employment~~  
24       ~~income of any World War II veteran, the Federal Security~~  
25       ~~Administrator shall make a decision without regard to para-~~

1 graph (1) (B) of this subsection unless he has been notified  
2 by the Veterans' Administration that pension or compensa-  
3 tion is determined to be payable by the Veterans' Admin-  
4 istration by reason of the death of such veteran. The  
5 Federal Security Administrator shall thereupon report such  
6 decision to the Veterans' Administration. If the Veterans'  
7 Administration in any such case has made an adjudication  
8 or thereafter makes an adjudication that any pension or  
9 compensation is payable under any law administered by  
10 it, it shall notify the Federal Security Administrator, and the  
11 Administrator shall certify no further benefits for payment,  
12 or shall recompute the amount of any further benefits pay-  
13 able, as may be required by paragraph (1) of this subsection.  
14 Any payments theretofore certified by the Federal Security  
15 Administrator on the basis of paragraph (1) of this sub-  
16 section to any individual, not exceeding the amount of any  
17 accrued pension or compensation payable to him by the  
18 Veterans' Administration, shall (notwithstanding the pro-  
19 visions of section 3 of the Act of August 12, 1935, as  
20 amended (38 U. S. C., sec. 454a)) be deemed to have been  
21 paid to him by such Administration on account of such  
22 accrued pension or compensation. No such payment certi-  
23 fied by the Federal Security Administrator, and no payment  
24 certified by him for any month prior to the first month for  
25 which any pension or compensation is paid by the Veterans'

1 Administration shall be deemed by reason of this subsection  
2 to have been an erroneous payment.

3       “(e) In the case of any World War II veteran who  
4 has died prior to 1950, proof of support required under  
5 section 202 (f) may be filed by a parent at any time prior  
6 to July 1950 or prior to the expiration of two years after  
7 the date of the death of such veteran, whichever is the later.

8       “(d) There are hereby authorized to be appropriated  
9 annually to the Trust Fund such sums as may be neces-  
10 sary to meet the additional cost, resulting from this section,  
11 of the benefits (including lump-sum death payments) pay-  
12 able under this title.

13       “(e) For the purposes of this section—

14       “(1) The term ‘World War II’ means the period be-  
15 ginning with September 16, 1940, and ending at the close  
16 of July 24, 1947.

17       “(2) The term ‘World War II veteran’ means any  
18 individual who served in the active military or naval service  
19 of the United States at any time during World War II and  
20 who, if discharged or released therefrom, was so discharged  
21 or released under conditions other than dishonorable after  
22 active service of ninety days or more or by reason of a dis-  
23 ability or injury incurred or aggravated in service in line of  
24 duty; but such term shall not include any individual who  
25 died while in the active military or naval service of the

1 United States if his death was inflicted (other than by an  
2 enemy of the United States) as lawful punishment for a  
3 military or naval offense."

4 COVERAGE OF STATE AND LOCAL EMPLOYEES

5 SEC. 106. Title II of the Social Security Act is amended  
6 by adding after section 217 (added by section 105 of this  
7 Act) the following:

8 "VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND  
9 LOCAL EMPLOYEES

10 "Purpose of Agreement

11 "SEC. 218. (a) (1) The Administrator shall, at the  
12 request of any State, enter into an agreement with such  
13 State for the purpose of extending the insurance system  
14 established by this title to services (not otherwise included  
15 as employment under this title) performed by individuals as  
16 employees of such State or any political subdivision thereof.  
17 Each such agreement shall contain such provisions, not incon-  
18 sistent with the provisions of this section, as the State may  
19 request.

20 "(2) Notwithstanding section 210 (a), for the purposes  
21 of this title the term 'employment' includes any agricultural  
22 labor, domestic service, or service performed by a student,  
23 included under an agreement entered into under this section.

24 "Definitions

25 "(b) For the purposes of this section—

1           “(1) The term ‘State’ does not include the District  
2 of Columbia.

3           “(2) The term ‘political subdivision’ includes an  
4 instrumentality of (A) a State, (B) one or more politi-  
5 cal subdivisions of a State, or (C) a State and one or  
6 more of its political subdivisions.

7           “(3) The term ‘employee’ includes an officer of  
8 a State or political subdivision.

9           “(4) The term ‘retirement system’ means a pen-  
10 sion, annuity, retirement, or similar fund or system estab-  
11 lished by a State or by a political subdivision thereof;  
12 and the term ‘State-wide retirement system’ means a  
13 retirement system established by a State which covers  
14 any class or classes of its employees and any class or  
15 classes of employees of one or more political subdivisions  
16 of the State or covers any class or classes of employees  
17 of two or more political subdivisions of the State.

18           “(5) The term ‘coverage group’ means (A) em-  
19 ployees of the State other than those in positions covered  
20 by a State-wide retirement system, (B) employees of a  
21 political subdivision of a State other than those in posi-  
22 tions covered by a State-wide retirement system, or (C)  
23 employees of the State and employees of its political  
24 subdivisions who are in positions covered by a State-wide  
25 retirement system.

## 1                                   “Services Covered

2           “~~(e)~~ ~~(1)~~ An agreement under this section shall be  
3 applicable with respect to any one or more coverage groups  
4 designated by the State.

5           “~~(2)~~ In the case of each coverage group to which the  
6 agreement applies, the agreement must include all services  
7 ~~(other than services excluded by or pursuant to subsection~~  
8 ~~(d) or paragraph (3) or (5) of this subsection)~~ per-  
9 formed by individuals as members of such group.

10          “~~(3)~~ Such agreement shall, if the State requests it,  
11 exclude ~~(in the case of any coverage group)~~ any services  
12 of an emergency nature or all services in any class or classes  
13 of elective positions, part-time positions, or positions the  
14 compensation for which is on a fee basis.

15          “~~(4)~~ The Administrator shall, at the request of any  
16 State, modify the agreement with such State so as to ~~(A)~~  
17 include any coverage group to which the agreement did  
18 not previously apply, or ~~(B)~~ include, in the case of any  
19 coverage group to which the agreement applies, services  
20 previously excluded from the agreement; but the agreement  
21 as so modified may not be inconsistent with the provisions  
22 of this section applicable in the case of an original agreement  
23 with a State.

24          “~~(5)~~ Such agreement shall, if the State requests it,

1 exclude (in the case of any coverage group) any agricultural  
2 labor, domestic service, or service performed by a student,  
3 designated by the State. This paragraph shall apply only  
4 with respect to service which, if performed in the employ  
5 of an individual, would be excluded from employment by  
6 section 210 (a).

7       “(6) Such agreement shall exclude services performed  
8 by an individual who is employed to relieve him from unem-  
9 ployment and shall exclude services performed in a hospital,  
10 home, or other institution by a patient or inmate thereof.

11               “Referendum in Case of Retirement System

12       “(d) (1) No agreement with any State may include  
13 services performed in positions covered by a retirement  
14 system in effect on the date the agreement is entered into  
15 unless the State requests such inclusion and the Governor  
16 of the State certifies to the Administrator that (A) a written  
17 referendum was held (within the period prescribed in para-  
18 graph (3) of this subsection) on the question whether  
19 services in positions covered by such retirement system  
20 should be excluded from or included under the agreement,  
21 (B) an opportunity to vote in such referendum was given  
22 (and was limited) to the employees who were in such posi-  
23 tions at the time the referendum was held and to the indi-  
24 viduals who on such date were twenty-one years of age or  
25 older and were receiving periodic payments under such

1 retirement system, and ~~(C)~~ not less than two-thirds of the  
2 voters in such referendum voted in favor of including serv-  
3 ices in such positions under the agreement.

4 ~~“(2)~~ No modification of an agreement with any State  
5 may provide for the inclusion of services performed in  
6 positions covered by a retirement system in effect on the  
7 date the modification is agreed to unless the State requests  
8 such inclusion and the Governor of the State makes a certi-  
9 fication which meets the requirements of clauses ~~(A)~~, ~~(B)~~,  
10 and ~~(C)~~ of paragraph ~~(1)~~.

11 ~~“(3)~~ The period within which a referendum must be  
12 held for the purposes of this subsection shall be the period  
13 beginning one year before the effective date of the agree-  
14 ment and ending on the date such agreement is entered  
15 into, except that in the case of a modification of an agreement  
16 such period shall begin one year before the effective date of  
17 the modification and end on the date such modification is  
18 agreed to.

19 **“Payments and Reports by States**

20 ~~“(c)~~ Each agreement under this section shall provide—

21 ~~“(1)~~ that the State will pay to the Secretary of  
22 the Treasury, at such time or times as the Adminis-  
23 trator may by regulation prescribe, amounts equivalent  
24 to the sum of the taxes which would be imposed by  
25 sections 1400 and 1410 of the Internal Revenue Code

1 if the services of employees covered by the agree-  
2 ment constituted employment as defined in section 1426  
3 of such code;

4 “(2) that the State will comply with such regula-  
5 tions relating to payments and reports as the Admin-  
6 istrator may prescribe to carry out the purposes of this  
7 section.

#### 8 “Effective Date of Agreement

9 “(f) Any agreement or modification of an agreement  
10 under this section shall be effective with respect to services  
11 performed after an effective date specified in such agreement  
12 or modification, but in no case prior to January 1, 1950, and  
13 in no case (other than in the case of an agreement or  
14 modification agreed to prior to January 1, 1952) prior to  
15 the first day of the calendar year in which such agreement  
16 or modification, as the case may be, is agreed to by the  
17 Administrator and the State.

#### 18 “Termination of Agreement

19 “(g) (1) Upon giving at least two years' advance  
20 notice in writing to the Administrator, a State may terminate,  
21 effective at the end of a calendar quarter specified in the  
22 notice, its agreement with the Administrator either—

23 “(A) in its entirety, but only if the agreement has  
24 been in effect from its effective date for not less than  
25 five years prior to the receipt of such notice; or

1           ~~“(B)~~ with respect to any coverage group desig-  
2           nated by the State, but only if the agreement has been  
3           in effect with respect to such coverage group for not  
4           less than five years prior to the receipt of such notice.

5           ~~“(2)~~ If the Administrator, after reasonable notice and  
6           opportunity for hearing to a State with whom he has entered  
7           into an agreement pursuant to this section, finds that the  
8           State has failed or is no longer legally able to comply sub-  
9           stantially with any provision of such agreement or of this  
10          section, he shall notify such State that the agreement will be  
11          terminated in its entirety, or with respect to any one or more  
12          coverage groups designated by him, at such time, not later  
13          than two years from the date of such notice, as he deems  
14          appropriate unless prior to such time he finds that there no  
15          longer is any such failure or that the cause for such legal  
16          inability has been removed.

17          ~~“(3)~~ If any agreement entered into under this section  
18          is terminated in its entirety, the Administrator and the State  
19          may not again enter into an agreement pursuant to this  
20          section. If any such agreement is terminated with respect  
21          to any coverage group, the Administrator and the State  
22          may not thereafter modify such agreement so as to again  
23          make the agreement applicable with respect to such cover-  
24          age group.

1                   “Deposits in Trust Fund; Adjustments

2           “(h) (1) All amounts received by the Secretary of  
3 the Treasury under an agreement made pursuant to this  
4 section shall be deposited in the Trust Fund.

5           “(2) If more or less than the correct amount due under  
6 an agreement made pursuant to this section is paid with re-  
7 spect to any payment of remuneration, proper adjustments  
8 with respect to the amounts due under such agreement shall  
9 be made, without interest, in such manner and at such times  
10 as may be prescribed by regulations of the Administrator.

11           “(3) If an overpayment cannot be adjusted under para-  
12 graph (2), the amount thereof and the time or times it is  
13 to be paid shall be certified by the Administrator to the  
14 Managing Trustee, and the Managing Trustee, through the  
15 Fiscal Service of the Treasury Department and prior to any  
16 action thereon by the General Accounting Office, shall make  
17 payment in accordance with such certification. The Man-  
18 aging Trustee shall not be held personally liable for any  
19 payment or payments made in accordance with a certifica-  
20 tion by the Administrator.

21                   “Regulations

22           “(i) Regulations of the Administrator to carry out the  
23 purposes of this section shall be designed to make the require-  
24 ments imposed on States pursuant to this section the same,  
25 so far as practicable, as those imposed on employers pur-

1 suant to this title and subchapter A of chapter 9 of the  
2 Internal Revenue Code.

3 "Failure To Make Payments

4 "(j) In case any State does not make, at the time or  
5 times due, the payments provided for under an agreement  
6 pursuant to this section, there shall be added, as part of  
7 the amounts due, interest at the rate of 6 per centum per  
8 annum from the date due until paid, and the Administrator  
9 may, in his discretion, deduct such amounts plus interest  
10 from any amounts certified to the Secretary of the Treasury  
11 for payment to such State under any other provision of  
12 this Act. Amounts so deducted shall be deemed to have  
13 been paid to the State under such other provision of this  
14 Act. Amounts equal to the amounts deducted under this  
15 subsection are hereby appropriated to the Trust Fund.

16 "Instrumentalities of Two or More States

17 "(k) The Administrator may, at the request of any  
18 instrumentality of two or more States, enter into an agree-  
19 ment with such instrumentality for the purpose of extend-  
20 ing the insurance system established by this title to services  
21 performed by individuals as employees of such instrumen-  
22 tality. Such agreement, to the extent practicable, shall  
23 be governed by the provisions of this section applicable in  
24 the case of an agreement with a State.



1 shall be entitled to a disability insurance benefit for  
2 each month, beginning with the first month after his waiting  
3 period in which he becomes so entitled to such insurance  
4 benefits and ending with the month preceding the first month  
5 in which any of the following occurs: he ceases to be a  
6 permanently and totally disabled individual, dies, or attains  
7 retirement age.

8       “(2) The term ‘waiting period’ means, with respect to  
9 the disability of any individual, the period beginning with  
10 the calendar month in which occurred his disability de-  
11 termination date (as determined under subsection (c)) and  
12 ending at the expiration of the sixth calendar month fol-  
13 lowing such month.

14       “(3) An individual who would have been entitled  
15 to a disability insurance benefit for any month had he filed  
16 application therefor prior to the end of such month shall  
17 be entitled to such benefit for such month if he files applica-  
18 tion therefor prior to the end of the third month succeeding  
19 such month; except that the provisions of this paragraph shall  
20 not apply for purposes of determining a period of disability  
21 (as defined in subsection (i)), or when a disability deter-  
22 mination date occurred.

23       “(4) No application for disability insurance benefits  
24 filed prior to seven months before the first month for which

1 the applicant becomes entitled to receive such benefits shall  
2 be accepted as an application for purposes of this section.

3 ~~“Determination of Insured Status~~

4 ~~“(b) An individual is insured for purposes of disability~~  
5 ~~insurance benefits if he had not less than—~~

6 ~~“(1) six quarters of coverage (as determined under~~  
7 ~~section 213 (a) (2)) during the thirteen-quarter period~~  
8 ~~which ends with the quarter in which his disability~~  
9 ~~determination date occurred; and~~

10 ~~“(2) twenty quarters of coverage during the forty-~~  
11 ~~quarter period which ends with the quarter in which~~  
12 ~~his disability determination date occurred.~~

13 In case such individual was previously entitled to disability  
14 insurance benefits, there shall be excluded from the count  
15 of the quarters in each period specified in paragraphs (1)  
16 and (2) any quarter any part of which was included in a  
17 period of disability unless such quarter is a quarter of  
18 coverage.

19 ~~“Disability Determination Date~~

20 ~~“(c) For the purposes of this title—~~

21 ~~“(1) the disability determination date of any indi-~~  
22 ~~vidual who files application for disability insurance~~  
23 ~~benefits prior to 1953 shall be whichever of the fol-~~  
24 ~~lowing days is the latest: (A) The day the disability~~  
25 ~~began, (B) June 30, 1950, or (C) the first day of the~~

1 first quarter in which he would be insured for disability  
2 insurance benefits with respect to such disability if he  
3 had filed application therefor in such quarter; and

4 “(2) the disability determination date of any in-  
5 dividual who files application for disability insurance  
6 benefits after 1952 shall be whichever of the follow-  
7 ing days is the latest: (A) The day the disability  
8 began, (B) the first day of the tenth month prior to  
9 the month in which he filed such application, or (C)  
10 the first day of the first quarter in which he would  
11 be insured for disability insurance benefits with respect  
12 to such disability if he had filed application therefor  
13 in such quarter.

14 “Determination of Disability

15 “(d) The Administrator shall make provision for deter-  
16 minations of disability and redeterminations thereof at neces-  
17 sary intervals, and he shall by regulation provide for such  
18 examinations of individuals as he deems necessary for pur-  
19 poses of determining or redetermining disability and entitle-  
20 ment to benefits by reason thereof. In the case of any  
21 individual submitting to such an examination, the Adminis-  
22 trator may pay, in accordance with regulations prescribed  
23 by him, (1) the necessary travel expenses (including sub-  
24 sistence expenses incident thereto) of such individual in con-  
25 nection with such examination, and (2) if the examination

1 is made by a physician who is not an employee of the United  
2 States, the necessary expenses (including a fee) for such  
3 examination. There is hereby authorized to be appropri-  
4 ated for each fiscal year from the Trust Fund such amount  
5 as may be necessary for the purposes of this subsection.

6 **“Reduction of Benefit**

7 **“(c) (1) where a benefit is payable to any individual**  
8 **under this section and a workmen’s compensation benefit**  
9 **or benefits have been or are paid to such individual on**  
10 **account of the same disability for the same period of time,**  
11 **such individual’s benefit under this section for such month**  
12 **shall, prior to any deductions under section 220, be reduced**  
13 **by one-half, or by an amount equal to one-half of such**  
14 **workmen’s compensation benefit or benefits, whichever is**  
15 **the smaller.**

16 **“(2) In case the benefit of any individual under this**  
17 **section is not reduced as provided in paragraph (1) be-**  
18 **cause such benefit is paid prior to the payment of the work-**  
19 **men’s compensation benefit, the reduction shall be made**  
20 **by deductions, at such time or times and in such amounts**  
21 **as the Administrator may determine, from any other pay-**  
22 **ments under this title payable on the basis of the wages or**  
23 **self-employment income of such individual.**

24 **“(3) If the workmen’s compensation benefit is payable**  
25 **on other than a monthly basis (excluding a benefit payable**

1 in a lump sum unless it is a commutation of, or a substitute  
2 for, periodic payments), reduction of the benefits under  
3 this subsection shall be made in such amounts as the Ad-  
4 ministrator finds will approximate, as nearly as practicable,  
5 the reduction prescribed in paragraph (1).

6 “(4) In order to assure that the purposes of this sub-  
7 section will be carried out, the Administrator may, as a  
8 condition to certification for payment of any disability insur-  
9 ance benefit payable to an individual under this section  
10 (if it appears to him that there is a likelihood that such  
11 individual may be eligible for a workmen’s compensation  
12 benefit which would give rise to a reduction under this sub-  
13 section), require adequate assurance of reimbursement to  
14 the Trust Fund in case workmen’s compensation benefits,  
15 with respect to which such a reduction should be made,  
16 become payable to such individual and such reduction is  
17 not made.

18 “(5) For purposes of this subsection, the term ‘work-  
19 men’s compensation benefit’ means a cash benefit, allowance,  
20 or compensation payable under any workmen’s compensation  
21 law or plan of the United States or of any State.

22 “Termination of Entitlement to Benefits

23 by Administrator

24 “(f) In any case in which an individual has refused  
25 to submit himself for examination or reexamination in ac-

1 eordance with regulations of the Administrator, or has with-  
2 out good cause refused to accept rehabilitation services  
3 available to him under a State plan approved under the  
4 Vocational Rehabilitation Act (29 U. S. C. ch. 4) after  
5 being directed by the Administrator to do so, the Adminis-  
6 trator may find, solely because of such refusal, that such  
7 individual is not a permanently and totally disabled individ-  
8 ual or that his disability (previously determined to exist)  
9 has ceased. The Administrator may find that an individual  
10 is not a permanently and totally disabled individual or that  
11 his disability (previously determined to exist) has ceased,  
12 if such individual is outside the United States and the  
13 Administrator finds that adequate arrangements have not  
14 been made for determining or redetermining such individual's  
15 disability.

16 "Cooperation with Agencies and Groups

17 "(g) The Administrator is authorized to secure the  
18 cooperation of appropriate agencies of the United States,  
19 of States, or of the political subdivisions of States and the  
20 cooperation of private medical, dental, hospital, nursing,  
21 health, educational, social, and welfare groups or organiza-  
22 tions, and where necessary to enter into voluntary working  
23 agreements with any of such public or private agencies,  
24 organizations, or groups in order that their advice and serv-

1 ices may be utilized in the efficient administration of this  
2 section:

3 “Definitions of ‘Disability’ and ‘Permanently and Totally  
4 Disabled Individual’

5 “(h) For the purposes of this title—

6 “(1) the term ‘disability’ means (A) inability to  
7 engage in any substantially gainful activity by reason  
8 of any medically demonstrable physical or mental im-  
9 pairment which is permanent, or (B) blindness; and  
10 the term ‘permanently and totally disabled individual’  
11 means an individual who has such a disability; and

12 “(2) the term ‘blindness’ means central visual  
13 acuity of  $5/200$  or less in the better eye with correcting  
14 lenses. An eye in which the visual field is reduced to  
15 five degrees or less concentric contraction shall be con-  
16 sidered for the purposes of this paragraph as having a  
17 central visual acuity of  $5/200$  or less.

18 “Definition of ‘Period of Disability’

19 “(i) As used in this title the term ‘period of disability’  
20 means, with respect to any individual, a period of one or  
21 more consecutive calendar months for each of which such  
22 individual was entitled to a disability insurance benefit and—

23 “(1) in the case of a disability with respect to  
24 which application for disability insurance benefits was

1 filed prior to 1953—the six or more calendar months  
 2 which ~~(A)~~ precede the first month of such period of  
 3 one or more consecutive calendar months, and ~~(B)~~ occur  
 4 after the month in which such individual's disability  
 5 determination date ~~(as determined under subsection~~  
 6 ~~(c))~~ occurred; or

7 “~~(2)~~ in the case of a disability with respect to  
 8 which application for disability insurance benefits was  
 9 filed after 1952—the six calendar months preceding  
 10 the first month of such period of one or more consecu-  
 11 tive calendar months.

12 “DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

13 “Events for Which Deductions Are Made

14 “SEC. 220. ~~(a)~~ Deductions, in such amounts and at such  
 15 time or times as the Administrator shall determine, shall be  
 16 made from any payment or payments under this title to  
 17 which an individual is entitled, until the total of such deduc-  
 18 tions equals such individual's benefit under section 210 for  
 19 any month—

20 “~~(1)~~ in which such individual rendered services  
 21 as an employee ~~(whether or not such services constitute~~  
 22 ~~employment as defined in section 210)~~ for remuneration  
 23 of more than \$50; or

24 “~~(2)~~ for which such individual is charged, pursuant  
 25 to the provisions of subsection ~~(c)~~ of this section, with

1 net earnings from self-employment (as determined pur-  
2 suant to subsection (d)) of more than \$50; or

3 “(3) in which such individual fails to submit him-  
4 self for examination in accordance with regulations of the  
5 Administrator; or

6 “(4) in which such individual refuses without  
7 good cause to accept rehabilitation services available to  
8 him under a State plan approved under the Vocational  
9 Rehabilitation Act after direction by the Administrator  
10 to do so; or

11 “(5) in which such individual is outside the United  
12 States if the Administrator finds that adequate arrange-  
13 ments have not been made for determining or redeter-  
14 mining the existence of the disability of such individual.

15 In accordance with such regulations as the Administrator  
16 may prescribe, the Administrator may, if in his judgment it  
17 will aid in the process of rehabilitation of any individual,  
18 suspend or modify the application of paragraphs (1) and  
19 (2) of this subsection for any month during which such  
20 individual is receiving rehabilitation services under a State  
21 plan approved under the Vocational Rehabilitation Act;  
22 except that the Administrator may not so suspend or modify  
23 the application of such paragraphs for any month after the

1 eleventh month following the first month for which such sus-  
2 pension or modification was applicable.

3           “Occurrence of More Than One Event

4           “(b) If more than one event occurs in any one month  
5 which would occasion deductions equal to a benefit for such  
6 month, only an amount equal to such benefit shall be  
7 deducted. The charging of net earnings from self-employ-  
8 ment to any month shall be treated as an event occurring in  
9 the month to which such net earnings are charged.

10           “Months to Which Net Earnings Are Charged

11           “(c) For the purposes of subsection (a) (2) of this  
12 section—

13           “(1) If an individual's net earnings from self-  
14 employment for his taxable year are not more than the  
15 product of \$50 times the number of months in such year,  
16 no month in such year shall be charged with more than  
17 \$50 of net earnings from self-employment.

18           “(2) If an individual's net earnings from self-  
19 employment for his taxable year are more than the prod-  
20 uct of \$50 times the number of months in such year, each  
21 month of such year shall be charged with \$50 of net  
22 earnings from self-employment, and the amount of such  
23 net earnings in excess of such product shall be further  
24 charged to months as follows: The first \$50 of such excess  
25 shall be charged to the last month of such taxable year,

1 and the balance, if any, of such excess shall be charged  
2 at the rate of \$50 per month to each preceding month in  
3 such year until all of such balance has been applied,  
4 except that no part of such excess shall be charged to any  
5 month (A) for which such individual was not entitled to  
6 a benefit under this title, (B) in which an event de-  
7 scribed in paragraph (1), (3), (4), or (5) of subsec-  
8 tion (a) occurred, or (C) in which such individual  
9 did not engage in self-employment.

10 “(3) As used in paragraph (2), the term ‘last  
11 month of such taxable year’ means the latest month in  
12 such year to which the charging of the excess described  
13 in such paragraph is not prohibited by the applica-  
14 tion of clauses (A), (B), and (C) thereof.

15 “(4) For the purposes of clause (C) of paragraph  
16 (2), an individual will be presumed, with respect to any  
17 month, to have been engaged in self-employment in such  
18 month until it is shown to the satisfaction of the Adminis-  
19 trator that such individual rendered no substantial serv-  
20 ices in such month with respect to any trade or business  
21 the net income or loss of which is includible for the pur-  
22 poses of this subsection in computing his net earnings  
23 from self-employment for any taxable year. The  
24 Administrator shall by regulations prescribe the methods  
25 and criteria for determining whether or not an individual

1 has rendered substantial services with respect to any  
2 trade or business.

3 ~~“Special Rule for Computation of Net Earnings from~~  
4 ~~Self-employment~~

5 ~~“(d) For the purposes of this section, an indi-~~  
6 ~~vidual’s net earnings from self-employment for any taxable~~  
7 ~~year shall be computed as provided in section 211 with the~~  
8 ~~following adjustments:~~

9 ~~“(1) Such computation shall be made without~~  
10 ~~regard to the provisions of subsections (a) (2), (a)~~  
11 ~~(8), (c) (1), (c) (4), and (c) (5) of section 211,~~  
12 ~~and~~

13 ~~“(2) Such computation shall be made without re-~~  
14 ~~gard to the provisions of sections 116, 212, 213, 251,~~  
15 ~~and 252 of the Internal Revenue Code.~~

16 ~~“Penalty for Failure to Report Certain Events~~

17 ~~“(c) Any individual in receipt (on behalf of himself~~  
18 ~~or another individual) of benefits subject to deduction under~~  
19 ~~subsection (a) because of the occurrence of an event specified~~  
20 ~~therein (other than an event described in paragraph (2)~~  
21 ~~thereof) shall report such occurrence to the Administrator~~  
22 ~~prior to the receipt and acceptance of a disability insurance~~  
23 ~~benefit for the second month following the month in which~~  
24 ~~such event occurred. If such individual knowingly fails to~~



1 deduction in an amount equal to his benefit for the last  
2 month in such taxable year for which he was entitled  
3 to a disability insurance benefit; and

4 “(B) if the failure to make such report continues  
5 after the close of the fourth calendar month following the  
6 close of such taxable year, such individual shall suffer  
7 an additional deduction in the same amount for each  
8 month or fraction thereof during which such failure  
9 continues after such fourth month;

10 except that the number of the additional deductions required  
11 by this paragraph shall not exceed the number of months in  
12 such taxable year for which such individual received and  
13 accepted disability insurance benefits and for which de-  
14 ductions are imposed under subsection (a) (2) by reason  
15 of such net earnings from self-employment. If more than  
16 one additional deduction would be imposed under this para-  
17 graph with respect to a failure by an individual to file a  
18 report required by this paragraph and such failure is the  
19 first for which any additional deduction is imposed under this  
20 paragraph, only one additional deduction shall be imposed  
21 with respect to such first failure.

22 “(2) If the Administrator determines, on the basis of  
23 information obtained by or submitted to him, that it may  
24 reasonably be expected that an individual entitled to dis-  
25 ability insurance benefits for any taxable year will suffer

1 deductions imposed under subsection (a) (2) of this sec-  
2 tion by reason of his net earnings from self-employment  
3 for such year, the Administrator may, before the close  
4 of such taxable year, suspend the payment for each  
5 month in such year (or for only such months as the Ad-  
6 ministrator may specify) of such benefits payable to him;  
7 and such suspension shall remain in effect with respect to  
8 the benefits for any month until the Administrator  
9 has determined whether or not any deduction is im-  
10 posed for such month under subsection (a). The Admin-  
11 istrator is authorized, before the close of the taxable year  
12 of an individual entitled to benefits during such year, to  
13 request of such individual that he make, at such time or  
14 times as the Administrator may specify, a declaration of  
15 his estimated net earnings from self-employment for the  
16 taxable year and that he furnish to the Administrator such  
17 other information with respect to such net earnings as the  
18 Administrator may specify. A failure by such individual  
19 to comply with any such request shall in itself constitute  
20 justification for a determination under this paragraph that it  
21 may reasonably be expected that the individual will suffer  
22 deductions imposed under subsection (a) (2) of this section  
23 by reason of his net earnings from self-employment for such  
24 year."

PUERTO RICO

1

2       SEC. 108. Title II of the Social Security Act is amended  
3 by adding after section 220 (added by section 107 of this  
4 Act) the following:

5           “EFFECTIVE DATE IN CASE OF PUERTO RICO

6       “SEC. 221. If the Governor of Puerto Rico certifies to  
7 the President of the United States that the legislature of  
8 Puerto Rico has, by concurrent resolution, resolved that it  
9 desires the extension to Puerto Rico of the provisions of  
10 this title, the effective date referred to in sections 210 (h),  
11 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be  
12 January 1 of the first calendar year which begins more than  
13 ninety days after the date on which the President receives  
14 such certification.”

15       RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

16       SEC. 109. (a) Subsection (b) of section 205 of the  
17 Social Security Act is amended by inserting “former wife  
18 divorced,” after “widow,”.

19       (b) Subsection (c) of section 205 of the Social Security  
20 Act is amended to read as follows:

21       “(c) (1) For the purposes of this subsection—

22           “(A) The term ‘accounting period’ means a  
23 calendar quarter when used with respect to wages, and  
24 a taxable year (as defined in section 211 (c)) when  
25 used with respect to self-employment income.

1           “(B) The term ‘time limitation’ when used with  
2           respect to wages means a period of four years and one  
3           month, and when used with respect to self-employment  
4           income means a period of four years, two months, and  
5           fifteen days.

6           “(C) The term ‘survivor’ means an individual’s  
7           spouse, former wife divorced, child, or parent, who  
8           survives such individual.

9           “(2) On the basis of information obtained by or sub-  
10          mitted to the Administrator, and after such verification  
11          thereof as he deems necessary, the Administrator shall estab-  
12          lish and maintain records of the amounts of wages paid to,  
13          and the amounts of self-employment income derived by,  
14          each individual and of the accounting periods in which such  
15          wages were paid and such income was derived and, upon  
16          request, shall inform any individual or his survivor of the  
17          amounts of wages and self-employment income of such  
18          individual and the accounting periods during which such  
19          wages were paid and such income was derived, as shown  
20          by such records at the time of such request.

21          “(3) The Administrator’s records shall be evidence for  
22          the purpose of proceedings before the Administrator or  
23          any court of the amounts of wages paid to, and self-employ-  
24          ment income derived by, an individual and of the accounting  
25          periods in which such wages were paid and such income

1 was derived. The absence of an entry in such records as  
2 to wages alleged to have been paid to, or as to self-employ-  
3 ment income alleged to have been derived by, an individual  
4 in any accounting period shall be evidence that no such  
5 alleged wages were paid to, or that no such alleged income  
6 was derived by, such individual during such accounting  
7 period.

8       “(4) Prior to the expiration of the time limitation  
9 following any accounting period the Administrator may,  
10 if it is brought to his attention that any entry of wages or  
11 self-employment income in his records for such period is  
12 erroneous or that any item of wages or self-employment  
13 income for such period has been omitted from such records,  
14 correct such entry or include such omitted item in his  
15 records, as the case may be. After the expiration of  
16 the time limitation following any accounting period—

17       “(A) the Administrator’s records ~~(with changes,~~  
18       if any, made pursuant to paragraph ~~(5)~~) of the amounts  
19       of wages paid to, and self-employment income derived  
20       by, an individual in such accounting period shall be  
21       conclusive for the purposes of this title;

22       “(B) the absence of an entry in the Administrator’s  
23       records as to the wages alleged to have been paid by  
24       an employer to an individual in such accounting period  
25       shall be presumptive evidence for the purposes of this

1 title that no such alleged wages were paid to such indi-  
2 vidual in such accounting period; and

3 “(C) the absence of an entry in the Administra-  
4 tor’s records as to the self-employment income alleged  
5 to have been derived by an individual in such accounting  
6 period shall be conclusive for the purposes of this title  
7 that no such alleged self-employment income was de-  
8 rived by such individual in such period unless it is  
9 shown that he filed a tax return of his self-employment  
10 income for such accounting period before the expiration  
11 of the time limitation following such period, in which  
12 case the Administrator shall include in his records the  
13 self-employment income of such individual for such  
14 accounting period.

15 “(5) After the expiration of the time limitation follow-  
16 ing any accounting period in which wages were paid  
17 or alleged to have been paid to, or self-employment income  
18 was derived or alleged to have been derived by, an indi-  
19 vidual, the Administrator may change or delete any entry  
20 with respect to wages or self-employment income in his  
21 records of such accounting period for such individual or  
22 include in his records of such accounting period for such  
23 individual any omitted item of wages or self-employment  
24 income but only—

25 “(A) if an application for monthly benefits or for

1 a lump-sum death payment was filed within the time  
2 limitation following such accounting period; except that  
3 no such change, deletion, or inclusion may be made  
4 pursuant to this subparagraph after a final decision upon  
5 the application for monthly benefits or lump-sum death  
6 payment;

7 ~~“(B) if within the time limitation following such~~  
8 ~~accounting period an individual or his survivor makes~~  
9 ~~a request for a change or deletion, or for an inclusion~~  
10 ~~of an omitted item, and alleges in writing that the Ad-~~  
11 ~~ministrator’s records of the wages paid to, or the self-~~  
12 ~~employment income derived by, such individual in such~~  
13 ~~accounting period are in one or more respects erroneous;~~  
14 ~~except that no such change, deletion, or inclusion may~~  
15 ~~be made pursuant to this subparagraph after a final~~  
16 ~~decision upon such request. Written notice of the Ad~~  
17 ~~ministrator’s decision on any such request shall be given~~  
18 ~~to the individual who made the request;~~

19 ~~“(C) to correct errors apparent on the face of such~~  
20 ~~records;~~

21 ~~“(D) to transfer items to records of the Railroad~~  
22 ~~Retirement Board if such items were credited under this~~  
23 ~~title when they should have been credited under the~~  
24 ~~Railroad Retirement Act, or to enter items transferred~~  
25 ~~by the Railroad Retirement Board which have been~~

1 credited under the Railroad Retirement Act when they  
2 should have been credited under this title;

3 ~~“(E) to delete or reduce the amount of any entry~~  
4 ~~which is erroneous as a result of fraud;~~

5 ~~“(F) to conform his records to tax returns or por-~~  
6 ~~tions thereof (including information returns and other~~  
7 ~~written statements) filed with the Commissioner of~~  
8 ~~Internal Revenue under title VIII of the Social Security~~  
9 ~~Act, under subchapter A or F of chapter 9 of the In-~~  
10 ~~ternal Revenue Code, or under regulations made under~~  
11 ~~authority of such title or subchapter, and to information~~  
12 ~~returns filed by a State pursuant to an agreement~~  
13 ~~under section 218 or regulations of the Administrator~~  
14 ~~thereunder; except that no amount of self-employment~~  
15 ~~income of an individual for any taxable year (if such~~  
16 ~~return or statement was filed after the expiration of the~~  
17 ~~time limitation following the taxable year) shall be~~  
18 ~~included in the Administrator's records pursuant to this~~  
19 ~~subparagraph in excess of the amount which has been~~  
20 ~~deleted pursuant to this subparagraph as payments~~  
21 ~~erroneously included in such records as wages paid to~~  
22 ~~such individuals in such taxable year;~~

23 ~~“(G) to include wages paid in such accounting~~  
24 ~~period to an individual by an employer if there is an~~  
25 ~~absence of any entry in the Administrator's records of~~

1 wages having been paid by such employer to such indi-  
2 vidual in such period; or

3 ~~“(H) to enter items which constitute remuneration~~  
4 ~~for employment under subsection (p); such entries to~~  
5 ~~be in accordance with certified reports of records made~~  
6 ~~by the Railroad Retirement Board pursuant to section~~  
7 ~~5 (k) (3) of the Railroad Retirement Act of 1937.~~

8 ~~“(6) Written notice of any deduction or reduction under~~  
9 ~~paragraph (4) or (5) shall be given to the individual whose~~  
10 ~~record is involved or to his survivor, except that (A) in~~  
11 ~~the case of a deletion or reduction with respect to any entry~~  
12 ~~of wages such notice shall be given to such individual only~~  
13 ~~if he has previously been notified by the Administrator of the~~  
14 ~~amount of his wages for the accounting period involved,~~  
15 ~~and (B) such notice shall be given to such survivor only if~~  
16 ~~he or the individual whose record is involved has previously~~  
17 ~~been notified by the Administrator of the amount of such~~  
18 ~~individual's wages and self-employment income for the~~  
19 ~~accounting period involved.~~

20 ~~“(7) Upon request in writing (within such period,~~  
21 ~~after any change or refusal of a request for a change of~~  
22 ~~his records pursuant to this subsection, as the Administrator~~  
23 ~~may prescribe), opportunity for hearing with respect to~~  
24 ~~such change or refusal shall be afforded to any individual~~  
25 ~~or his survivor. If a hearing is held pursuant to this para-~~

1 graph the Administrator shall make findings of fact and a  
2 decision based upon the evidence adduced at such hearing  
3 and shall include any omitted items, or change or delete  
4 any entry, in his records as may be required by such find-  
5 ings and decision.

6 “(8) Decisions of the Administrator under this sub-  
7 section shall be reviewable by commencing a civil action in  
8 the United States district court as provided in subsec-  
9 tion (g).”

10 (c) Section 205 of the Social Security Act is amended  
11 by adding at the end thereof the following subsections:

12 “Adjustment of Wages from Certain Nonprofit  
13 Organizations

14 “(o) Notwithstanding any other provision of this title,  
15 in the case of wages paid to an individual during any cal-  
16 endar quarter by an employer entitled (under section 1412  
17 of the Internal Revenue Code) to an exemption from the  
18 tax imposed by section 1410 of such code, only one-half  
19 of the amount of such wages paid during such calendar  
20 quarter to such individual shall be considered as paid to him  
21 for the purpose of determining the insured status of such  
22 individual and for the purpose of determining the amount  
23 of any insurance benefit or payment; but this paragraph  
24 shall not apply if a waiver of such exemption of the employer  
25 was in effect for such calendar quarter.

1 "Crediting of Compensation Under the Railroad Retirement  
2 Act

3 "~~(p)~~ If there is no person who would be entitled, upon  
4 application therefor, to an annuity under section 5 of the  
5 Railroad Retirement Act of 1937, or to a lump-sum pay-  
6 ment under subsection ~~(f)~~ ~~(1)~~ of such section, with  
7 respect to the death of an employee ~~(as defined in such~~  
8 ~~Act)~~, then, notwithstanding section 210 ~~(a)~~ ~~(10)~~ of this  
9 Act, compensation ~~(as defined in such Railroad Retirement~~  
10 ~~Act, but excluding compensation attributable as having been~~  
11 ~~paid during any month on account of military service~~  
12 ~~creditable under section 4 of such Act if wages are deemed~~  
13 ~~to have been paid to such employee during such month~~  
14 ~~under section 217 (a) of this Act) of such employee~~  
15 ~~shall constitute remuneration for employment for pur-~~  
16 ~~poses of determining (A) entitlement to and the amount~~  
17 ~~of any lump-sum death payment under this title on~~  
18 ~~the basis of such employee's wages or self-employment~~  
19 ~~income and (B) entitlement to and the amount of any~~  
20 ~~monthly benefit under this title, for the month in which~~  
21 ~~such employee died or for any month thereafter, on the~~  
22 ~~basis of such wages or self-employment income. For such~~  
23 ~~purposes, compensation (as so defined) paid in a calendar~~  
24 ~~year shall, in the absence of evidence to the contrary, be~~

1 presumed to have been paid in equal proportions with  
2 respect to all months in the year in which the employee  
3 rendered services for such compensation. This paragraph  
4 shall not be applicable in the case of any monthly benefit  
5 or lump-sum death payment if a larger such benefit or  
6 payment, as the case may be, would be payable without  
7 its application.

8           “Special Rules in Case of Federal Service

9           “(q) (1) With respect to service included as employ-  
10 ment under section 210 which is performed in the employ  
11 of the United States or in the employ of any instrumentality  
12 which is wholly owned by the United States, the Admin-  
13 istrator shall not make determinations as to whether an  
14 individual has performed such service, the periods of such  
15 service, the amounts of remuneration for such service which  
16 constitute wages under the provisions of section 209, or the  
17 periods in which or for which such wages were paid, but  
18 shall accept the determinations with respect thereto of the  
19 head of the appropriate Federal agency or instrumentality,  
20 and of such agents as such head may designate, as evidenced  
21 by returns filed in accordance with the provisions of section  
22 1420 (e) of the Internal Revenue Code and certifications  
23 made pursuant to this subsection. Such determinations shall  
24 be final and conclusive.



1 ~~"TITLE II—FEDERAL OLD AGE, SURVIVORS, AND~~  
2 ~~DISABILITY INSURANCE BENEFITS"~~

3       (b) ~~(1)~~ The first sentence of section 201 ~~(a)~~ of the  
4 Social Security Act is amended by striking out "Federal  
5 Old Age and Survivors Insurance Trust Fund" and insert-  
6 ing in lieu thereof "Federal Old Age, Survivors, and Disa-  
7 bility Insurance Trust Fund".

8       ~~(2)~~ The second sentence of section 201 ~~(a)~~ of the  
9 Social Security Act is amended by striking out "such amounts  
10 as may be appropriated to the Trust Fund" and inserting  
11 in lieu thereof "such amounts as may be appropriated to,  
12 or deposited in, the Trust Fund".

13       ~~(3)~~ The third sentence of section 201 ~~(a)~~ of such Act  
14 is amended by striking out the words "the Federal Insurance  
15 Contributions Act" and inserting in lieu thereof the following:  
16 "subchapters A and F of chapter 9 of the Internal Revenue  
17 Code".

18       ~~(4)~~ Section 201 ~~(a)~~ of the Social Security Act is  
19 amended by striking out the following: "There is also author-  
20 ized to be appropriated to the Trust Fund such additional  
21 sums as may be required to finance the benefits and payments  
22 provided under this title."

1       ~~(5)~~ Section 201 ~~(b)~~ of such Act is amended by striking  
2 out "Chairman of the Social Security Board" and inserting  
3 in lieu thereof "Federal Security Administrator".

4       ~~(6)~~ Section 201 ~~(b)~~ of such Act is amended by adding  
5 after the second sentence thereof the following new sentence:  
6 "The Commissioner for Social Security shall serve as Secre-  
7 tary of the Board of Trustees."

8       ~~(7)~~ Paragraph ~~(2)~~ of section 201 ~~(b)~~ of such Act is  
9 amended by striking out "on the first day of each regular  
10 session of the Congress" and inserting in lieu thereof "not  
11 later than the first day of March of each year".

12       ~~(8)~~ Section 201 ~~(b)~~ of such Act is amended by striking  
13 out the period at the end of paragraph ~~(3)~~ and inserting  
14 in lieu thereof "; and", and by adding the following new  
15 paragraph:

16           ~~(4)~~ Recommended administrative procedures and  
17 policies designed to effectuate the proper coordination  
18 of the social insurances."

19       ~~(9)~~ Section 201 ~~(b)~~ of such Act is amended by adding  
20 at the end thereof the following: "Such report shall be  
21 printed as a House document of the session of the Congress  
22 to which the report is made."

1       ~~(10)~~ Section 201 ~~(f)~~ of such Act is amended to read as  
2 follows:

3       ~~“(f) (1)~~ The Managing Trustee is directed to pay  
4 from the Trust Fund into the Treasury the amount esti-  
5 mated by him and the Federal Security Administrator  
6 which will be expended during a three-month period by  
7 the Federal Security Agency and the Treasury Department  
8 for the administration of titles II and VIII of this Act and  
9 subchapters A and F of chapter 9 of the Internal Revenue  
10 Code. Such payments shall be covered into the Treasury  
11 as repayments to the account for reimbursement of expenses  
12 incurred in connection with the administration of titles II  
13 and VIII of this Act and subchapters A and F of chapter 9  
14 of the Internal Revenue Code.

15       ~~“(2)~~ The Managing Trustee is directed to pay from  
16 the Trust Fund into the Treasury the amount estimated by  
17 him which will be expended during each three-month period  
18 after 1949 by the Treasury Department for refunds of taxes  
19 ~~(including interest, penalties, and additions to the taxes)~~  
20 under title VIII of the Social Security Act and subchapters  
21 A and F of chapter 9 of the Internal Revenue Code and for  
22 interest on such refunds as provided by law. Such payments

1 shall be covered into the Treasury as repayments to the  
2 account for refunding internal revenue collections:

3       ~~“(3) Repayments made under paragraph (1) or (2)~~  
4 shall not be available for expenditures but shall be carried  
5 to the surplus fund of the Treasury. If it subsequently  
6 appear that the estimates under either such paragraph in  
7 any particular three-month period were too high or too low,  
8 appropriate adjustments shall be made by the Managing  
9 Trustee in future payments.”

10       ~~(e) (1) Sections 204, 205 (other than subsections (e)~~  
11 and ~~(1))~~, and 206 of such Act are amended by striking out  
12 ~~“Board”~~ wherever appearing therein and inserting in lieu  
13 thereof ~~“Administrator”~~; by striking out ~~“Board’s”~~ wherever  
14 appearing therein and inserting in lieu thereof ~~“Adminis-~~  
15 ~~trator’s”~~; and by striking out (where they refer to the Social  
16 Security Board) ~~“it”~~ and ~~“its”~~ and inserting in lieu thereof  
17 ~~“he”~~, ~~“him”~~, or ~~“his”~~, as the context may require.

18       ~~(2) Section 205 (1) of such Act is amended to read as~~  
19 follows:

20       ~~“(1) The Administrator is authorized to delegate to any~~  
21 member, officer, or employee of the Federal Security Agency

1 designated by him any of the powers conferred upon him by  
2 this section, and is authorized to be represented by his own  
3 attorneys in any court in any case or proceeding arising under  
4 the provisions of subsection (c).”

5 (d) Section 208 of such Act is amended by striking  
6 out the words “the Federal Insurance Contributions Act”  
7 and inserting in lieu thereof the following: “subchapter A  
8 or F of chapter 9 of the Internal Revenue Code”.

9 INCREASE OF EXISTING BENEFITS; COMPUTATIONS IN  
10 CASE OF ENTITLEMENT OR DEATH PRIOR TO 1950

11 SEC. 111. (a) Notwithstanding subsection (a) of sec-  
12 tion 215 of the Social Security Act as amended by this  
13 Act, the primary insurance amount (prior to any recompu-  
14 tation under subsection (g) of such section) of any indi-  
15 vidual who died prior to 1950 or who was entitled to a  
16 primary insurance benefit for any month prior to 1950  
17 shall, to the extent provided in the following subsections,  
18 be determined by use of the following table:

I  Primary insurance benefit before 1950	II  Primary insurance amount after 1949	III  Assumed average monthly wage for purpose of computing maximum benefits
\$10	\$25.00	\$50.00
\$11	26.30	52.00
\$12	27.50	54.50
\$13	28.70	57.00
\$14	29.80	59.50
\$15	30.90	62.00
\$16	32.00	64.50
\$17	33.10	66.50
\$18	34.20	68.50
\$19	35.20	70.50
\$20	36.30	72.50
\$21	37.40	74.50
\$22	38.70	77.50
\$23	40.30	82.50
\$24	42.40	88.50
\$25	44.50	97.00
\$26	46.30	106.00
\$27	47.80	116.00
\$28	49.00	125.00
\$29	50.00	133.00
\$30	50.90	141.00
\$31	51.80	149.00
\$32	52.70	157.00
\$33	53.60	165.00
\$34	54.50	173.00
\$35	55.40	181.00
\$36	56.30	189.00
\$37	57.20	196.00
\$38	58.10	203.00
\$39	59.00	210.00
\$40	59.90	217.00
\$41	60.80	224.00
\$42	61.70	231.00
\$43	62.60	238.00
\$44	63.50	244.00
\$45	64.40	250.00
\$46	64.40	250.00

- 1        ~~(b) (1)~~ The primary insurance amount of an individ-  
2        ual to whom a primary insurance benefit was paid for any  
3        month prior to 1950 shall ~~(if he did not die prior to 1950)~~  
4        be the amount in column II of the table ~~(in subsection (a))~~

1 which is on the line on which in column I appears his primary  
2 insurance benefit (as determined under subsection (e)).

3 (2) The primary insurance amount of an individual  
4 who was entitled to primary insurance benefits prior to  
5 1950 but who was not paid a primary insurance benefit for  
6 any month prior to 1950 shall (if he did not die prior to  
7 1950) be determined under section 215 of the Social Security  
8 Act as amended by this Act.

9 (3) In the case of an individual who died prior to  
10 1950 and—

11 (A) to whom a primary insurance benefit was  
12 paid for any month prior to 1950, or

13 (B) on the basis of whose wages a monthly benefit  
14 for any month prior to 1952 was paid or a lump-sum  
15 death payment was made,

16 the primary insurance amount of such individual for January  
17 1950 and for each month thereafter shall be the amount in  
18 column II of the table which is on the line on which in  
19 column I appears his primary insurance benefit. Such pri-  
20 mary insurance benefit shall be determined under title II  
21 of the Social Security Act as in effect prior to the enact-  
22 ment of this Act; except that in the case of any World War  
23 II veteran the provisions of section 217 (a) of the Social

1 Security Act as amended by this Act shall, if it results in  
2 entitlement to a higher primary insurance benefit, be appli-  
3 cable in lieu of section 210 of such Act as in effect prior to  
4 the enactment of this Act.

5       (4) In the case of an individual who died prior to 1950,  
6 to whom a primary insurance benefit was not paid, and on  
7 the basis of whose wages no monthly benefit for any month  
8 prior to 1952 was paid and no lump-sum death payment was  
9 made, the primary insurance amount of such individual shall  
10 be determined under section 215 of the Social Security Act  
11 as amended by this Act.

12       (c) The primary insurance benefit of any individual  
13 to whom subsection (b) (1) is applicable shall (for purposes  
14 of column I of the table) be whichever of the following  
15 is the larger: (A) the primary insurance benefit paid to  
16 such individual for the last month prior to 1950 for which  
17 he was paid such benefit, or (B) if the primary insurance  
18 benefit is recomputed by the Administrator pursuant to the  
19 following provisions of this subsection, the primary insurance  
20 benefit as so recomputed. For the purposes of the preceding  
21 sentence the Administrator shall recompute, without appli-  
22 cation therefor, the primary insurance benefit for December  
23 1949 of any individual to whom subsection (b) (1) is  
24 applicable if such individual in such month rendered serv-  
25 ices for wages of \$15 or more, or if such individual is a

1 World War II veteran; such recomputation to be made in  
2 the same manner as if such individual had filed application  
3 for, and was entitled to, a recomputation for December  
4 1949 under section 209 (q) of the Social Security Act  
5 prior to its amendment by this Act, except that in making  
6 such recomputation section 217 (a) of the Social Security  
7 Act as amended by this Act shall be applicable if such  
8 individual is a World War II veteran.

9 (d) If the primary insurance amount of an individual  
10 is determined from the table, the average monthly wage of  
11 such individual shall, for the purposes of section 203 (a)  
12 of the Social Security Act as amended by this Act, be the  
13 amount which appears in column III of the table on the line  
14 on which appears in column II the amount of his primary  
15 insurance amount. Such average monthly wage shall not,  
16 for the purposes of such section 203 (a), be reduced as the  
17 result of any recomputation of the primary insurance  
18 amount under section 215 (g) of the Social Security Act  
19 as amended by this Act.

20 (e) In the case of any individual to whom paragraph  
21 (1) or (3) of subsection (b) is applicable and the amount  
22 of whose primary insurance benefit falls between the  
23 amounts on any two consecutive lines in column I of the  
24 table, his primary insurance amount, and his average  
25 monthly wage for the purposes of section 203 (a) of the

1 Social Security Act as amended by this Act, shall be deter-  
2 mined in accordance with regulations of the Administrator  
3 designed to obtain results consistent with those obtained pur-  
4 suant to subsections (b) and (d).

5 TITLE II—AMENDMENTS TO INTERNAL  
6 REVENUE CODE

7 RATE OF TAX ON WAGES

8 SEC. 201. (a) Clauses (2) and (3) of section 1400 of  
9 the Internal Revenue Code are amended to read as follows:

10 “(2) With respect to wages received during the  
11 calendar year 1950, the rate shall be  $1\frac{1}{2}$  per centum.

12 “(3) With respect to wages received during the  
13 calendar years 1951 to 1959, both inclusive, the rate  
14 shall be 2 per centum.

15 “(4) With respect to wages received during the  
16 calendar years 1960 to 1964, both inclusive, the rate  
17 shall be  $2\frac{1}{2}$  per centum.

18 “(5) With respect to wages received during the  
19 calendar years 1965 to 1969, both inclusive, the rate  
20 shall be 3 per centum.

21 “(6) With respect to wages received after Decem-  
22 ber 31, 1969, the rate shall be  $3\frac{1}{4}$  per centum.”

23 (b) Clauses (2) and (3) of section 1410 of the In-  
24 ternal Revenue Code are amended to read as follows:

1           “(2) With respect to wages paid during the calen-  
2           dar year 1950, the rate shall be  $1\frac{1}{2}$  per centum.

3           “(3) With respect to wages paid during the calen-  
4           dar years 1951 to 1959, both inclusive, the rate shall  
5           be 2 per centum.

6           “(4) With respect to wages paid during the calen-  
7           dar years 1960 to 1964, both inclusive, the rate shall  
8           be  $2\frac{1}{2}$  per centum.

9           “(5) With respect to wages paid during the cal-  
10          endar years 1965 to 1969, both inclusive, the rate shall  
11          be 3 per centum.

12          “(6) With respect to wages paid after December  
13          31, 1969, the rate shall be  $3\frac{1}{4}$  per centum.”

14                   **EXEMPTION OF NONPROFIT ORGANIZATIONS**

15          **SEC. 202.** (a) Section 1410 of the Internal Revenue  
16          Code is amended by striking out “**SEC. 1410. RATE OF TAX.**”  
17          and inserting in lieu thereof:

18          “**SEC. 1410. IMPOSITION OF TAX.**

19           “(a) **RATE OF TAX.**—”

20          and by adding at the end of such section the following:

21           “(b) **EXEMPTION.**—For exemption of certain nonprofit  
22          organizations from the tax imposed by this section, see  
23          section 1412.”

24          (b) Part II of subchapter A of chapter 9 of the

1 Internal Revenue Code is amended by adding at the end  
2 thereof the following new section:

3 **"SEC. 1412. EXEMPTION OF CERTAIN NONPROFIT ORGANI-**  
4 **ZATIONS.**

5 **"(a) EXEMPTION.**—Any employer which is a cor-  
6 poration, community chest, fund, or foundation, organized  
7 and operated exclusively for religious, charitable, scientific,  
8 literary, or educational purposes, or for the prevention of  
9 cruelty to children or animals, no part of the net earnings  
10 of which inures to the benefit of any private shareholder  
11 or individual, and no substantial part of the activities of  
12 which is carrying on propaganda, or otherwise attempting,  
13 to influence legislation, shall be exempt from the tax imposed  
14 by section 1410; but such exemption shall not be applicable  
15 with respect to wages paid by such employer during the  
16 period for which a waiver, filed by such employer pursuant  
17 to subsection (b) of this section, is in effect.

18 **"(b) WAIVER OF EXEMPTION.**—An employer de-  
19 scribed in subsection (a) may waive its exemption from  
20 the tax imposed by section 1410 by filing a waiver thereof  
21 in such form and manner, and with such official, as may be  
22 prescribed by regulations made under this subchapter.  
23 Such waiver shall be effective for the period begin-  
24 ning with the first day following the close of the cal-  
25 endar quarter in which such waiver is filed, but in no case

1 shall such period begin prior to January 1, 1950. The  
2 period covered by such waiver may be terminated by the  
3 employer, effective at the end of a calendar quarter, upon  
4 giving two years' advance notice in writing, but only if  
5 the waiver has been in effect for not less than five years  
6 prior to the receipt of such notice. Such notice of termina-  
7 tion may be revoked by the employer by giving, prior to  
8 the close of the calendar quarter specified in the notice of  
9 termination, a written notice of such revocation. Notice of  
10 termination or of revocation thereof shall be filed in such  
11 form and manner, and with such official, as may be pre-  
12 scribed by regulations made under this subchapter.

13       “(c) TERMINATION OF WAIVER PERIOD BY COMMIS-  
14 SIONER.—If the Commissioner finds that any employer  
15 which filed a waiver pursuant to this section has failed to  
16 comply substantially with the requirements of this sub-  
17 chapter or is no longer able to comply therewith, the Com-  
18 missioner shall give such employer not less than sixty days'  
19 advance notice in writing that the period covered by such  
20 waiver will terminate at the end of the calendar quarter  
21 specified in such notice. Such notice of termination may  
22 be revoked by the Commissioner by giving, prior to the  
23 close of the calendar quarter specified in the notice of ter-  
24 mination, written notice of such revocation to the employer.  
25 No notice of termination or of revocation thereof shall be

1 given under this subsection to an employer without the prior  
2 concurrence of the Federal Security Administrator.

3 ~~“(d) NO RENEWAL OF WAIVER.—~~In the event the  
4 period covered by a waiver filed pursuant to this section is  
5 terminated by the employer, no waiver may again be made  
6 by such employer pursuant to this section.”

7 ~~(e) The amendments made by this section shall be~~  
8 applicable only with respect to remuneration paid after 1949:

9 **FEDERAL SERVICE**

10 **SEC. 203.** ~~(a) Part II of subchapter A of chapter 9~~  
11 ~~of the Internal Revenue Code is amended by adding after~~  
12 ~~section 1412 (added by section 202 of this Act) the follow-~~  
13 ~~ing new section:~~

14 **“SEC. 1413. INSTRUMENTALITIES OF THE UNITED STATES.**

15 ~~“Notwithstanding any other provision of law (whether~~  
16 ~~enacted before or after the enactment of this section) which~~  
17 ~~grants to any instrumentality of the United States an exemp-~~  
18 ~~tion from taxation, such instrumentality shall not be exempt~~  
19 ~~from the tax imposed by section 1410 unless such other pro-~~  
20 ~~vision of law grants a specific exemption, by reference to~~  
21 ~~section 1410, from the tax imposed by such section.”~~

22 ~~(b) Section 1420 of the Internal Revenue Code is~~  
23 ~~amended by adding at the end thereof the following new~~  
24 ~~subsection:~~

25 ~~“(c) FEDERAL SERVICE.—~~In the case of the taxes im-

1 posed by this subchapter with respect to service performed  
2 in the employ of the United States or in the employ of  
3 any instrumentality which is wholly owned by the United  
4 States, the determination whether an individual has per-  
5 formed service which constitutes employment as defined  
6 in section 1426, the determination of the amount of remu-  
7 nation for such service which constitutes wages as defined  
8 in such section, and the return and payment of the taxes im-  
9 posed by this subchapter, shall be made by the head of the  
10 Federal agency or instrumentality having the control of such  
11 service, or by such agents as such head may designate.—The  
12 person making such return may, for convenience of adminis-  
13 tration, make payments of the tax imposed under section  
14 1410 with respect to such service without regard to the  
15 \$3,600 limitation in section 1426 (a) (1), and he shall not  
16 be required to obtain a refund of the tax paid under section  
17 1410 on that part of the remuneration not included in wages  
18 by reason of section 1426 (a) (1). The provisions of this  
19 subsection shall be applicable in the case of service per-  
20 formed by a civilian employee, not compensated from funds  
21 appropriated by the Congress, in the Army and Air Force  
22 Exchange Service, Army and Air Force Motion Picture  
23 Service, Navy Ship's Service Stores, Marine Corps Post Ex-  
24 changes, or other activities, conducted by an instrumentality

1 of the United States subject to the jurisdiction of the Secre-  
 2 tary of Defense, at installations of the National Military  
 3 Establishment for the comfort, pleasure, contentment, and  
 4 mental and physical improvement of personnel of such  
 5 Establishment; and for purposes of this subsection the  
 6 Secretary of Defense shall be deemed to be the head of  
 7 such instrumentality."

8 (c) Section 1411 of the Internal Revenue Code is  
 9 amended by adding at the end thereof the following new  
 10 sentence: "For the purposes of this section, in the case of  
 11 remuneration received from the United States or a wholly  
 12 owned instrumentality thereof during any calendar year  
 13 after the calendar year 1949, each head of a Federal agency  
 14 or instrumentality who makes a return pursuant to section  
 15 1420 (c) and each agent, designated by the head of a  
 16 Federal agency or instrumentality, who makes a return  
 17 pursuant to such section shall be deemed a separate  
 18 employer."

19 (d) The amendments made by this section shall be  
 20 applicable only with respect to remuneration paid after  
 21 1949.

#### 22 DEFINITION OF WAGES

23 SEC. 204. (a) Section 1426 (a) of the Internal  
 24 Revenue Code is amended to read as follows:

25 "(a) WAGES.—The term 'wages' means all remunera-

1 tion for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

4       “(1) That part of the remuneration which, after  
5 remuneration (other than remuneration referred to in  
6 the succeeding paragraphs of this subsection) equal to  
7 \$3,600 with respect to employment has been paid to  
8 an individual by an employer during any calendar year,  
9 is paid to such individual by such employer during such  
10 calendar year. If an employer during any calendar  
11 year acquires substantially all the property used in a  
12 trade or business of another person (hereinafter referred  
13 to as a predecessor), or used in a separate unit of a trade  
14 or business of a predecessor, and immediately after the  
15 acquisition employs in his trade or business an individual  
16 who immediately prior to the acquisition was employed  
17 in the trade or business of such predecessor, then, for  
18 the purpose of determining whether such employer has  
19 paid remuneration (other than remuneration referred  
20 to in the succeeding paragraphs of this subsection) with  
21 respect to employment equal to \$3,600 to such indi-  
22 vidual during such calendar year, any remuneration  
23 with respect to employment paid (or considered under  
24 this paragraph as having been paid) to such individual  
25 by such predecessor during such calendar year and prior

1 to such acquisition shall be considered as having been  
2 paid by such employer;

3       “(2) The amount of any payment made to, or on  
4 behalf of, an employee under a plan or system estab-  
5 lished by an employer which makes provision for his  
6 employees generally or for a class or classes of his em-  
7 ployees (including any amount paid by an employer  
8 for insurance or annuities, or into a fund, to provide for  
9 any such payment), on account of (A) retirement, or  
10 (B) sickness or accident disability, or (C) medical or  
11 hospitalization expenses in connection with sickness or  
12 accident disability, or (D) death;

13       “(3) Any payment made to an employee (includ-  
14 ing any amount paid by an employer for insurance or  
15 annuities, or into a fund, to provide for any such pay-  
16 ment) on account of retirement;

17       “(4) Any payment on account of sickness or acci-  
18 dent disability, or medical or hospitalization expenses  
19 in connection with sickness or accident disability, made  
20 by an employer to, or on behalf of, an employee after  
21 the expiration of six calendar months following the last  
22 calendar month in which the employee worked for such  
23 employer;

24       “(5) Any payment made to, or on behalf of, an  
25 employee (A) from or to a trust exempt from tax

1 under section 165 (a) at the time of such payment  
2 unless such payment is made to an employee of the  
3 trust as remuneration for services rendered as such  
4 employee and not as a beneficiary of the trust, or (B)  
5 under or to an annuity plan which, at the time of such  
6 payment, meets the requirements of section 165 (a)  
7 (3), (4), (5), and (6);

8 “(6) The payment by an employer (without de-  
9 duction from the remuneration of the employee) (A)  
10 of the tax imposed upon an employee under section  
11 1400, (B) of any payment required from an employee  
12 under a State unemployment compensation law;

13 “(7) Remuneration paid in any medium other than  
14 cash to an employee for service not in the course of the  
15 employer's trade or business (including domestic service  
16 in a private home of the employer); or

17 “(8) Any payment (other than vacation or sick  
18 pay) made to an employee after the month in which he  
19 attains the age of sixty-five, if he did not work for the  
20 employer in the period for which such payment is made.

21 Tips and other cash remuneration customarily received by  
22 an employee in the course of his employment from persons  
23 other than the person employing him shall, for the purposes  
24 of this subchapter, be considered as remuneration paid to  
25 him by his employer; except that, in the case of tips, only

1 so much of the amount thereof received during any calendar  
2 quarter as the employee, before the expiration of ten days  
3 after the close of such quarter, reports in writing to his  
4 employer as having been received by him in such quarter  
5 shall be considered as remuneration paid by his employer,  
6 and the amount so reported shall be considered as having  
7 been paid to him by his employer on the date on which  
8 such report is made to the employer."

9       (b) So much of section 1401 (d) (2) of the Internal  
10 Revenue Code as precedes the second sentence thereof is  
11 amended to read as follows:

12           "~~(2)~~ WAGES RECEIVED DURING 1947, 1948, AND  
13 1949.—If by reason of an employee receiving wages  
14 from more than one employer during the calendar year  
15 1947, 1948, or 1949, the wages received by him dur-  
16 ing such year exceed \$3,000, the employee shall be  
17 entitled to a refund of any amount of tax, with respect  
18 to such wages, imposed by section 1400 and deducted  
19 from the employee's wages (whether or not paid to the  
20 collector), which exceeds the tax with respect to the  
21 first \$3,000 of such wages received."

22       (c) Section 1401 (d) of the Internal Revenue Code  
23 is amended by adding at the end thereof the following new  
24 paragraphs:

1           ~~“(3) WAGES RECEIVED AFTER 1949.—~~ If by rea-  
2           son of an employee receiving wages from more than  
3           one employer during any calendar year after the calendar  
4           year 1949, the wages received by him during such year  
5           exceed \$3,600, the employee shall be entitled to a refund  
6           of any amount of tax, with respect to such wages, im-  
7           posed by section 1400 and deducted from the employee’s  
8           wages (whether or not paid to the collector), which  
9           exceeds the tax with respect to the first \$3,600 of such  
10          wages received. Refund under this section may be  
11          made in accordance with the provisions of law applicable  
12          in the case of erroneous or illegal collection of the tax;  
13          except that no such refund shall be made unless ~~(A)~~ the  
14          employee makes a claim, establishing his right thereto,  
15          after the calendar year in which the wages were re-  
16          ceived with respect to which refund of tax is claimed,  
17          and ~~(B)~~ such claim is made within two years after  
18          the calendar year in which such wages were received.  
19          No interest shall be allowed or paid with respect to  
20          any such refund.

21           ~~“(4) SPECIAL RULES IN THE CASE OF FEDERAL~~  
22           ~~AND STATE EMPLOYEES.—~~

23           ~~“(A) Federal Employees.—~~In the case of re-  
24           muneration received from the United States or a

1 wholly owned instrumentality thereof during any  
2 calendar year after the calendar year 1949, each  
3 head of a Federal agency or instrumentality who  
4 makes a return pursuant to section 1420 (c) and  
5 each agent, designated by the head of a Federal  
6 agency or instrumentality, who makes a return pur-  
7 suant to such section shall, for the purposes of  
8 subsection (c) and paragraph (3) of this subsec-  
9 tion, be deemed a separate employer; and the term  
10 'wages' includes, for the purposes of paragraph (3)  
11 of this subsection, the amount, not to exceed \$3,600,  
12 determined by each such head or agent as consti-  
13 tuting wages paid to an employee.

14 "~~(B)~~ State Employees.—For the purposes of  
15 paragraph (3) of this subsection, in the case of  
16 remuneration received during any calendar year  
17 after the calendar year 1949, the term 'wages'  
18 includes remuneration for services covered by an  
19 agreement made pursuant to section 218 of the  
20 Social Security Act; the term 'employer' includes  
21 a State or any political subdivision thereof, or any  
22 instrumentality of any one or more of the foregoing;  
23 the term 'tax' or 'tax imposed by section 1400'  
24 includes, in the case of services covered by an  
25 agreement made pursuant to section 218 of the

1 Social Security Act, an amount equivalent to the  
2 tax which would be imposed by section 1400, if  
3 such services constituted employment as defined in  
4 section 1426; and the provisions of paragraph ~~(3)~~  
5 of this subsection shall apply whether or not any  
6 amount deducted from the employee's remuneration  
7 as a result of an agreement made pursuant to sec-  
8 tion 218 of the Social Security Act has been paid  
9 to the Secretary of the Treasury."

10 ~~(d)~~ The amendment made by subsection ~~(a)~~ of this  
11 section shall be applicable only with respect to remuneration  
12 paid after 1949. In the case of remuneration paid prior to  
13 1950, the determination under section 1426 ~~(a)~~ ~~(1)~~ of the  
14 Internal Revenue Code ~~(prior to its amendment by this~~  
15 ~~Act)~~ of whether or not such remuneration constituted wages  
16 shall be made as if subsection ~~(a)~~ of this section had not  
17 been enacted and without inferences drawn from the fact  
18 that the amendment made by subsection ~~(a)~~ is not made  
19 applicable to periods prior to 1950.

20 DEFINITION OF EMPLOYMENT

21 SEC. 205. ~~(a)~~ Effective January 1, 1950, section 1426  
22 ~~(b)~~ of the Internal Revenue Code is amended to read as  
23 follows:

24 "~~(b)~~ EMPLOYMENT.—The term 'employment' means  
25 any service performed after 1936 and prior to 1950

1 which was employment for the purposes of this sub-  
2 chapter under the law applicable to the period in which  
3 such service was performed, and any service, of whatever  
4 nature, performed after 1949 either ~~(A)~~ by an employee  
5 for the person employing him, irrespective of the citizen-  
6 ship or residence of either, ~~(i)~~ within the United States, or  
7 ~~(ii)~~ on or in connection with an American vessel or Amer-  
8 ican aircraft under a contract of service which is entered into  
9 within the United States or during the performance of  
10 which the vessel or aircraft touches at a port in the United  
11 States, if the employee is employed on and in connection  
12 with such vessel or aircraft when outside the United States,  
13 or ~~(B)~~ outside the United States by a citizen of the United  
14 States as an employee for an American employer ~~(as defined~~  
15 ~~in subsection (i) of this section)~~; except that, in the case of  
16 service performed after 1949, such term shall not include—

17       ~~“(1) Agricultural labor (as defined in subsection~~  
18       ~~(h) of this section)~~;

19       ~~“(2) (A) Service not in the course of the em-~~  
20       ~~ployer’s trade or business (including domestic service~~  
21       ~~in a private home of the employer) performed on a farm~~  
22       ~~operated for profit;~~

23       ~~“(B) Domestic service performed in a local college~~  
24       ~~club, or local chapter of a college fraternity or sorority,~~

1 by a student who is enrolled and is regularly attending  
2 classes at a school, college, or university;

3 ~~“(3)~~ Service not in the course of the employer’s  
4 trade or business performed in any calendar quarter by  
5 an employee, unless the cash remuneration paid for such  
6 service is \$25 or more and such service is performed  
7 by an individual who is regularly employed by such  
8 employer to perform such service. For the purposes of  
9 this paragraph, an individual shall be deemed to be  
10 regularly employed by an employer during a calendar  
11 quarter only if ~~(A)~~ such individual performs for such  
12 employer service not in the course of the employer’s  
13 trade or business during some portion of at least twenty-  
14 six days during such quarter, or ~~(B)~~ if such individual  
15 was regularly employed ~~(as determined under clause~~  
16 ~~(A))~~ by such employer in the performance of such  
17 service during the preceding calendar quarter. As used  
18 in this paragraph, the term “service not in the course  
19 of the employer’s trade or business” includes domestic  
20 service in a private home of the employer;

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

1           ~~“(5) Service performed by an individual on or in~~  
2           ~~connection with a vessel not an American vessel, or~~  
3           ~~on or in connection with an aircraft not an American~~  
4           ~~aircraft, if the individual is employed on and in connec-~~  
5           ~~tion with such vessel or aircraft when outside the United~~  
6           ~~States;~~

7           ~~“(6) Service performed in the employ of any in-~~  
8           ~~strumentality of the United States, if such instrumen-~~  
9           ~~tality is exempt from the tax imposed by section 1410~~  
10          ~~by virtue of any provision of law which specifically~~  
11          ~~refers to such section in granting such exemption;~~

12          ~~“(7) Service performed in the employ of the~~  
13          ~~United States, or in the employ of any instrumentality~~  
14          ~~of the United States which is partly or wholly owned by~~  
15          ~~the United States, but only if (i) such service is covered~~  
16          ~~by a retirement system, established by a law of the~~  
17          ~~United States, for employees of the United States or of~~  
18          ~~such instrumentality, or (ii) such service is performed—~~

19                 ~~“(A) by the President or Vice President of~~  
20                 ~~the United States or by a Member, Delegate, or~~  
21                 ~~Resident Commissioner, of or to the Congress;~~

22                 ~~“(B) in the legislative branch;~~

23                 ~~“(C) in the field service of the Post Office~~  
24                 ~~Department;~~

1           ~~“(D)~~ in or under the Bureau of the Census of  
2 the Department of Commerce by temporary em-  
3 ployees employed for the taking of any census;

4           ~~“(E)~~ by any employee who is excluded by  
5 Executive order from the operation of the Civil  
6 Service Retirement Act of 1930 because he is paid  
7 on a contract or fee basis;

8           ~~“(F)~~ by any employee receiving nominal com-  
9 pensation of \$12 or less per annum;

10          ~~“(G)~~ in a hospital, home, or other institution  
11 of the United States by a patient or inmate thereof;

12          ~~“(H)~~ by any employee who is excluded by  
13 Executive order from the operation of the Civil  
14 Service Retirement Act of 1930 because he is  
15 serving under a temporary appointment pending  
16 final determination of eligibility for permanent or  
17 indefinite appointment;

18          ~~“(I)~~ by any consular agent appointed under  
19 authority of section 551 of the Foreign Service Act  
20 of 1946 (22 U. S. C., sec. 951);

21          ~~“(J)~~ by any employee included under section  
22 2 of the Act of August 4, 1947 (relating to certain  
23 interns, student nurses, and other student employees  
24 of hospitals of the Federal Government; 5 U. S. C.,  
25 sec. 1052);

1           ~~“(K) in the employ of the Tennessee Valley~~  
2           ~~Authority in a position which is covered by a retire-~~  
3           ~~ment system established by such Authority;~~

4           ~~“(L) by any employee serving on a temporary~~  
5           ~~basis in case of fire, storm, earthquake, flood, or~~  
6           ~~other emergency; or~~

7           ~~“(M) by any employee who is employed~~  
8           ~~under a Federal relief program to relieve him from~~  
9           ~~unemployment;~~

10          ~~“(8) (A) Service (other than service to which~~  
11          ~~subparagraph (B) of this paragraph is applicable)~~  
12          ~~performed in the employ of a State, or any political~~  
13          ~~subdivision thereof, or any instrumentality of any one~~  
14          ~~or more of the foregoing which is wholly owned by one~~  
15          ~~or more States or political subdivisions;~~

16          ~~“(B) Service performed in the employ of any po-~~  
17          ~~litical subdivision of a State in connection with the opera-~~  
18          ~~tion of any public transportation system unless such~~  
19          ~~service is performed by an employee whose service is not~~  
20          ~~included under an agreement entered into pursuant to the~~  
21          ~~provisions of section 218 of the Social Security Act and~~  
22          ~~who—~~

23                 ~~“(i) became an employee of such political sub-~~  
24                 ~~division in connection with and at the time of its~~

1 acquisition after 1936 of such transportation system  
2 or any part thereof; and

3 ~~“(ii) prior to such acquisition rendered serv-~~  
4 ~~ices which constituted employment in connection~~  
5 ~~with the operation of such transportation system or~~  
6 ~~part thereof.~~

7 In the case of an employee described in clauses ~~(i)~~ and  
8 ~~(ii)~~ who became such an employee in connection with  
9 an acquisition made prior to 1950, this subparagraph  
10 shall not be applicable with respect to such employee  
11 if the political subdivision employing him files with the  
12 Commissioner prior to January 1, 1950, a statement  
13 that it does not favor the inclusion under this subpara-  
14 graph of any individual who became an employee in  
15 connection with such acquisitions made prior to 1950.  
16 For the purposes of this subparagraph the term ‘political  
17 subdivision’ includes an instrumentality of one or more  
18 political subdivisions of a State;

19 ~~“(9) Service performed by a duly ordained, com-~~  
20 ~~missioned, or licensed minister of a church in the~~  
21 ~~exercise of his ministry or by a member of a religious~~  
22 ~~order in the exercise of duties required by such order;~~

23 ~~“(10) Service performed by an individual as an~~

1 employee or employee representative as defined in  
2 section 1532;

3 ~~“(11) (A) Service performed in any calendar~~  
4 ~~quarter in the employ of any organization exempt from~~  
5 ~~income tax under section 101, if the remuneration for~~  
6 ~~such service is less than \$100;~~

7 ~~“(B) Service performed in the employ of a school,~~  
8 ~~college, or university if such service is performed by~~  
9 ~~a student who is enrolled and is regularly attending~~  
10 ~~classes at such school, college, or university;~~

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

14 ~~“(13) Service performed in the employ of an in-~~  
15 ~~strumentality wholly owned by a foreign government—~~

16 ~~“(A) If the service is of a character similar~~  
17 ~~to that performed in foreign countries by employees~~  
18 ~~of the United States Government or of an instru-~~  
19 ~~mentality thereof; and~~

20 ~~“(B) If the Secretary of State shall certify to~~  
21 ~~the Secretary of the Treasury that the foreign gov-~~  
22 ~~ernment, with respect to whose instrumentality and~~  
23 ~~employees thereof exemption is claimed, grants an~~  
24 ~~equivalent exemption with respect to similar service~~  
25 ~~performed in the foreign country by employees of~~

1 the United States Government and of instrumen-  
2 talities thereof;

3 “(14) Service performed as a student nurse in the  
4 employ of a hospital or a nurses’ training school by an  
5 individual who is enrolled and is regularly attending  
6 classes in a nurses’ training school chartered or approved  
7 pursuant to State law; and service performed as an  
8 interne in the employ of a hospital by an individual who  
9 has completed a four years’ course in a medical school  
10 chartered or approved pursuant to State law;

11 “(15) Service performed by an individual in (or  
12 as an officer or member of the crew of a vessel while  
13 it is engaged in) the catching, taking, harvesting, cul-  
14 tivating, or farming of any kind of fish, shellfish, crus-  
15 tacea, sponges, seaweeds, or other aquatic forms of  
16 animal and vegetable life (including service performed  
17 by any such individual as an ordinary incident to any  
18 such activity); except (A) service performed in con-  
19 nection with the catching or taking of salmon or halibut,  
20 for commercial purposes, and (B) service performed  
21 on or in connection with a vessel of more than ten net  
22 tons (determined in the manner provided for deter-  
23 mining the register tonnage of merchant vessels under  
24 the laws of the United States);

1           ~~“(16) (A)~~ Service performed by an individual  
2 under the age of eighteen in the delivery or distribution  
3 of newspapers or shopping news, not including delivery  
4 or distribution to any point for subsequent delivery or  
5 distribution;

6           ~~“(B)~~ Service performed by an individual in, and  
7 at the time of, the sale of newspapers or magazines to  
8 ultimate consumers, under an arrangement under which  
9 the newspapers or magazines are to be sold by him  
10 at a fixed price, his compensation being based on the  
11 retention of the excess of such price over the amount  
12 at which the newspapers or magazines are charged to  
13 him, whether or not he is guaranteed a minimum  
14 amount of compensation for such service, or is entitled  
15 to be credited with the unsold newspapers or magazines  
16 turned back;

17           ~~“(17)~~ Service performed in the employ of an  
18 international organization; or

19           ~~“(18)~~ Service performed by an individual in the  
20 sale or distribution of goods or commodities for another  
21 person, off the premises of such person, under an arrange-  
22 ment whereby such individual receives his entire re-  
23 munerat~~ion~~ (other than prizes) for such service directly  
24 from the purchasers of such goods or commodities, if such  
25 person makes no provision (other than by correspond-

1       ence) with respect to the training of such individual for  
2       the performance of such service and imposes no require-  
3       ment upon such individual with respect to (A) the fit-  
4       ness of such individual to perform such service, (B) the  
5       geographical area in which such service is to be per-  
6       formed, (C) the volume of goods or commodities to be  
7       sold or distributed, or (D) the selection or solicitation of  
8       customers.”

9       (b) Effective January 1, 1950, section 1426 (e) of the  
10      Internal Revenue Code is amended to read as follows:

11      “(e) STATE, ETC.—

12          “(1) The term ‘State’ includes Alaska, Hawaii,  
13          the District of Columbia, and the Virgin Islands; and on  
14          and after the effective date specified in section 1633 such  
15          term includes Puerto Rico.

16          “(2) UNITED STATES.—The term ‘United States’  
17          when used in a geographical sense includes the Virgin  
18          Islands; and on and after the effective date specified in  
19          section 1633 such term includes Puerto Rico.

20          “(3) CITIZEN.—An individual who is a citizen of  
21          Puerto Rico (but not otherwise a citizen of the United  
22          States) and who is not a resident of the United  
23          States shall not be considered, for the purposes of this  
24          section, as a citizen of the United States prior to the  
25          effective date specified in section 1633.”

1       (c) Section 1426 (g) of the Internal Revenue Code  
 2 is amended by striking out “(g) American Vessel.” and  
 3 inserting in lieu thereof “(g) American Vessel and Air-  
 4 craft.”, and by striking out the period at the end of such  
 5 subsection and inserting in lieu thereof the following: “; and  
 6 the term ‘American aircraft’ means an aircraft registered  
 7 under the laws of the United States.”

8       (d) Section 1426 (h) of the Internal Revenue Code  
 9 is amended to read as follows:

10       “(h) AGRICULTURAL LABOR.—The term ‘agricultural  
 11 labor’ includes all services performed—

12           “(1) On a farm, in the employ of any person, in  
 13 connection with cultivating the soil, or in connection  
 14 with raising or harvesting any agricultural or horticultural  
 15 commodity, including the raising, shearing, feeding,  
 16 caring for, training, and management of livestock, bees,  
 17 poultry, and fur-bearing animals and wildlife.

18           “(2) In the employ of the owner or tenant or other  
 19 operator of a farm, in connection with the operation,  
 20 management, conservation, improvement, or maintenance  
 21 of such farm and its tools and equipment, or in  
 22 salvaging timber or clearing land of brush and other  
 23 debris left by a hurricane, if the major part of such  
 24 service is performed on a farm.

25           “(3) In connection with the production or har-

1 vesting of any commodity defined as an agricultural  
2 commodity in section 15 (g) of the Agricultural Mar-  
3 keting Act, as amended, or in connection with the  
4 ginning of cotton.

5 “(4) (A) In the employ of the operator of a farm  
6 in handling, planting, drying, packing, packaging,  
7 processing, freezing, grading, storing, or delivering to  
8 storage or to market or to a carrier for transportation to  
9 market, in its unmanufactured state, any agricultural or  
10 horticultural commodity; but only if such operator pro-  
11 duced more than one-half of the commodity with respect  
12 to which such service is performed.

13 “(B) In the employ of a group of operators of  
14 farms (other than a cooperative organization) in the  
15 performance of services described in subparagraph (A),  
16 but only if such operators produced all of the com-  
17 modity with respect to which such service is performed.  
18 For the purposes of this subparagraph, any unincor-  
19 porated group of operators shall be deemed a coopera-  
20 tive organization if the number of operators comprising  
21 such group is more than twenty at any time during  
22 the calendar quarter in which such service is performed.

23 “(C) The provisions of subparagraphs (A) and  
24 (B) shall not be deemed to be applicable with respect  
25 to service performed in connection with commercial

1       canning or commercial freezing or in connection with  
2       any agricultural or horticultural commodity after its  
3       delivery to a terminal market for distribution for  
4       consumption.

5       As used in this section, the term 'farm' includes stock,  
6       dairy, poultry, fruit, fur-bearing animal, and truck farms,  
7       plantations, ranches, nurseries, ranges, greenhouses or other  
8       similar structures used primarily for the raising of agricul-  
9       tural or horticultural commodities, and orchards."

10       ~~(c)~~ Section 1426 of the Internal Revenue Code is  
11       amended by striking out subsections ~~(i)~~ and ~~(j)~~ and insert-  
12       ing in lieu thereof the following:

13       "~~(i)~~ ~~AMERICAN EMPLOYER.~~ The term 'American  
14       employer' means an employer which is ~~(1)~~ the United  
15       States or any instrumentality thereof, ~~(2)~~ an individual  
16       who is a resident of the United States, ~~(3)~~ a partnership,  
17       if two-thirds or more of the partners are residents of the  
18       United States, ~~(4)~~ a trust, if all of the trustees are residents  
19       of the United States, or ~~(5)~~ a corporation organized under  
20       the laws of the United States or of any State."

21       ~~(f)~~ Section 1426 ~~(c)~~ of the Internal Revenue Code is  
22       amended by striking out "paragraph ~~(9)~~" and inserting in  
23       lieu thereof "paragraph ~~(10)~~".

24       ~~(g)~~ The amendments made by subsections ~~(c)~~, ~~(d)~~,

1 ~~(e)~~, and ~~(f)~~ of this section shall be applicable only with  
2 respect to services performed after 1949.

3 DEFINITION OF EMPLOYEE

4 SEC. 206. ~~(a)~~ Section 1426 ~~(d)~~ of the Internal Reve-  
5 nue Code is hereby amended to read as follows:

6 ~~“(d) EMPLOYEE.—~~The term ‘employee’ means—

7 ~~“(1) any officer of a corporation; or~~

8 ~~“(2) any individual who, under the usual com-~~  
9 ~~mon law rules applicable in determining the employer-~~  
10 ~~employee relationship, has the status of an employee.~~

11 ~~For purposes of this paragraph, if an individual (either~~  
12 ~~alone or as a member of a group) performs service for~~  
13 ~~any other person under a written contract expressly~~  
14 ~~reciting that such person shall have complete control~~  
15 ~~over the performance of such service and that such in-~~  
16 ~~dividual is an employee, such individual with respect~~  
17 ~~to such service shall, regardless of any modification~~  
18 ~~not in writing, be deemed an employee of such person~~  
19 ~~(or, if such person is an agent or employee with re-~~  
20 ~~spect to the execution of such contract, the employee~~  
21 ~~of the principal or employer of such person); or~~

22 ~~“(3) any individual (other than an individual~~  
23 ~~who is an employee under paragraph (1) or (2) of this~~  
24 ~~subsection) who performs services for remuneration~~  
25 ~~for any person—~~

1           ~~“(A) as an outside salesman in the manufac-~~  
2           ~~turing or wholesale trade;~~

3           ~~“(B) as a full time life insurance salesman;~~

4           ~~“(C) as a driver-lessee of a taxicab;~~

5           ~~“(D) as a home worker on materials or goods~~  
6           ~~which are furnished by the person for whom the~~  
7           ~~services are performed and which are required to be~~  
8           ~~returned to such person or to a person designated~~  
9           ~~by him;~~

10          ~~“(E) as a contract logger;~~

11          ~~“(F) as a lessee or licensee of space within~~  
12          ~~a mine when substantially all of the product of such~~  
13          ~~services is required to be sold or turned over to the~~  
14          ~~lessor or licensor; or~~

15          ~~“(G) as a house-to-house salesman if under~~  
16          ~~the contract of service or in fact such individual (i)~~  
17          ~~is required to meet a minimum sales quota, or (ii)~~  
18          ~~is expressly or impliedly required to furnish the~~  
19          ~~services with respect to designated or regular cus-~~  
20          ~~tomers or customers along a prescribed route, or~~  
21          ~~(iii) is prohibited from furnishing the same or~~  
22          ~~similar services for any other person—~~

23          if the contract of service contemplates that substantially  
24          all of such services (other than the services described  
25          in subparagraph (F)) are to be performed personally

1 by such individual; except that an individual shall not  
2 be included in the term 'employee' under the provi-  
3 sions of this paragraph if such individual has a substan-  
4 tial investment (other than the investment by a sales-  
5 man in facilities for transportation) in the facilities of  
6 the trade, occupation, business, or profession with  
7 respect to which the services are performed, or if the  
8 services are in the nature of a single transaction not  
9 part of a continuing relationship with the person for  
10 whom the services are performed; or

11 "“(4) any individual who is not an employee  
12 under paragraph (1), (2), or (3) of this subsection  
13 but who, in the performance of service for any person  
14 for remuneration, has, with respect to such service,  
15 the status of an employee, as determined by the  
16 combined effect of (A) control over the individual,  
17 (B) permanency of the relationship, (C) regularity  
18 and frequency of performance of the service, (D) inte-  
19 gration of the individual's work in the business to which  
20 he renders service, (E) lack of skill required of the  
21 individual, (F) lack of investment by the individual in  
22 facilities for work, and (G) lack of opportunities of the  
23 individual for profit or loss.”

24 (b) The amendment made by this section shall be ap-  
25 plicable only with respect to services performed after 1949.

## 1 SELF-EMPLOYMENT INCOME

2 SEC. 207. (a) Chapter 9 of the Internal Revenue Code  
3 is amended by adding at the end thereof the following new  
4 subchapter:

5 "SUBCHAPTER F—TAX ON SELF-EMPLOYMENT  
6 INCOME

7 "SEC. 1640. RATE OF TAX.

8 "In addition to other taxes, there shall be levied, col-  
9 lected, and paid for each taxable year beginning after De-  
10 cember 31, 1949, upon the self-employment income of every  
11 individual, a tax as follows:

12 "(1) In the case of any taxable year beginning  
13 in 1950, the tax shall be equal to 2½ per centum of  
14 the amount of the self-employment income for such  
15 taxable year.

16 "(2) In the case of any taxable year beginning  
17 after December 31, 1950, and before January 1, 1960,  
18 the tax shall be equal to 3 per centum of the amount  
19 of the self-employment income for such taxable year.

20 "(3) In the case of any taxable year beginning  
21 after December 31, 1950, and before January 1, 1965,  
22 the tax shall be equal to 3½ per centum of the amount  
23 of the self-employment income for such taxable year.

24 "(4) In the case of any taxable year beginning  
25 after December 31, 1964, and before January 1, 1970,

1 the tax shall be equal to  $4\frac{1}{2}$  per centum of the amount  
2 of the self-employment income for such taxable year.

3 ~~“(5) In the case of any taxable year beginning~~  
4 ~~after December 31, 1969, the tax shall be equal to  $4\frac{7}{8}$~~   
5 ~~per centum of the amount of the self-employment income~~  
6 ~~for such taxable year.~~

7 **“SEC. 1641. DEFINITIONS.**

8 ~~“For the purposes of this subchapter—~~

9 ~~“(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The~~  
10 ~~term ‘net earnings from self-employment’ means the gross~~  
11 ~~income, as computed under chapter 1, derived by an indi-~~  
12 ~~vidual from any trade or business carried on by such indi-~~  
13 ~~vidual, less the deductions allowed under such chapter which~~  
14 ~~are attributable to such trade or business, plus his distributive~~  
15 ~~share (whether or not distributed) of the net income or loss,~~  
16 ~~as computed under such chapter, from any trade or busi-~~  
17 ~~ness carried on by a partnership of which he is a member;~~  
18 ~~except that in computing such gross income and deductions~~  
19 ~~and such distributive share of partnership net income or~~  
20 ~~loss—~~

21 ~~“(1) There shall be excluded rentals from real estate~~  
22 ~~(including personal property leased with the real estate)~~  
23 ~~and deductions attributable thereto, unless such rentals~~  
24 ~~are received in the course of a trade or business as a~~  
25 ~~real estate dealer;~~

1           ~~“(2)~~ There shall be excluded income derived from  
2 any trade or business in which, if the trade or business  
3 were carried on exclusively by employees, the major  
4 portion of the services would constitute agricultural labor  
5 as defined in section 1426 (h); and there shall be ex-  
6 cluded all deductions attributable to such income;

7           ~~“(3)~~ There shall be excluded dividends on any  
8 share of stock, and interest on any bond, debenture, note,  
9 or certificate, or other evidence of indebtedness, issued  
10 with interest coupons or in registered form by any cor-  
11 poration (including one issued by a government or po-  
12 litical subdivision thereof) unless such dividends and  
13 interest are received in the course of a trade or business  
14 as a dealer in stock or securities;

15           ~~“(4)~~ There shall be excluded any gain or loss  
16 ~~(A)~~ which is considered under chapter 1 as gain or loss  
17 from the sale or exchange of a capital asset, ~~(B)~~ from  
18 the cutting or disposal of timber if section 117 (j) is  
19 applicable to such gain or loss, or ~~(C)~~ from the sale,  
20 exchange, involuntary conversion, or other disposition  
21 of property if such property is neither (i) stock in  
22 trade or other property of a kind which would properly  
23 be included in inventory if on hand at the close of the  
24 taxable year, nor (ii) property held primarily for sale

1 to customers in the ordinary course of the trade or  
2 business;

3 ~~“(5) The deduction for net operating losses pro-~~  
4 ~~vided in section 23 (s) shall not be allowed;~~

5 ~~“(6) (A) If any of the income derived from a~~  
6 ~~trade or business (other than a trade or business ear-~~  
7 ~~ried on by a partnership) is community income under~~  
8 ~~community property laws applicable to such income,~~  
9 ~~all of the gross income and deductions attributable to~~  
10 ~~such trade or business shall be treated as the gross in-~~  
11 ~~come and deductions of the husband unless the wife~~  
12 ~~exercises substantially all of the management and con-~~  
13 ~~trol of such trade or business, in which case all of such~~  
14 ~~gross income and deductions shall be treated as the~~  
15 ~~gross income and deductions of the wife;~~

16 ~~“(B) If any portion of a partner’s distributive share~~  
17 ~~of the net income or loss from a trade or business carried~~  
18 ~~on by a partnership is community income or loss under~~  
19 ~~the community property laws applicable to such share, all~~  
20 ~~of such distributive share shall be included in computing~~  
21 ~~the net earnings from self-employment of such partner,~~  
22 ~~and no part of such share shall be taken into account in~~  
23 ~~computing the net earnings from self-employment of the~~  
24 ~~spouse of such partner;~~

1           “(7) In the case of any taxable year beginning  
2           on or after the effective date specified in section 1633,  
3           ~~(A)~~ the term ‘possession of the United States’ as used  
4           in section 251 shall not include Puerto Rico, and ~~(B)~~  
5           a citizen or resident of Puerto Rico shall compute his  
6           net earnings from self-employment in the same manner  
7           as a citizen of the United States and without regard  
8           to the provisions of section 252;

9           “(8) There shall be excluded income derived from  
10          a trade or business of publishing a newspaper or other  
11          publication having a paid circulation, together with the  
12          income derived from other activities conducted in con-  
13          nection with such trade or business; and there shall be  
14          excluded all deductions attributable to such income.

15        If the taxable year of a partner is different from that  
16        of the partnership, the distributive share which he is  
17        required to include in computing his net earnings from self-  
18        employment shall be based upon the net income or loss of  
19        the partnership for any taxable year of the partnership  
20        ~~(even though beginning prior to January 1, 1950)~~ end-  
21        ing within or with his taxable year.

22          “(b) ~~SELF-EMPLOYMENT INCOME.~~ The term ‘self-  
23        employment income’ means the net earnings from self-  
24        employment derived by an individual ~~(other than a non-~~  
25        resident alien individual) during any taxable year beginning

1 after December 31, 1949; except that such term shall not  
2 include—

3       “(1) That part of the net earnings from self-  
4 employment which is in excess of: (A) \$3,600, minus  
5 (B) the amount of the wages paid to such individual  
6 during the taxable year; or

7       “(2) The net earnings from self-employment, if  
8 such net earnings for the taxable year are less than  
9 \$400.

10 For the purposes of clause (1) the term ‘wages’ includes  
11 remuneration paid to an employee if such remuneration  
12 is for services included under an agreement entered into  
13 pursuant to the provisions of section 218 of the Social  
14 Security Act (relating to coverage of State employees).  
15 In the case of any taxable year beginning prior to the  
16 effective date specified in section 1633, an individual who is  
17 a citizen of Puerto Rico (but not otherwise a citizen of the  
18 United States) and who is not a resident of the United  
19 States or of the Virgin Islands during such taxable year shall  
20 be considered, for the purposes of this subsection, as a non-  
21 resident alien individual. An individual who is not a citizen  
22 of the United States but who is a resident of the Virgin  
23 Islands or (after the effective date specified in section 1633)  
24 a resident of Puerto Rico shall not, for the purposes of

1 this subsection, be considered to be a nonresident alien  
2 individual.

3       “(c) TRADE OR BUSINESS.—The term ‘trade or busi-  
4 ness’, when used with reference to self-employment income  
5 or net earnings from self-employment, shall have the same  
6 meaning as when used in section 23, except that such term  
7 shall not include—

8           “(1) The performance of the functions of a public  
9 office;

10           “(2) The performance of service by an individual  
11 as an employee (other than service described in sec-  
12 tion 1426 (b) (16) (B) or section 1426 (b) (18)  
13 performed by an individual who has attained the age of  
14 eighteen);

15           “(3) The performance of service by an individual  
16 as an employee or employee representative as defined  
17 in section 1522;

18           “(4) The performance of service by a duly or-  
19 dained, commissioned, or licensed minister of a church  
20 in the exercise of his ministry or by a member of a  
21 religious order in the exercise of duties required by  
22 such order; or

23           “(5) The performance of service by an individual  
24 in the exercise of his profession as a physician, lawyer,  
25 dentist, osteopath, veterinarian, chiropractor, or optome-

1       trist, or as a Christian Science practitioner, or as an aero-  
 2       nautical, chemical, civil, electrical, mechanical, metal-  
 3       lurgical, or mining engineer; or the performance of such  
 4       service by a partnership.

5       “(d) EMPLOYEE AND WAGES.—The term ‘employee’  
 6       and the term ‘wages’ shall have the same meaning as when  
 7       used in subchapter A of this chapter.

8       “(e) TAXABLE YEAR.—The term ‘taxable year’ shall  
 9       have the same meaning as when used in chapter 1; and  
 10      the taxable year of any individual shall be a calendar year  
 11      unless he has a different taxable year for the purposes of  
 12      chapter 1, in which case his taxable year for the purposes  
 13      of this subchapter shall be the same as his taxable year under  
 14      chapter 1.

15      “SEC. 1642. NONDEDUCTIBILITY OF TAX.

16      “For the purposes of the income tax imposed by chapter  
 17      1 or by any Act of Congress in substitution therefor, the  
 18      tax imposed by section 1640 shall not be allowed as a deduc-  
 19      tion to the taxpayer in computing his net income for any  
 20      taxable year.

21      “SEC. 1643. COLLECTION AND PAYMENT OF TAX.

22      “(a) ADMINISTRATION.—The tax imposed by this sub-  
 23      chapter shall be collected by the Bureau of Internal Revenue  
 24      under the direction of the Secretary and shall be paid into

1 the Treasury of the United States as internal revenue collec-  
2 tions.

3 ~~“(b) ADDITION TO TAX IN CASE OF DELINQUENCY.—~~

4 ~~If the tax is not paid when due, there shall be added, as part~~  
5 ~~of the tax, interest at the rate of 6 per centum per annum~~  
6 ~~from the date the tax became due until paid.~~

7 ~~“(c) METHOD OF COLLECTION AND PAYMENT.—Such~~  
8 ~~tax shall be collected and paid in such manner, at such times,~~  
9 ~~and under such conditions, not inconsistent with this sub-~~  
10 ~~chapter, as may be prescribed by the Commissioner with~~  
11 ~~the approval of the Secretary.~~

12 ~~“(d) FRACTIONAL PARTS OF A CENT.—In the pay-~~  
13 ~~ment of any tax under this subchapter a fractional part of~~  
14 ~~a cent shall be disregarded unless it amounts to one-half cent~~  
15 ~~or more, in which case it shall be increased to one cent.~~

16 **“SEC. 1644. OVERPAYMENTS AND UNDERPAYMENTS.**

17 ~~“If more or less than the correct amount of tax imposed~~  
18 ~~by section 1640 is paid with respect to any taxable year, the~~  
19 ~~amount of the overpayment shall be refunded, and the~~  
20 ~~amount of the underpayment shall be collected, in such man-~~  
21 ~~ner and at such times (subject to the applicable statute of~~  
22 ~~limitations provided in section 3312 or 3313) as may be~~  
23 ~~prescribed by regulations made under this subchapter.~~

24 **“SEC. 1645. RULES AND REGULATIONS.**

25 ~~“The Commissioner, with the approval of the Secretary,~~

1 shall make and publish such rules and regulations as may be  
2 necessary for the enforcement of this subchapter.

3 **“SEC. 1646. OTHER LAWS APPLICABLE.**

4 “All provisions of law (including penalties and statutes  
5 of limitations) applicable with respect to the tax imposed  
6 by section 2700 shall, insofar as applicable and not incon-  
7 sistent with the provisions of this subchapter, be applicable  
8 with respect to the tax imposed by this subchapter.

9 **“SEC. 1647. TITLE OF SUBCHAPTER.**

10 “This subchapter may be cited as the ‘Self-Employment  
11 Contributions Act.’”

12 (b) Subchapter E of chapter 9 of the Internal Revenue  
13 Code is amended by adding at the end thereof the following  
14 new sections:

15 **“SEC. 1633. EFFECTIVE DATE IN CASE OF PUERTO RICO.**

16 “If the Governor of Puerto Rico certifies to the Presi-  
17 dent of the United States that the legislature of Puerto Rico  
18 has, by concurrent resolution, resolved that it desires the  
19 extension of Puerto Rico of the provisions of title II of the  
20 Social Security Act, the effective date referred to in sec-  
21 tions 1426 (c), 1641 (a) (7), and 1641 (b) shall be  
22 January 1 of the first calendar year which begins more than  
23 ninety days after the date on which the President receives  
24 such certification.

1 "SEC. 1634. COLLECTION OF TAXES IN VIRGIN ISLANDS  
2 AND PUERTO RICO.

3 "Notwithstanding any other provision of law respecting  
4 taxation in the Virgin Islands or Puerto Rico, all taxes  
5 imposed by subchapters A and F of this chapter shall be  
6 collected by the Bureau of Internal Revenue under the  
7 direction of the Secretary and shall be paid into the Treasury  
8 of the United States as internal revenue collections."

9 (e) Section 3801 of the Internal Revenue Code is  
10 amended by adding at the end thereof the following new  
11 subsection:

12 "~~(g)~~ TAXES IMPOSED BY CHAPTER 9.—The provisions  
13 of this section shall not be construed to apply to any tax  
14 imposed by chapter 9."

15 MISCELLANEOUS AMENDMENTS

16 SEC. 208. (a) (1) Section 1607 (b) of the Internal  
17 Revenue Code is amended to read as follows:

18 (b) Wages.—The term 'wages' means all remunera-  
19 tion for employment, including the cash value of all remunera-  
20 tion paid in any medium other than cash; except that  
21 such term shall not include—

22 "(1) That part of the remuneration which, after  
23 remuneration (other than remuneration referred to in  
24 the succeeding paragraphs of this subsection) equal to  
25 \$2,000 with respect to employment has been paid to

1 an individual by an employer during any calendar year,  
2 is paid to such individual by such employer during such  
3 calendar year. If an employer during any calendar  
4 year acquires substantially all the property used in a  
5 trade or business of another person (hereinafter referred  
6 to as a predecessor), or used in a separate unit of a  
7 trade or business of a predecessor, and immediately  
8 after the acquisition employs in his trade or business  
9 an individual who immediately prior to the acquisition  
10 was employed in the trade or business of such prede-  
11 cessor, then, for the purpose of determining whether  
12 such employer has paid remuneration (other than  
13 remuneration referred to in the succeeding paragraphs  
14 of this subsection) with respect to employment equal  
15 to \$3,000 to such individual during such calendar year,  
16 any remuneration with respect to employment paid (or  
17 considered under this paragraph as having been paid)  
18 to such individual by such predecessor during such cal-  
19 endar year and prior to such acquisition shall be con-  
20 sidered as having been paid by such employer;

21 “(2) The amount of any payment made to, or on  
22 behalf of, an employee under a plan or system estab-  
23 lished by an employer which makes provision for his  
24 employees generally or for a class or classes of his em-  
25 ployees (including any amount paid by an employer

1 for insurance or annuities, or into a fund, to provide for  
2 any such payment), on account of ~~(A)~~ retirement, or  
3 ~~(B)~~ sickness or accident disability, or ~~(C)~~ medical or  
4 hospitalization expenses in connection with sickness or  
5 accident disability, or ~~(D)~~ death;

6 “~~(3)~~ Any payment made to an employee (includ-  
7 ing any amount paid by an employer for insurance or  
8 annuities, or into a fund, to provide for any such pay-  
9 ment) on account of retirement;

10 “~~(4)~~ Any payment on account of sickness or acci-  
11 dent disability, or medical or hospitalization expenses in  
12 connection with sickness or accident disability, made  
13 by an employer to, or on behalf of, an employee after  
14 the expiration of six calendar months following the last  
15 calendar month in which the employee worked for such  
16 employer;

17 “~~(5)~~ Any payment made to, or on behalf of, an  
18 employee ~~(A)~~ from or to a trust exempt from tax under  
19 section 165 ~~(a)~~ at the time of such payment unless such  
20 payment is made to an employee of the trust as re-  
21 munerated for services rendered as such employee and  
22 not as a beneficiary of the trust, or ~~(B)~~ under or to an  
23 annuity plan which, at the time of such payment, meets  
24 the requirements of section 165 ~~(a)~~ ~~(3)~~, ~~(4)~~, ~~(5)~~,  
25 and ~~(6)~~;

1           ~~“(6) The payment by an employer (without de-~~  
2           ~~duction from the remuneration of the employee) (A)~~  
3           ~~of the tax imposed upon an employee under section 1400,~~  
4           ~~or (B) of any payment required from an employee under~~  
5           ~~a State unemployment compensation law;~~

6           ~~“(7) Remuneration paid in any medium other than~~  
7           ~~cash to an employee for service not in the course of the~~  
8           ~~employer's trade or business; or~~

9           ~~“(8) Any payment (other than vacation or sick~~  
10          ~~pay) made to an employee after the month in which he~~  
11          ~~attains the age of sixty-five, if he did not work for the~~  
12          ~~employer in the period for which such payment is made.~~  
13          ~~Tips and other cash remuneration customarily received by~~  
14          ~~an employee in the course of his employment from persons~~  
15          ~~other than the person employing him shall, for the purposes~~  
16          ~~of this subchapter, be considered as remuneration paid to~~  
17          ~~him by his employer; except that, in the case of tips, only~~  
18          ~~so much of the amount thereof received during any calendar~~  
19          ~~quarter as the employee, before the expiration of ten days~~  
20          ~~after the close of such quarter, reports in writing to his~~  
21          ~~employer as having been received by him in such quarter~~  
22          ~~shall be considered as remuneration paid by his employer,~~  
23          ~~and the amount so reported shall be considered as having~~  
24          ~~been paid to him by his employer on the date on which~~  
25          ~~such report is made to the employer.”~~

1       ~~(2)~~ The amendment made by paragraph ~~(1)~~ shall be  
2 applicable only with respect to remuneration paid after 1949.  
3 In the case of remuneration paid prior to 1950, the deter-  
4 mination under section 1607 ~~(b)~~ ~~(1)~~ of the Internal  
5 Revenue Code ~~(prior to its amendment by this Act)~~ of  
6 whether or not such remuneration constituted wages shall be  
7 made as if paragraph ~~(1)~~ of this subsection had not been  
8 enacted and without inferences drawn from the fact that  
9 the amendment made by paragraph ~~(1)~~ is not made appli-  
10 cable to periods prior to 1950.

11       ~~(b)~~ ~~(1)~~ Section 1607 ~~(c)~~ ~~(3)~~ of the Internal Revenue  
12 Code is amended to read as follows:

13           ~~“(3)~~ Service not in the course of the employer’s  
14 trade or business performed in any calendar quarter by  
15 an employee, unless the cash remuneration paid for such  
16 service is \$25 or more and such service is performed  
17 by an individual who is regularly employed by such  
18 employer to perform such service. For the purposes of  
19 this paragraph, an individual shall be deemed to be  
20 regularly employed by an employer during a calendar  
21 quarter only if ~~(A)~~ such individual performs for such  
22 employer service not in the course of the employer’s  
23 trade or business during some portion of at least twenty-  
24 six days during such quarter, or ~~(B)~~ if such individual  
25 was regularly employed ~~(as determined under clause~~

1     ~~(A)~~ by such employer in the performance of such  
2     service during the preceding calendar quarter;”.

3     ~~(2)~~ Section 1607 ~~(c)~~ ~~(10)~~ ~~(A)~~ ~~(i)~~ of the Internal  
4     Revenue Code is amended by striking out “does not exceed  
5     \$45” and inserting in lieu thereof “is less than \$100”.

6     ~~(3)~~ Section 1607 ~~(c)~~ ~~(10)~~ ~~(E)~~ of the Internal  
7     Revenue Code is amended by striking out “in any calendar  
8     quarter” and by striking out “, and the remuneration for  
9     such service does not exceed \$45 (exclusive of room, board,  
10    and tuition)”.

11    ~~(4)~~ The amendments made by paragraphs ~~(1)~~, ~~(2)~~,  
12    and ~~(3)~~ shall be applicable only with respect to services  
13    performed after 1949.

14    ~~(c)~~ ~~(1)~~ Section 1621 ~~(a)~~ ~~(4)~~ of the Internal Reve-  
15    nue Code is amended to read as follows:

16           “~~(4)~~ for service not in the course of the employer’s  
17    trade or business performed in any calendar quarter by  
18    an employee, unless the cash remuneration paid for such  
19    service is \$25 or more and such service is performed  
20    by an individual who is regularly employed by such  
21    employer to perform such service. For the purposes of  
22    this paragraph, an individual shall be deemed to be  
23    regularly employed by an employer during a calendar  
24    quarter only if ~~(A)~~ such individual performs for such  
25    employer service not in the course of the employer’s

1 trade or business during some portion of at least twenty-  
2 six days during such quarter, or ~~(B)~~ if such individual  
3 was regularly employed ~~(as determined under clause~~  
4 ~~(A))~~ by such employer in the performance of such  
5 service during the preceding calendar quarter;”.

6 ~~(2)~~ Section 1621 ~~(a)~~ of the Internal Revenue Code  
7 is amended by striking out paragraph ~~(9)~~ thereof and  
8 inserting in lieu thereof the following:

9 “~~(9)~~ for services performed by a duly ordained,  
10 commissioned, or licensed minister of a church in the  
11 exercise of his ministry or by a member of a religious  
12 order in the exercise of duties required by such order; or

13 “~~(10)~~ ~~(A)~~ for services performed by an indi-  
14 vidual under the age of eighteen in the delivery or dis-  
15 tribution of newspapers or shopping news, not including  
16 delivery or distribution to any point for subsequent  
17 delivery or distribution; or

18 “~~(B)~~ for services performed by an individual in,  
19 and at the time of, the sale of newspapers or magazines  
20 to ultimate consumers, under an arrangement under  
21 which the newspapers or magazines are to be sold by  
22 him at a fixed price, his compensation being based on  
23 the retention of the excess of such price over the  
24 amount at which the newspapers or magazines are  
25 charged to him, whether or not he is guaranteed a

1       minimum amount of compensation for such service, or  
2       is entitled to be credited with the unsold newspapers  
3       or magazines turned back.

4       Tips and other cash remuneration customarily received by  
5       an employee in the course of his employment from persons  
6       other than the person employing him shall, for the purposes  
7       of this subchapter, be considered as remuneration paid to  
8       him by his employer; except that, in the case of tips, only  
9       so much of the amount thereof received during any calendar  
10      quarter as the employee, before the expiration of ten days  
11      after the close of such quarter, reports in writing to his  
12      employer as having been received by him in such quarter  
13      shall be considered as remuneration paid by his employer,  
14      and the amount so reported shall be considered as having  
15      been paid to him by his employer on the date on which  
16      such report is made to the employer."

17      ~~(3)~~ The amendments made by paragraphs ~~(1)~~ and  
18      ~~(2)~~ shall be applicable only with respect to remuneration  
19      paid after 1949.

20      ~~(d)~~ Effective January 1, 1950, section 1403 ~~(b)~~ of  
21      the Internal Revenue Code is amended by striking out "of  
22      not more than \$5." and inserting in lieu thereof the follow-  
23      ing: "of \$5. Such penalty shall be assessed and collected  
24      in the same manner as the tax imposed by section 1410."

1 TITLE III—AMENDMENTS TO PUBLIC ASSIST-  
2 ANCE AND CHILD WELFARE PROVISIONS  
3 OF THE SOCIAL SECURITY ACT

4 PART 1—OLD-AGE ASSISTANCE

5 REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

6 SEC. 301. (a) Clauses (4) and (5) of subsection (a)  
7 of section 2 of the Social Security Act are amended to read:  
8 “(4) provide for granting an opportunity for a fair hearing  
9 before the State agency to any individual whose claim for  
10 old-age assistance is denied or is not acted upon within a  
11 reasonable time; (5) provide such methods of administra-  
12 tion as are found by the Administrator to be necessary for  
13 the proper and efficient operation of the plan, including  
14 (A) methods relating to the establishment and maintenance  
15 of personnel standards on a merit basis, except that the  
16 Administrator shall exercise no authority with respect to  
17 the selection, tenure of office, and compensation of any in-  
18 dividual employed in accordance with such methods, and  
19 (B) a training program for the personnel necessary to the  
20 administration of the plan;”.

21 (b) Such subsection is further amended by striking out  
22 “and” before clause (8) thereof, and by striking out the  
23 period at the end of such subsection and inserting in lieu  
24 thereof a semicolon and the following new clauses:  
25 “(9) provide that all individuals wishing to make applica-

1 tion for old-age assistance shall have opportunity to do so,  
 2 and that old-age assistance shall be furnished promptly to all  
 3 eligible individuals; and ~~(10)~~ effective July 1, 1953, pro-  
 4 vide, if the plan includes payments to individuals in private  
 5 or public institutions, for the establishment or designation of  
 6 a State authority or authorities which shall be responsible  
 7 for establishing and maintaining standards for such  
 8 institutions."

9 ~~(c)~~ The amendments made by subsections ~~(a)~~ and  
 10 ~~(b)~~ shall take effect July 1, 1951.

11 COMPUTATION OF FEDERAL PORTION OF OLD-AGE

12 ASSISTANCE

13 SEC. 302. ~~(a)~~ Section 3 ~~(a)~~ of the Social Security Act  
 14 is amended to read as follows:

15 "SEC. 3. ~~(a)~~ From the sums appropriated therefor, the  
 16 Secretary of the Treasury shall pay to each State which has  
 17 an approved plan for old-age assistance, for each quarter,  
 18 beginning with the quarter commencing October 1, 1949,  
 19 ~~(1)~~ in the case of any State other than Puerto Rico and  
 20 the Virgin Islands, an amount, which shall be used exclu-  
 21 sively as old-age assistance, equal to the sum of the following  
 22 proportions of the total amounts expended during such  
 23 quarter as old-age assistance under the State plan, not  
 24 counting so much of such expenditure with respect to any  
 25 individual for any month as exceeds \$50—

1           ~~“(A) four-fifths of such expenditures, not counting~~  
2           ~~so much of the expenditures with respect to any month~~  
3           ~~as exceeds the product of \$25 multiplied by the total~~  
4           ~~number of such individuals who received old-age assist-~~  
5           ~~ance for such month, plus~~

6           ~~“(B) one-half of the amount by which such ex-~~  
7           ~~penditures exceed the product obtained under clause~~  
8           ~~(A), not counting so much of the expenditures with~~  
9           ~~respect to any month as exceeds the product of \$35~~  
10          ~~multiplied by the total number of such individuals who~~  
11          ~~received old-age assistance for such month, plus~~

12          ~~“(C) one-third of the amount by which such ex-~~  
13          ~~penditures exceed the sum of the products obtained under~~  
14          ~~clauses (A) and (B);~~

15          ~~and (2) in the case of Puerto Rico and the Virgin Islands,~~  
16          ~~an amount, which shall be used exclusively as old-age assist-~~  
17          ~~ance, equal to one-half of the total of the sums expended~~  
18          ~~during such quarter as old-age assistance under the State~~  
19          ~~plan, not counting so much of such expenditure with respect~~  
20          ~~to any individual for any month as exceeds \$30; and (3) in~~  
21          ~~the case of any State, an amount equal to one-half of the total~~  
22          ~~of the sums expended during such quarter as found necessary~~  
23          ~~by the Administrator for the proper and efficient adminis-~~

1 tration of the State plan, which amount shall be used for  
2 paying the costs of administering the State plan or for old-  
3 age assistance, or both, and for no other purpose."

4 (b) The amendment made by subsection (a) shall take  
5 effect October 1, 1949.

6 DEFINITION OF OLD-AGE ASSISTANCE

7 SEC. 303. (a) Section 6 of the Social Security Act is  
8 amended to read as follows:

9 "DEFINITION

10 "SEC. 6. For purposes of this title, the term 'old-age  
11 assistance' means money payments to or medical care in  
12 behalf of needy individuals who are sixty-five years of age or  
13 older, but does not include money payments to or medical  
14 care in behalf of any individual who is an inmate of a public  
15 institution (except as a patient in a medical institution) and,  
16 effective July 1, 1951, does not include money payments to  
17 or medical care in behalf of any individual (a) who is a  
18 patient in an institution for tuberculosis or mental diseases,  
19 or (b) who has been diagnosed as having tuberculosis or  
20 psychosis and is a patient in a medical institution as a result  
21 thereof."

22 (b) The amendment made by subsection (a) shall take  
23 effect October 1, 1949.

1                   PART 2—AID TO DEPENDENT CHILDREN  
2 REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT  
3 CHILDREN

4           SEC. 321. (a) Clauses (4) and (5) of subsection (a)  
5 of section 402 of the Social Security Act are amended to  
6 read as follows: “(4) provide for granting an opportunity  
7 for a fair hearing before the State agency to any individual  
8 whose claim for aid to dependent children is denied or is  
9 not acted upon within a reasonable time; (5) provide such  
10 methods of administration as are found by the Administra-  
11 tor to be necessary for the proper and efficient operation  
12 of the plan, including (A) methods relating to the estab-  
13 lishment and maintenance of personnel standards on a merit  
14 basis, except that the Administrator shall exercise no author-  
15 ity with respect to the selection, tenure of office, and com-  
16 pensation of any individual employed in accordance with  
17 such methods, and (B) a training program for the person-  
18 nel necessary to the administration of the plan;”

19           (b) Such subsection is further amended by striking  
20 out “and” before clause (8) thereof, and by striking out  
21 the period at the end of such subsection and inserting in  
22 lieu thereof a semicolon and the following new clauses:  
23 “(9) provide that all individuals wishing to make appli-  
24 cation for aid to dependent children shall have opportunity  
25 to do so, and that aid to dependent children shall be



1 ture with respect to any dependent child for any month  
2 as exceeds \$27, or if there is more than one dependent child  
3 in the same home, as exceeds \$27 with respect to one such  
4 dependent child and \$18 with respect to each of the other  
5 dependent children, and not counting so much of such  
6 expenditure for any month with respect to a relative with  
7 whom any dependent child is living as exceeds \$27—

8       “(A) four fifths of such expenditures, not counting  
9       so much of the expenditures with respect to any month  
10       as exceeds the product of \$15 multiplied by the total  
11       number of dependent children and other individuals  
12       with respect to whom aid to dependent children is paid  
13       for such month, plus

14       “(B) one half of the amount by which such ex-  
15       penditures exceed the product obtained under clause  
16       (A), not counting so much of the expenditures with  
17       respect to any month as exceeds the product of \$21  
18       multiplied by the total number of dependent children  
19       and other individuals with respect to whom aid to  
20       dependent children is paid for such month, plus

21       “(C) one third of the amount by which such  
22       expenditures exceed the sum of the products obtained  
23       under clauses (A) and (B);

24 and (2) in the case of Puerto Rico and the Virgin Islands,  
25 an amount, which shall be used exclusively as aid to de-

1 pendent children, equal to one-half of the total of the sums  
2 expended during such quarter as aid to dependent children  
3 under the State plan, not counting so much of such expendi-  
4 ture with respect to any dependent child for any month as  
5 exceeds \$18, or if there is more than one dependent child  
6 in the same home, as exceeds \$18 with respect to one such  
7 dependent child and \$12 with respect to each of the other  
8 dependent children, and ~~(3)~~ in the case of any State, an  
9 amount equal to one-half of the total of the sums expended  
10 during such quarter as found necessary by the Administrator  
11 for the proper and efficient administration of the State plan,  
12 which amount shall be used for paying the costs of admin-  
13 istering the State plan or for aid to dependent children, or  
14 both, and for no other purpose.”

15       ~~(b)~~ The amendment made by subsection ~~(a)~~ shall take  
16 effect October 1, 1949.

17           DEFINITION OF AID TO DEPENDENT CHILDREN

18       SEC. 323. ~~(a)~~ Section 406 of the Social Security Act  
19 is amended by striking out subsection ~~(b)~~ and inserting in  
20 lieu thereof the following:

21       “~~(b)~~ The term ‘aid to dependent children’ means money  
22 payments with respect to or medical care in behalf of a  
23 dependent child or dependent children, and ~~(except when~~  
24 used in clause ~~(2)~~ of section 403 ~~(a)~~ includes money  
25 payments or medical care for any month to meet the needs

1 of the relative with whom any dependent child is living  
 2 if money payments have been made under the State plan  
 3 with respect to such child for such month;

4 “(c) The term ‘relative with whom any dependent  
 5 child is living’ means the individual who is one of the  
 6 relatives specified in subsection (a) and with whom such  
 7 child is living (within the meaning of such subsection) in  
 8 a place of residence maintained by such individual (himself  
 9 or together with any one or more of the other relatives so  
 10 specified) as his (or their) own home.”

11 (b) The amendment made by subsection (a) shall  
 12 take effect October 1, 1949.

13 PART 3—CHILD WELFARE SERVICES

14 SEC. 331. (a) Section 521 (a) of the Social Security  
 15 Act is amended by striking out “\$3,500,000” and inserting  
 16 in lieu thereof “\$7,000,000”, by striking out “\$20,000” and  
 17 inserting in lieu thereof “\$40,000”, and by striking out the  
 18 third sentence thereof and inserting in lieu of such sentence  
 19 the following: “The amount so allotted shall be expended for  
 20 payment of part of the cost of district, county, or other local  
 21 child-welfare services in areas predominantly rural, for  
 22 developing State services for the encouragement and assist-  
 23 ance of adequate methods of community child-welfare or-  
 24 ganization in areas predominantly rural and other areas of  
 25 special need, and for paying the cost of returning any

1 runaway child who has not attained the age of sixteen to  
2 his own community in another State in cases in which such  
3 return is in the interest of the child and the cost thereof  
4 cannot otherwise be met."

5 (b) The amendments made by subsection (a) shall be  
6 effective with respect to fiscal years beginning after June  
7 30, 1950.

8 PART 4—AID TO THE BLIND

9 REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

10 SEC. 341. (a) Clauses (4) and (5) of subsection (a)  
11 of section 1002 of the Social Security Act are amended  
12 to read as follows: "(4) provide for granting an oppor-  
13 tunity for a fair hearing before the State agency to any in-  
14 dividual whose claim for aid to the blind is denied or is not  
15 acted upon within a reasonable time; (5) provide such  
16 methods of administration as are found by the Administrator  
17 to be necessary for the proper and efficient operation of the  
18 plan, including (A) methods relating to the establishment  
19 and maintenance of personnel standards on a merit basis,  
20 except that the Administrator shall exercise no authority  
21 with respect to the selection, tenure of office, and compen-  
22 sation of any individual employed in accordance with such  
23 methods, and (B) a training program for the personnel  
24 necessary to the administration of the plan;"

25 (b) Clause (7) of such subsection is amended to read

1 as follows: "~~(7)~~ provide that no aid will be furnished any  
2 individual under the plan with respect to any period with  
3 respect to which he is receiving old-age assistance under the  
4 State plan approved under section 2 of this Act or aid to  
5 dependent children under the State plan approved under  
6 section 402 of this Act;"

7       ~~(c)~~ ~~(1)~~ Effective for the period beginning October 1,  
8 1949, and ending June 30, 1951, clause ~~(8)~~ of such  
9 subsection is amended to read as follows: "~~(8)~~ provide that  
10 the State agency shall, in determining need, take into con-  
11 sideration any other income and resources of an individual  
12 claiming aid to the blind; except that the State agency may  
13 ~~(in making such determination)~~ disregard such amount of  
14 earned income, not to exceed \$50 per month, as the State  
15 agency, administering that part of the State plan of voca-  
16 tional rehabilitation ~~(approved under the Vocational Reha-  
17 bilitation Act (29 U. S. C., ch. 4))~~ which relates to  
18 vocational rehabilitation of the blind, certifies will serve to  
19 encourage or assist the blind to prepare for, engage in,  
20 or continue to engage in remunerative employment to the  
21 maximum extent practicable;"

22       ~~(2)~~ Effective July 1, 1951, such clause ~~(8)~~ is amended  
23 to read as follows: "~~(8)~~ provide that the State agency shall,  
24 in determining need, take into consideration the special  
25 expenses arising from blindness, and any other income and

1 resources of the individual claiming aid to the blind; except  
2 that, in determining need, the State agency ~~(A)~~ shall not  
3 consider any income or resources which are not predictable  
4 or are not actually available to the individual, and ~~(B)~~ may  
5 disregard such amount of earned income, not to exceed \$50  
6 per month, as the State agency, administering that part of  
7 the State plan of vocational rehabilitation ~~(approved under~~  
8 ~~the Vocational Rehabilitation Act (29 U. S. C., ch. 4))~~  
9 which relates to vocational rehabilitation of the blind,  
10 certifies will serve to encourage or assist the blind to prepare  
11 for, engage in, or to continue to engage in remunerative  
12 employment to the maximum extent practicable;”.

13 ~~(d)~~ Such subsection is further amended by striking out  
14 “and” before clause ~~(9)~~ thereof, and by striking out the  
15 period at the end of such subsection and inserting in lieu  
16 thereof a semicolon and the following new clauses: “~~(10)~~  
17 provide that, in determining whether an individual is blind,  
18 there shall be an examination by a physician skilled in  
19 diseases of the eye or by an optometrist; ~~(11)~~ effective  
20 July 1, 1951, provide that all individuals wishing to make  
21 application for aid to the blind shall have opportunity to  
22 do so, and that aid to the blind shall be furnished promptly  
23 to all eligible individuals; and ~~(12)~~ effective July 1, 1953,  
24 provide, if the plan includes payments to individuals in  
25 private or public institutions, for the establishment or desig-

1 nation of a State authority or authorities which shall be  
2 responsible for establishing and maintaining standards for  
3 such institutions.”

4 (e) The amendments made by subsection (d) shall  
5 take effect October 1, 1949; and the amendments made  
6 by subsections (a) and (b) shall take effect July 1, 1951.

7 RESIDENCE REQUIREMENT

8 SEC. 342. Subparagraph (1) of section 1002 (b) of  
9 the Social Security Act is amended to read as follows:

10 “(1) Any residence requirement which excludes  
11 any resident of the State who has resided therein con-  
12 tinuously for one year immediately preceding the appli-  
13 cation for aid, except that the State may impose,  
14 effective until July 1, 1951, any residence requirement  
15 which is not in excess of the requirement of residence  
16 contained on July 1, 1949, in its State plan approved  
17 under this title on or prior to such date; or”.

18 COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

19 SEC. 343. (a) Section 1003 (a) of the Social Security  
20 Act is amended to read as follows:

21 “SEC. 1003. (a) From the sums appropriated therefor,  
22 the Secretary of the Treasury shall pay to each State which  
23 has an approved plan for aid to the blind, for each quarter,  
24 beginning with the quarter commencing October 1, 1949,  
25 (1) in the case of any State other than Puerto Rico and

1 the Virgin Islands, an amount, which shall be used ex-  
2 clusively as aid to the blind, equal to the sum of the fol-  
3 lowing proportions of the total amounts expended during  
4 such quarter as aid to the blind under the State plan, not  
5 counting so much of such expenditure with respect to any  
6 individual for any month as exceeds \$50—

7       “(A) four fifths of such expenditures, not counting  
8 so much of the expenditures with respect to any month  
9 as exceeds the product of \$25 multiplied by the total  
10 number of such individuals who received aid to the  
11 blind for such month, plus

12       “(B) one half of the amount by which such ex-  
13 penditures exceed the product obtained under clause  
14 (A), not counting so much of the expenditures with  
15 respect to any month as exceeds the product of \$35  
16 multiplied by the total number of such individuals who  
17 received aid to the blind for such month, plus

18       “(C) one third of the amount by which such ex-  
19 penditures exceed the sum of the products obtained  
20 under clauses (A) and (B);

21 and (2) in the case of Puerto Rico and the Virgin Islands,  
22 an amount, which shall be used exclusively as aid to the  
23 blind, equal to one-half of the total of the sums expended  
24 during such quarter as aid to the blind under the State plan,  
25 not counting so much of such expenditure with respect to



1       (b) The amendment made by subsection (a) shall take  
2 effect October 1, 1949.

3                               APPROVAL OF CERTAIN STATE PLANS

4       SEC. 345. (a) In the case of any State (as defined in  
5 the Social Security Act, but excluding Puerto Rico and the  
6 Virgin Islands) which did not have on January 1, 1949,  
7 a State plan for aid to the blind approved under title X  
8 of the Social Security Act, the Administrator shall approve  
9 a plan of such State for aid to the blind for purposes of such  
10 title X, even though it does not meet the requirements of  
11 clause (8) of section 1002 (a) of the Social Security Act,  
12 if it meets all other requirements of such title X for an ap-  
13 proved plan for aid to the blind; but payments under section  
14 1003 of the Social Security Act shall be made, in the case  
15 of any such plan, only with respect to expenditures there-  
16 under which would be included as expenditures for purposes  
17 of such section under a plan approved under such title X  
18 without regard to the provisions of this section.

19       (b) The provisions of subsection (a) shall be effective  
20 only for the period beginning October 1, 1949, and ending  
21 June 30, 1953.

22       PART 5—AID TO THE PERMANENTLY AND TOTALLY  
23                               DISABLED

24       SEC. 351. The Social Security Act is further amended  
25 by adding after title XIII thereof the following new title:

1 ~~“TITLE XIV—GRANTS TO STATES FOR AID TO~~  
2 ~~THE PERMANENTLY AND TOTALLY DIS-~~  
3 ~~ABLED~~

4 ~~“APPROPRIATION~~

5 ~~“SEC. 1401. For the purpose of enabling each State to~~  
6 ~~furnish financial assistance, as far as practicable under the~~  
7 ~~conditions in such State, to needy individuals who are per-~~  
8 ~~manently and totally disabled, there is hereby authorized~~  
9 ~~to be appropriated for the fiscal year ending June 30, 1950,~~  
10 ~~the sum of \$50,000,000, and there is hereby authorized to~~  
11 ~~be appropriated for each fiscal year thereafter a sum suffi-~~  
12 ~~cient to carry out the purposes of this title. The sums made~~  
13 ~~available under this section shall be used for making pay-~~  
14 ~~ments to States which have submitted, and had approved~~  
15 ~~by the Administrator, State plans for aid to the permanently~~  
16 ~~and totally disabled.~~

17 ~~“STATE PLANS FOR AID TO THE PERMANENTLY AND~~  
18 ~~TOTALLY DISABLED~~

19 ~~“SEC. 1402. (a) A State plan for aid to the perma-~~  
20 ~~nently and totally disabled must (1) provide that it shall~~  
21 ~~be in effect in all political subdivisions of the State, and, if~~  
22 ~~administered by them, be mandatory upon them; (2) pro-~~  
23 ~~vide for financial participation by the State; (3) either pro-~~  
24 ~~vide for the establishment or designation of a single State~~

1 agency to administer the plan, or provide for the establish-  
2 ment or designation of a single State agency to supervise  
3 the administration of the plan; ~~(4)~~ provide for granting an  
4 opportunity for a fair hearing before the State agency to any  
5 individual whose claim for aid to the permanently and  
6 totally disabled is denied or is not acted upon within a  
7 reasonable time; ~~(5)~~ provide such methods of adminis-  
8 tration as are found by the Administrator to be necessary  
9 for the proper and efficient operation of the plan, including  
10 ~~(A)~~ methods relating to the establishment and maintenance  
11 of personnel standards on a merit basis, except that the  
12 Administrator shall exercise no authority with respect to the  
13 selection, tenure of office, and compensation of any indi-  
14 vidual employed in accordance with such methods, and  
15 ~~(B)~~ a training program for the personnel necessary to the  
16 administration of the plan; ~~(6)~~ provide that the State agency  
17 will make such reports, in such form and containing such  
18 information, as the Administrator may from time to time  
19 require, and comply with such provisions as the Admin-  
20 istrator may from time to time find necessary to assure  
21 the correctness and verification of such reports; ~~(7)~~  
22 provide that no aid will be furnished any individual under  
23 the plan with respect to any period with respect to  
24 which he is receiving old-age assistance under the

1 State plan approved under section 2 of this Act, aid to  
2 dependent children under the State plan approved under  
3 section 402 of this Act, or aid to the blind under the State  
4 plan approved under section 1002 of this Act; ~~(8)~~ provide  
5 that the State agency shall, in determining need, take into  
6 consideration any other income and resources of an individual  
7 claiming aid to the permanently and totally disabled; ~~(9)~~  
8 provide safeguards which restrict the use or disclosure of  
9 information concerning applicants and recipients to purposes  
10 directly connected with the administration of aid to the  
11 permanently and totally disabled; ~~(10)~~ provide that all  
12 individuals wishing to make application for aid to the per-  
13 manently and totally disabled shall have opportunity to do so,  
14 and that aid to the permanently and totally disabled shall  
15 be furnished promptly to all eligible individuals; and ~~(11)~~  
16 effective July 1, 1953, provide, if the plan includes payments  
17 to individuals in private or public institutions, for the estab-  
18 lishment or designation of a State authority or authorities  
19 which shall be responsible for establishing and maintaining  
20 standards for such institutions.

21       “(b) The Administrator shall approve any plan which  
22 fulfills the conditions specified in subsection (a), except  
23 that he shall not approve any plan which imposes, as a  
24 condition of eligibility for aid to the permanently and totally  
25 disabled under the plan—

1           “(1) Any residence requirement which excludes  
2 any resident of the State who has resided therein con-  
3 tinuously for one year immediately preceding the appli-  
4 cation for aid, except that the State may impose,  
5 effective until July 1, 1951, any residence requirement  
6 which is not in excess of the requirement of residence  
7 contained on July 1, 1949, in its State plan for aid to  
8 the blind approved under title X on or prior to such date;

9           “(2) Any citizenship requirement which excludes  
10 any citizen of the United States.

11                           “PAYMENT TO STATES

12       “SEC. 1403. (a) From the sums appropriated therefor,  
13 the Secretary of the Treasury shall pay to each State which  
14 has an approved plan for aid to the permanently and totally  
15 disabled, for each quarter, beginning with the quarter com-  
16 mencing October 1, 1949, (1) in the case of any State other  
17 than Puerto Rico and the Virgin Islands, an amount, which  
18 shall be used exclusively as aid to the permanently and  
19 totally disabled, equal to the sum of the following propor-  
20 tions of the total amounts expended during such quarter  
21 as aid to the permanently and totally disabled under the  
22 State plan, not counting so much of such expenditure with  
23 respect to any individual for any month as exceeds \$50—

24           “(A) four-fifths of such expenditures, not count-  
25 ing so much of the expenditures with respect to any

1 month as exceeds the product of \$25 multiplied by the  
2 total number of such individuals who received aid to  
3 the permanently and totally disabled for such month;  
4 plus

5 ~~“(B) one-half of the amount by which such ex-~~  
6 ~~penditures exceed the product obtained under clause~~  
7 ~~(A), not counting so much of the expenditures with~~  
8 ~~respect to any month as exceeds the product of \$35~~  
9 ~~multiplied by the total number of such individuals who~~  
10 ~~received aid to the permanently and totally disabled~~  
11 ~~for such month, plus~~

12 ~~“(C) one-third of the amount by which such ex-~~  
13 ~~penditures exceed the sum of the products obtained~~  
14 ~~under clauses (A) and (B);~~

15 and ~~(2)~~ in the case of Puerto Rico and the Virgin Islands,  
16 an amount, which shall be used exclusively as aid to the  
17 permanently and totally disabled, equal to one-half of the  
18 total of the sums expended during such quarter as aid to the  
19 permanently and totally disabled under the State plan, not  
20 counting so much of such expenditure with respect to any  
21 individual for any month as exceeds \$20, and ~~(3)~~ in the  
22 case of any State, an amount equal to one-half of the total  
23 of the sums expended during such quarter as found necessary  
24 by the Administrator for the proper and efficient adminis-  
25 tration of the State plan, which amount shall be used for

1 paying the costs of administering the State plan or for aid  
2 to the permanently and totally disabled, or both, and for no  
3 other purpose.

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

6 “(1) The Administrator shall, prior to the begin-  
7 ning of each quarter, estimate the amount to be paid  
8 to the State for such quarter under the provisions of  
9 subsection (a), such estimate to be based on (A) a  
10 report filed by the State containing its estimate of the  
11 total sum to be expended in such quarter in accordance  
12 with the provisions of such subsection, and stating the  
13 amount appropriated or made available by the State and  
14 its political subdivisions for such expenditures in such  
15 quarter, and if such amount is less than the State's  
16 proportionate share of the total sum of such estimated  
17 expenditures, the source or sources from which the  
18 difference is expected to be derived, (B) records show-  
19 ing the number of permanently and totally disabled indi-  
20 viduals in the State, and (C) such other investigation as  
21 the Administrator may find necessary.

22 “(2) The Administrator shall then certify to the  
23 Secretary of the Treasury the amount so estimated by  
24 the Administrator, (A) reduced or increased, as the

1 ease may be, by any sum by which he finds that his  
2 estimate for any prior quarter was greater or less than  
3 the amount which should have been paid to the State  
4 under subsection (a) for such quarter, and (B) reduced  
5 by a sum equivalent to the pro rata share to which the  
6 United States is equitably entitled, as determined by the  
7 Administrator, of the net amount recovered during a  
8 prior quarter by the State or any political subdivision  
9 thereof with respect to aid to the permanently and  
10 totally disabled furnished under the State plan; except  
11 that such increases or reductions shall not be made to  
12 the extent that such sums have been applied to make the  
13 amount certified for any prior quarter greater or less than  
14 the amount estimated by the Administrator for such prior  
15 quarter: *Provided*, That any part of the amount re-  
16 covered from the estate of a deceased recipient which is  
17 not in excess of the amount expended by the State or  
18 any political subdivision thereof for the funeral expenses  
19 of the deceased shall not be considered as a basis for  
20 reduction under clause (B) of this paragraph.

21 “(3) The Secretary of the Treasury shall there-  
22 upon, through the Fiscal Service of the Treasury De-  
23 partment, and prior to audit or settlement by the Gen-  
24 eral Accounting Office, pay to the State, at the time or  
25 times fixed by the Administrator, the amount so certified.

## 1                   “OPERATION OF STATE PLANS

2           “SEC. 1404. In the case of any State plan for aid to  
3 the permanently and totally disabled which has been ap-  
4 proved by the Administrator, if the Administrator after  
5 reasonable notice and opportunity for hearing to the State  
6 agency administering or supervising the administration of  
7 such plan, finds—

8           “(1) that the plan has been so changed as to  
9 impose any residence or citizenship requirement pro-  
10 hibited by section 1402 (b), or that in the administra-  
11 tion of the plan any such prohibited requirement is  
12 imposed, with the knowledge of such State agency, in a  
13 substantial number of cases; or

14           “(2) that in the administration of the plan there  
15 is a failure to comply substantially with any provision  
16 required by section 1402 (a) to be included in the  
17 plan;

18 the Administrator shall notify such State agency that further  
19 payments will not be made to the State until he is satisfied  
20 that such prohibited requirement is no longer so imposed,  
21 and that there is no longer any such failure to comply. Until  
22 he is so satisfied he shall make no further certification to the  
23 Secretary of the Treasury with respect to such State.

## 24                   “DEFINITION

25           “SEC. 1405. For purposes of this title, the term ‘aid to

1 the permanently and totally disabled' means money payments  
 2 to or medical care in behalf of needy individuals who are  
 3 permanently and totally disabled, but does not include money  
 4 payments to or medical care in behalf of any individual who  
 5 is an inmate of a public institution (except as a patient in a  
 6 medical institution) and, effective July 1, 1951, does not in-  
 7 clude money payments to or medical care in behalf of any  
 8 individual (a) who is a patient in an institution for tuber-  
 9 culosis or mental diseases, or (b) who has been diagnosed  
 10 as having tuberculosis or psychosis and is a patient in a  
 11 medical institution as a result thereof."

12                   PART 6—MISCELLANEOUS AMENDMENTS

13           SEC. 361. (a) Section 1 of the Social Security Act is  
 14 amended by striking out "Social Security Board established  
 15 by Title VII (hereinafter referred to as the 'Board')" and  
 16 inserting in lieu thereof "Federal Security Administrator  
 17 (hereinafter referred to as the 'Administrator')".

18           (b) Section 1001 of the Social Security Act is amended  
 19 by striking out "Social Security Board" and inserting in  
 20 lieu thereof "Administrator".

21           (c) The following provisions of the Social Security Act  
 22 are each amended by striking out "Board" and inserting in  
 23 lieu thereof "Administrator": Sections 2 (a) (6); 2 (b);  
 24 3 (b); 4; 402 (a) (6); 402 (b); 403 (b); 404; 1002

1 ~~(a) (6); 1002 (b) (other than subparagraph (1)~~  
 2 ~~thereof); 1003 (b); and 1004.~~

3 ~~(d) The following provisions of the Social Security Act~~  
 4 ~~are each amended by striking out (when they refer to the~~  
 5 ~~Social Security Board) "it" or "its" and inserting in lieu~~  
 6 ~~thereof "he", "him", or "his", as the context may require:~~  
 7 ~~Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 1002~~  
 8 ~~(b) (other than subparagraph (1) thereof); 1003 (b); and~~  
 9 ~~1004.~~

10 ~~(e) Title V of the Social Security Act is amended by~~  
 11 ~~striking out "Children's Bureau", "Chief of the Children's~~  
 12 ~~Bureau", "Secretary of Labor", and (in sections 503 (a)~~  
 13 ~~and 513 (a)) "Board" and inserting in lieu thereof~~  
 14 ~~"Administrator".~~

#### 15 TITLE IV—MISCELLANEOUS PROVISIONS

##### 16 OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

17 ~~SEC. 401. (a) Section 701 of the Social Security Act~~  
 18 ~~is amended to read:~~

##### 19 "OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

20 "SEC. 701. There shall be in the Federal Security  
 21 Agency a Commissioner for Social Security, appointed by  
 22 the Administrator, who shall perform such functions relating  
 23 to social security as the Administrator shall assign to him."

24 ~~(b) Section 908 of the Social Security Act Amend-~~  
 25 ~~ments of 1939 is repealed.~~

## REPORTS TO CONGRESS

1  
2       SEC. 402. ~~(a)~~ Subsection ~~(e)~~ of section 541 of the  
3 Social Security Act is repealed.

4       ~~(b)~~ Section 704 of such Act is amended to read:

## "REPORTS

5  
6       "SEC. 704. The Administrator shall make a full report  
7 to Congress, at the beginning of each regular session, of the  
8 administration of the functions with which he is charged  
9 under this Act. In addition to the number of copies of such  
10 report authorized by other law to be printed, there is hereby  
11 authorized to be printed not more than five thousand  
12 copies of such report for use by the Administrator for dis-  
13 tribution to Members of Congress and to State and other  
14 public or private agencies or organizations participating in  
15 or concerned with the social security program."

## AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

16  
17       SEC. 403. ~~(a)~~ ~~(1)~~ Paragraph ~~(1)~~ of section 1101  
18 ~~(a)~~ of the Social Security Act is amended to read as follows:

19       "~~(1)~~ The term 'State' includes Alaska, Hawaii, and  
20 the District of Columbia, and when used in titles I, IV,  
21 V, X, and XIV includes Puerto Rico and the Virgin  
22 Islands."

23       ~~(2)~~ Paragraph ~~(6)~~ of section 1101 ~~(a)~~ of the Social  
24 Security Act is amended to read as follows:

25       "~~(6)~~ The term 'Administrator', except when the

1 context otherwise requires, means the Federal Security  
2 Administrator.”

3 ~~(3)~~ The amendment made by paragraph ~~(1)~~ of this  
4 subsection shall take effect October 1, 1949, and the amend-  
5 ment made by paragraph ~~(2)~~ of this subsection, insofar as  
6 it repeals the definition of “employee”, shall be effective only  
7 with respect to services performed after 1949.

8 ~~(b)~~ Section 1102 of the Social Security Act is amended  
9 by striking out “Social Security Board” and inserting in lieu  
10 thereof “Federal Security Administrator”.

11 ~~(c)~~ Section 1106 of the Social Security Act is amended  
12 to read as follows:

13 ~~“DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY~~  
14 ~~“SEC. 1106. No disclosure of any return or portion of~~  
15 ~~a return (including information returns and other written~~  
16 ~~statements) filed with the Commissioner of Internal Revenue~~  
17 ~~under title VIII of the Social Security Act or under subchap-~~  
18 ~~ter A or F of chapter 9 of the Internal Revenue Code, or~~  
19 ~~under regulations made under authority thereof, which has~~  
20 ~~been transmitted to the Administrator by the Commissioner~~  
21 ~~of Internal Revenue, or of any file, record, report, or other~~  
22 ~~paper, or any information, obtained at any time by the~~  
23 ~~Administrator or by any officer or employee of the Federal~~  
24 ~~Security Agency in the course of discharging the duties of~~  
25 ~~the Administrator under this Act, and no disclosure of any~~

1 such file, record, report, or other paper, or information, ob-  
2 tained at any time by any person from the Administrator or  
3 from any officer or employee of the Federal Security Agency,  
4 shall be made except as the Administrator may by regula-  
5 tions prescribe. Any person who shall violate any provision  
6 of this section shall be deemed guilty of a misdemeanor and,  
7 upon conviction thereof, shall be punished by a fine not  
8 exceeding \$1,000, or by imprisonment not exceeding one  
9 year, or both."

10 (d) Section 1107 (a) of the Social Security Act is  
11 amended by striking out "the Federal Insurance Contribu-  
12 tions Act, or the Federal Unemployment Tax Act," and  
13 inserting in lieu thereof the following: "subchapter A, C,  
14 or F of chapter 9 of the Internal Revenue Code,".

15 (e) Section 1107 (b) of the Social Security Act is  
16 amended by striking out "Board" and inserting in lieu  
17 thereof "Administrator", and by striking out "wife, parent,  
18 or child", wherever appearing therein, and inserting in lieu  
19 thereof "wife, widow, former wife divorced, child, or parent".

20 (f) Title XI of the Social Security Act is amended by  
21 adding at the end thereof the following new section:

22 "FURNISHING OF WAGE RECORD AND OTHER INFORMATION

23 "SEC. 1108. (a) (1) The Administrator is author-

1 ized, at the request of any agency charged with the admin-  
2 istration of a State unemployment compensation law (with  
3 respect to which such State is entitled to payment under  
4 section 302 (a) of this Act) and to the extent consistent  
5 with the efficient administration of this Act, to furnish to  
6 such agency, for use by it in the administration of such law  
7 or a State temporary disability insurance law administered  
8 by it, information from or pertaining to records, including  
9 account numbers, maintained by the Administrator in ac-  
10 cordance with section 205 (c) of this Act.

11       “(2) At the request of any agency, person, or organ-  
12 ization, the Administrator is authorized, to the extent con-  
13 sistent with efficient administration of this Act and subject  
14 to such conditions or limitations as he deems necessary, to  
15 furnish special reports on the wage and employment rec-  
16 ords of individuals and to conduct special statistical studies  
17 of, and compile special data with respect to, any matters  
18 related to the programs authorized by this Act.

19       “(b) Requests under subsection (a) shall be compiled  
20 with only if the agency, person, or organization making the  
21 request agrees to make payment for the work or information  
22 requested in such amount, if any (not exceeding the cost of  
23 performing the work or furnishing the information), as may

1 be determined by the Administrator. A State agency may  
2 make the payments for information furnished pursuant to  
3 paragraph (1) of subsection (a) by authorizing deductions  
4 from amounts certified by the Administrator under section  
5 302 (a) of this Act for payment to such State. Payments  
6 for work performed or information furnished pursuant to this  
7 section, including deductions authorized to be made from  
8 amounts certified under section 302 (a), shall be made in  
9 advance or by way of reimbursement, as may be requested  
10 by the Administrator, and shall be deposited in the Treasury  
11 as a special deposit to be used to reimburse the appropria-  
12 tions (including authorizations to make expenditures from  
13 the Federal Old Age, Survivors, and Disability Insurance  
14 Trust Fund) for the unit or units of the Federal Security  
15 Agency which performed the work or furnished the infor-  
16 mation.

17 “(c) No information shall be furnished pursuant to this  
18 section in violation of section 1106 or regulations prescribed  
19 thereunder.”

- 1 *That this Act, with the following table of contents, may be*  
 2 *cited as the "Social Security Act Amendments of 1950".*

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1 *TITLE I—AMENDMENTS TO TITLE II OF THE*  
2 *SOCIAL SECURITY ACT*

3 *OLD-AGE AND SURVIVORS INSURANCE BENEFITS*

4 *SEC. 101. (a) Section 202 of the Social Security Act is*  
5 *amended to read as follows:*

6 *“OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS*

7 *“Old-Age Insurance Benefits*

8 *“SEC. 202. (a) Every individual who—*

9 *“(1) is a fully insured individual (as defined in*  
10 *section 214 (a)),*

11 *“(2) has attained retirement age (as defined in*  
12 *section 216 (a)), and*

13 *“(3) has filed application for old-age insurance*  
14 *benefits,*

15 *shall be entitled to an old-age insurance benefit for each*  
16 *month, beginning with the first month after the effective date*  
17 *in which such individual becomes so entitled to such insur-*  
18 *ance benefits and ending with the month preceding the month*  
19 *in which he dies. Such individual's old-age insurance bene-*  
20 *fit for any month shall be equal to his primary insurance*  
21 *amount (as defined in section 215 (a)) for such month.*

22 *“Wife's Insurance Benefits*

23 *“(b) (1) The wife (as defined in section 216 (b)) of*

1 *an individual entitled to old-age insurance benefits, if such*  
2 *wife—*

3       *“(A) has filed application for wife’s insurance*  
4 *benefits,*

5       *“(B) has attained retirement age,*

6       *“(C) was living with such individual at the time*  
7 *such application was filed, and*

8       *“(D) is not entitled to old-age insurance bene-*  
9 *fits, or is entitled to old-age insurance benefits each*  
10 *of which is less than one-half of an old-age insurance*  
11 *benefit of her husband,*

12 *shall be entitled to a wife’s insurance benefit for each*  
13 *month, beginning with the first month after the effective date*  
14 *in which she becomes so entitled to such insurance benefits*  
15 *and ending with the month preceding the first month in which*  
16 *any of the following occurs: she dies, her husband dies, they*  
17 *are divorced a vinculo matrimonii, or she becomes entitled to*  
18 *an old-age insurance benefit equal to or exceeding one-half*  
19 *of an old-age insurance benefit of her husband.*

20       *“(2) Such wife’s insurance benefit for each month shall*  
21 *be equal to one-half of the old-age insurance benefit of her*  
22 *husband for such month.*

23                       *“Husband’s Insurance Benefits*

24       *“(c) (1) The husband (as defined in section 216 (f))*

1 of a currently insured individual (as defined in section 214  
2 (b)) entitled to old-age insurance benefits, if such husband—

3       “(A) has filed application for husband’s insurance  
4 benefits,

5       “(B) has attained retirement age,

6       “(C) was living with such individual at the time  
7 such application was filed,

8       “(D) was receiving at least one-half of his support,  
9 as determined in accordance with regulations prescribed  
10 by the Administrator, from such individual at the time she  
11 became entitled to old-age insurance benefits and filed  
12 proof of such support within two years after the month  
13 in which she became so entitled,

14       “(E) is not entitled to old-age insurance benefits, or  
15 is entitled to old-age insurance benefits each of which is  
16 less than one-half of an old-age insurance benefit of his  
17 wife,

18 shall be entitled to a husband’s insurance benefit for each  
19 month, beginning with the first month after the effective date  
20 in which he becomes entitled to such insurance benefits and  
21 ending with the month preceding the month in which any of  
22 the following occurs: he dies, his wife dies, they are divorced  
23 a vinculo matrimonii, or he becomes entitled to an old-age  
24 insurance benefit equal to or exceeding one-half of an old-  
25 age insurance benefit of his wife.

1       “(2) Such husband's insurance benefit for each month  
2 shall be equal to one-half of the old-age insurance benefit  
3 of his wife for such month.

4                               “Child's Insurance Benefits

5       “(d) (1) Every child (as defined in section 216  
6 (e)) of an individual entitled to old-age insurance benefits,  
7 or of an individual who died a fully or currently insured  
8 individual after 1939, if such child—

9               “(A) has filed application for child's insurance  
10 benefits,

11              “(B) at the time such application was filed was un-  
12 married and had not attained the age of eighteen, and

13              “(C) was dependent upon such individual at the  
14 time such application was filed, or, if such individual  
15 has died, was dependent upon such individual at the  
16 time of such individual's death,

17 shall be entitled to a child's insurance benefit for each month,  
18 beginning with the first month after the effective date in  
19 which such child becomes so entitled to such insurance bene-  
20 fits and ending with the month preceding the first month in  
21 which any of the following occurs: such child dies, marries, is  
22 adopted (except for adoption by a stepparent, grandparent,  
23 aunt, or uncle subsequent to the death of such fully or  
24 currently insured individual), or attains the age of eighteen.

1       “(2) Such child’s insurance benefit for each month  
2 shall, if the individual on the basis of whose wages and self-  
3 employment income the child is entitled to such benefit has  
4 not died prior to the end of such month, be equal to one-half  
5 of the old-age insurance benefit of such individual for such  
6 month. Such child’s insurance benefit for each month shall,  
7 if such individual has died in or prior to such month, be  
8 equal to three-fourths of the primary insurance amount of  
9 such individual, except that, if there is more than one child  
10 entitled to benefits on the basis of such individual’s wages  
11 and self-employment income, each such child’s insurance  
12 benefit for such month shall be equal to the sum of (A)  
13 one-half of the primary insurance amount of such individual,  
14 and (B) one-fourth of such primary insurance amount  
15 divided by the number of such children.

16       “(3) A child shall be deemed dependent upon his  
17 father or adopting father at the time specified in paragraph  
18 (1) (C) unless, at such time, such individual was not  
19 living with or contributing to the support of such child  
20 and—

21               “(A) such child is neither the legitimate nor  
22               adopted child of such individual, or

23               “(B) such child had been adopted by some other  
24               individual, or

1           “(C) such child was living with and was receiving  
2           more than one-half of his support from his stepfather.

3           “(4) A child shall be deemed dependent upon his step-  
4           father at the time specified in paragraph (1) (C) if, at  
5           such time, the child was living with or was receiving at  
6           least one-half of his support from such stepfather.

7           “(5) A child shall be deemed dependent upon his natu-  
8           ral or adopting mother at the time specified in paragraph (1)  
9           (C) if such mother or adopting mother was a currently  
10          insured individual. A child shall also be deemed dependent  
11          upon his natural or adopting mother, or upon his stepmother,  
12          at the time specified in paragraph (1) (C) if, at such time,  
13          (A) she was living with or contributing to the support of  
14          such child, and (B) either (i) such child was neither  
15          living with nor receiving contributions from his father or  
16          adopting father, or (ii) such child was receiving at least  
17          one-half of his support from her.

18                               *“Widow’s Insurance Benefits*

19          “(e) (1) The widow (as defined in section 216 (c))  
20          of an individual who died a fully insured individual after  
21          1939, if such widow—

22                       “(A) has not remarried,

23                       “(B) has attained retirement age,

24                       “(C) has filed application for widow’s insurance  
25          benefits or was entitled to wife’s insurance benefits, on

1       *the basis of the wages and self-employment income of such*  
2       *individual, for the month preceding the month in which*  
3       *he died,*

4           “(D) was living with such individual at the time  
5       of his death, and

6           “(E) is not entitled to old-age insurance benefits,  
7       or is entitled to old-age insurance benefits each of which  
8       is less than three-fourths of the primary insurance  
9       amount of her deceased husband,

10       shall be entitled to a widow's insurance benefit for each  
11       month, beginning with the first month after the effective date  
12       in which she becomes so entitled to such insurance bene-  
13       fits and ending with the month preceding the first month in  
14       which any of the following occurs: she remarries, dies, or  
15       becomes entitled to an old-age insurance benefit equal to or  
16       exceeding three-fourths of the primary insurance amount of  
17       her deceased husband.

18           “(2) Such widow's insurance benefit for each month  
19       shall be equal to three-fourths of the primary insurance  
20       amount of her deceased husband.

21                       *“Widower's Insurance Benefits*

22           “(f) (1) The widower (as defined in section 216 (g))  
23       of an individual who died a fully and currently insured  
24       individual after the effective date, if such widower—

25           “(A) has not remarried;

1           “(B) has attained retirement age;

2           “(C) has filed application for widower’s insurance  
3 benefits or was entitled to husband’s insurance benefits,  
4 on the basis of the wages and self-employment income  
5 of such individual, for the month preceding the month  
6 in which she died;

7           “(D) was living with such individual at the time  
8 of her death;

9           “(E) (i) was receiving at least one-half of his  
10 support, as determined in accordance with regulations  
11 prescribed by the Administrator, from such individual  
12 at the time of her death and filed proof of such support  
13 within two years of such date of death, or (ii) was  
14 receiving at least one-half of his support, as determined  
15 in accordance with regulations prescribed by the Admin-  
16 istrator, from such individual, and she was a currently  
17 insured individual, at the time she became entitled to  
18 old-age insurance benefits and filed proof of such sup-  
19 port within two years after the month in which she  
20 became so entitled; and

21           “(F) is not entitled to old-age insurance benefits,  
22 or is entitled to old-age insurance benefits each of which  
23 is less than three-fourths of the primary insurance  
24 amount of his deceased wife,  
25 shall be entitled to a widower’s insurance benefit for each

1 month, beginning with the first month after the effective date  
2 in which he becomes so entitled to such insurance benefits  
3 and ending with the month preceding the first month in  
4 which any of the following occurs: He remarries, dies, or  
5 becomes entitled to an old-age insurance benefit equal to or  
6 exceeding three-fourths of the primary insurance amount  
7 of his deceased wife.

8       “(2) Such widower’s insurance benefit for each month  
9 shall be equal to three-fourths of the primary insurance  
10 amount of his deceased wife.

11                                   *Mother’s Insurance Benefits*

12       “(g) (1) The widow and every former wife divorced  
13 (as defined in section 216 (d)) of an individual who died  
14 a fully or currently insured individual after 1939, if such  
15 widow or former wife divorced—

16               “(A) has not remarried,

17               “(B) is not entitled to a widow’s insurance benefit,

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

22               “(D) has filed application for mother’s insurance  
23 benefits,

24               “(E) at the time of filing such application has in

1 her care a child of such individual entitled to a child's  
2 insurance benefit, and  
3 “(F.) (i) in the case of a widow, was living with  
4 such individual at the time of his death, or (ii) in  
5 the case of a former wife divorced, was receiving from  
6 such individual (pursuant to agreement or court order)  
7 at least one-half of her support at the time of his death,  
8 and the child referred to in clause (E) is her son,  
9 daughter, or legally adopted child and the benefits  
10 referred to in such clause are payable on the basis of  
11 such individual's wages or self-employment income,  
12 shall be entitled to a mother's insurance benefit for each  
13 month, beginning with the first month after the effective  
14 date in which she becomes so entitled to such insurance bene-  
15 fits and ending with the month preceding the first month in  
16 which any of the following occurs: no child of such deceased  
17 individual is entitled to a child's insurance benefit, such widow  
18 or former wife divorced becomes entitled to an old-age  
19 insurance benefit equal to or exceeding three-fourths of the  
20 primary insurance amount of such deceased individual, she  
21 becomes entitled to a widow's insurance benefit, she remar-  
22 ries, or she dies. Entitlement to such benefits shall also  
23 end, in the case of a former wife divorced, with the month  
24 immediately preceding the first month in which no son,  
25 daughter, or legally adopted child of such former wife

1 divorced is entitled to a child's insurance benefit on the basis  
2 of the wages and self-employment income of such deceased  
3 individual.

4       “(2) Such mother's insurance benefit for each month  
5 shall be equal to three-fourths of the primary insurance  
6 amount of such deceased individual.

7                               *“Parent's Insurance Benefits*

8       (h) (1) Every parent (as defined in this subsection)  
9 of an individual who died a fully insured individual after  
10 1939, if such individual did not leave a widow who meets  
11 the conditions in subsection (e) (1) (D) and (E) or an  
12 unmarried child under the age of eighteen deemed dependent  
13 on such individual under subsection (d) (3), (4), or (5),  
14 and if such parent—

15               “(A) has attained retirement age,

16               “(B) was receiving at least one-half of his support  
17 from such individual at the time of such individual's  
18 death and filed proof of such support within two years of  
19 such date of death,

20               “(C) has not married since such individual's death,

21               “(D) is not entitled to old-age insurance benefits,  
22 or is entitled to old-age insurance benefits each of which  
23 is less than one-half of the primary insurance amount of  
24 such deceased individual, and

1           “(E) has filed application for parent’s insurance  
2       benefits,  
3 shall be entitled to a parent’s insurance benefit for each  
4 month, beginning with the first month after the effective date  
5 in which such parent becomes so entitled to such parent’s  
6 insurance benefits and ending with the month preceding the  
7 first month in which any of the following occurs: such parent  
8 dies, marries, or becomes entitled to an old-age insurance  
9 benefit equal to or exceeding one-half of the primary insur-  
10 ance amount of such deceased individual.

11       “(2) Such parent’s insurance benefit for each month  
12 shall be equal to one-half of the primary insurance amount of  
13 such deceased individual.

14       “(3) As used in this subsection, the term ‘parent’  
15 means the mother or father of an individual, a stepparent of  
16 an individual by a marriage contracted before such individual  
17 attained the age of sixteen, or an adopting parent by whom  
18 an individual was adopted before he attained the age of  
19 sixteen.

20                           *“Lump-Sum Death Payments*

21       “(i) (1) In any case in which a fully or currently in-  
22 sured individual died after the effective date leaving no sur-  
23 viving child, widow, widower, or parent who would, on filing  
24 application in the month in which such insured individual  
25 died, be entitled to a benefit on the basis of the wages and

1 *self-employment income of such insured individual, for such*  
2 *month under subsection (d), (e), (f), (g), or (h) of this*  
3 *section, an amount equal to three times such individual's*  
4 *primary insurance amount shall be paid in a lump sum to*  
5 *the person, if any, determined by the Administrator to be*  
6 *the widow or widower of the deceased and to have been living*  
7 *with the deceased at the time of death. If there is no such*  
8 *person, or if such person dies before receiving payment, then*  
9 *such amount shall be paid to any person or persons, equitably*  
10 *entitled thereto, to the extent and in the proportions that he*  
11 *or they shall have paid the expenses of burial of such insured*  
12 *individual.*

13       “(2) *In any case in which (A) a fully or currently in-*  
14 *sured individual died after the effective date leaving a surviv-*  
15 *ing child, widow, widower, or parent who would, on filing ap-*  
16 *plication in the month in which such insured individual died,*  
17 *be entitled to a benefit, on the basis of the wages and self-*  
18 *employment income of such insured individual, for such*  
19 *month under subsection (d), (e), (f), (g), or (h) of this*  
20 *section, and (B) the total of benefits (if any) paid for the*  
21 *month in which such insured individual died and for the suc-*  
22 *ceeding eleven months is less than three times his primary in-*  
23 *surance amount, an amount equal to the difference between*  
24 *such total and three times such primary insurance amount*  
25 *shall be paid in a lump sum to the person, if any, determined*

1 *by the Administrator to be the widow or widower of the de-*  
2 *ceased and to have been living with the deceased at the time of*  
3 *death. If there is no such person, or if such person dies*  
4 *before receiving payment, then such amount shall be paid*  
5 *to any person or persons, equitably entitled thereto, to the*  
6 *extent and in the proportions that he or they shall have paid*  
7 *the expenses of burial of such insured individual.*

8       “(3) *No payment shall be made to any person under*  
9 *this subsection on the basis of the wages and self-employment*  
10 *income of an insured individual unless application therefor*  
11 *shall have been filed, by or on behalf of any such person*  
12 *(whether or not legally competent), prior to the expiration of*  
13 *two years after the date of death of such insured individual.*

14               “*Application for Monthly Insurance Benefits*

15       “(j) (1) *An individual who would have been*  
16 *entitled to a benefit under subsection (a), (b), (c), (d),*  
17 *(e), (f), (g), or (h) for any month after the effec-*  
18 *tive date had he filed application therefor prior to the*  
19 *end of such month shall be entitled to such benefit for*  
20 *such month if he files application therefor prior to the*  
21 *end of the sixth month immediately succeeding such*  
22 *month. Any benefit for a month prior to the month in*  
23 *which application is filed shall be reduced, to any extent*  
24 *that may be necessary, so that it will not render erroneous*  
25 *any benefit which, before the filing of such application, the*

1 *Administrator has certified for payment for such prior month.*

2       “(2) *No application for any benefit under this section*  
3 *for any month after the effective date which is filed prior*  
4 *to three months before the first month for which the applicant*  
5 *becomes entitled to such benefit shall be accepted as an*  
6 *application for the purposes of this section; and any applica-*  
7 *tion filed within such three months' period shall be deemed*  
8 *to have been filed in such first month.*

9               “*Simultaneous Entitlement to Benefits*

10       “(k) (1) *A child, entitled to child's insurance benefits*  
11 *on the basis of the wages and self-employment income of an*  
12 *insured individual, who would be entitled, on filing applica-*  
13 *tion, to child's insurance benefits on the basis of the wages*  
14 *and self-employment income of some other insured individual,*  
15 *shall be deemed entitled, subject to the provisions of para-*  
16 *graph (2) hereof, to child's insurance benefits on the basis*  
17 *of the wages and self-employment income of such other*  
18 *individual if an application for child's insurance benefits on*  
19 *the basis of the wages and self-employment income of such*  
20 *other individual has been filed by any other child who would,*  
21 *on filing application, be entitled to child's insurance benefits*  
22 *on the basis of the wages and self-employment income of*  
23 *both such insured individuals.*

24       “(2) (A) *Any child who under the preceding provisions*  
25 *of this section is entitled for any month to more than one*



1 *payment, and no monthly benefit for the month in which*  
2 *such employee died or for any month thereafter, shall be paid*  
3 *under this section to any person on the basis of the wages and*  
4 *self-employment income of such employee.”*

5 *(b) (1) Except as provided in paragraph (3), the*  
6 *amendment made by subsection (a) of this section shall take*  
7 *effect on the first day of the second calendar month following*  
8 *the month in which this Act is enacted; and as used in this*  
9 *section and in section 202 of the Social Security Act, as*  
10 *amended by this Act, the term “effective date” means the*  
11 *day preceding such first day.*

12 *(2) Section 205 (m) of the Social Security Act is re-*  
13 *pealed effective with respect to monthly benefits under sec-*  
14 *tion 202 of the Social Security Act, as amended by this*  
15 *Act, for months after the effective date.*

16 *(3) Section 202 (j) (2) of the Social Security Act, as*  
17 *amended by this Act, shall take effect on the date of enact-*  
18 *ment of this Act.*

19 *(c) (1) Any individual entitled to primary insurance*  
20 *benefits or widow’s current insurance benefits under section*  
21 *202 of the Social Security Act as in effect prior to its amend-*  
22 *ment by this Act who would, but for the enactment of this*  
23 *Act, be entitled to such benefits for the month following the*  
24 *effective date shall be deemed to be entitled to old-age insur-*

1 *ance benefits or mother's insurance benefits (as the case may*  
2 *be) under section 202 of the Social Security Act, as amended*  
3 *by this Act, as though such individual became entitled to*  
4 *such benefits in such month.*

5 *(2) Any individual entitled to any other monthly in-*  
6 *surance benefits under section 202 of the Social Security*  
7 *Act as in effect prior to its amendment by this Act who would,*  
8 *but for the enactment of this Act, be entitled to such benefits*  
9 *for the month following the effective date shall be deemed to*  
10 *be entitled to such benefits under section 202 of the Social*  
11 *Security Act, as amended by this Act, as though such indi-*  
12 *vidual became entitled to such benefits in such month.*

13 *(3) Any individual who files application after the effec-*  
14 *tive date for monthly benefits under any subsection of section*  
15 *202 of the Social Security Act who would, but for the enact-*  
16 *ment of this Act, be entitled to benefits under such subsection*  
17 *(as in effect prior to such enactment) for the month in which*  
18 *such date occurs or any month prior thereto shall be deemed*  
19 *entitled to such benefits for such month to the same extent and*  
20 *in the same amounts as though this Act had not been enacted.*

21 *(d) Lump-sum death payments shall be made in the case*  
22 *of individuals who died on or prior to the effective date as*  
23 *though this Act had not been enacted; except that in the case*  
24 *of any individual who died outside the forty-eight States and*  
25 *the District of Columbia after December 6, 1941, and prior*

1 to August 10, 1946, the last sentence of section 202 (g) of  
2 the Social Security Act as in effect prior to the enactment of  
3 this Act shall not be applicable if application for a lump-sum  
4 death payment is filed within two years after the effective date.

5 **MAXIMUM BENEFITS**

6 *SEC. 102. (a) So much of section 203 of the Social*  
7 *Security Act as precedes subsection (d) is amended to read*  
8 *as follows:*

9 **"REDUCTION OF INSURANCE BENEFITS**

10 **"Maximum Benefits**

11 *"SEC. 203. (a) Whenever the total of monthly benefits*  
12 *to which individuals are entitled under section 202 for a*  
13 *month on the basis of the wages and self-employment income*  
14 *of an insured individual exceeds \$150, or is more than \$40*  
15 *and exceeds 80 per centum of his average monthly wage (as*  
16 *determined under section 215), such total of benefits shall, after*  
17 *any deductions under this section, be reduced to \$150 or to*  
18 *80 per centum of his average monthly wage, whichever is*  
19 *the lesser, but in no case to less than \$40, except that when*  
20 *any of such individuals so entitled would (but for the pro-*  
21 *visions of section 202 (k) (2) (A)) be entitled to child's*  
22 *insurance benefits on the basis of the wages and self-employ-*  
23 *ment income of one or more other insured individuals, such*  
24 *total of benefits shall, after any deductions under this section,*  
25 *be reduced to \$150 or to 80 per centum of the sum of the*

1 average monthly wages of all such insured individuals,  
 2 whichever is the lesser, but in no case to less than \$40.  
 3 Whenever a reduction is made under this subsection, each  
 4 benefit, except the old-age insurance benefit, shall be pro-  
 5 portionately decreased."

6 (b) The amendment made by subsection (a) of this  
 7 section shall be applicable with respect to benefits for months  
 8 after the first calendar month following the month in which  
 9 this Act is enacted.

10 DEDUCTIONS FROM BENEFITS

11 SEC. 103. (a) Subsections (d), (e), (f), (g), and  
 12 (h) of section 203 of the Social Security Act are amended  
 13 to read as follows:

14 "Deductions on Account of Work or Failure to Have Child  
 15 in Care

16 "(b) Deductions, in such amounts and at such time or  
 17 times as the Administrator shall determine, shall be made  
 18 from any payment or payments under this title to which an  
 19 individual is entitled, until the total of such deductions equals  
 20 such individual's benefit or benefits under section 202 for  
 21 any month

22 "(1) in which such individual is under the age  
 23 of seventy-five and in which he rendered services for  
 24 wages (as determined under section 209 without regard  
 25 to subsection (a) thereof) of more than \$50; or

1           “(2) in which such individual is under the age of  
2           seventy-five and for which month he is charged, under  
3           the provisions of subsection (e) of this section, with net  
4           earnings from self-employment of more than \$50; or

5           “(3) in which such individual, if a widow entitled  
6           to a mother’s insurance benefit, did not have in her care  
7           a child of her deceased husband entitled to a child’s  
8           insurance benefit; or

9           “(4) in which such individual, if a former wife  
10          divorced entitled to a mother’s insurance benefit, did  
11          not have in her care a child, of her deceased former  
12          husband, who (A) is her son, daughter, or legally  
13          adopted child and (B) is entitled to a child’s insurance  
14          benefit on the basis of the wages and self-employment  
15          income of her deceased former husband.

16          “Deductions From Dependents’ Benefits Because of Work  
17                                  by Old-Age Insurance Beneficiary

18          “(c) Deductions shall be made from any wife’s, hus-  
19          band’s, or child’s insurance benefit to which a wife, husband,  
20          or child is entitled, until the total of such deductions equals  
21          such wife’s, husband’s, or child’s insurance benefit or bene-  
22          fits under section 202 for any month—

23                 “(1) in which the individual, on the basis of whose  
24                 wages and self-employment income such benefit was pay-  
25                 able, is under the age of seventy-five and in which he

1 rendered services for wages (as determined under sec-  
2 tion 209 without regard to subsection (a) thereof) of  
3 more than \$50; or

4 “(2) in which the individual referred to in para-  
5 graph (1) is under the age of seventy-five and for  
6 which month he is charged, under the provisions of  
7 subsection (e) of this section, with net earnings from  
8 self-employment of more than \$50.

9 *“Occurrence of More Than One Event*

10 “(d) If more than one of the events specified in sub-  
11 sections (b) and (c) occurs in any one month which would  
12 occasion deductions equal to a benefit for such month, only an  
13 amount equal to such benefit shall be deducted. The charging  
14 of net earnings from self-employment to any month shall be  
15 treated as an event occurring in the month to which such  
16 net earnings are charged.

17 *“Months to Which Net Earnings from Self-Employment*  
18 *Are Charged*

19 “(e) For the purposes of subsections (b) and (c)—

20 “(1) If an individual's net earnings from self-  
21 employment for his taxable year are not more than  
22 the product of \$50 times the number of months in such  
23 year, no month in such year shall be charged with more  
24 than \$50 of net earnings from self-employment.

1           “(2) If an individual’s net earnings from self-  
2           employment for his taxable year are more than the prod-  
3           uct of \$50 times the number of months in such year, each  
4           month of such year shall be charged with \$50 of net  
5           earnings from self-employment, and the amount of such  
6           net earnings in excess of such product shall be  
7           further charged to months as follows: The first \$50 of  
8           such excess shall be charged to the last month of such  
9           taxable year, and the balance, if any, of such excess  
10          shall be charged at the rate of \$50 per month to each  
11          preceding month in such year until all of such balance  
12          has been applied, except that no part of such excess shall  
13          be charged to any month (A) for which such individual  
14          was not entitled to a benefit under this title, (B) in  
15          which an event described in paragraph (1), (3), or  
16          (4) of subsection (b) occurred, (C) in which such  
17          individual was age seventy-five or over, or (D) in  
18          which such individual did not engage in self-employment.

19           “(3) (A) As used in paragraph (2), the term  
20          ‘last month of such taxable year’ means the latest month  
21          in such year to which the charging of the excess de-  
22          scribed in such paragraph is not prohibited by the appli-  
23          cation of clauses (A), (B), (C), and (D) thereof.

24           “(B) For the purposes of clause (D) of paragraph

1       (2), an individual will be presumed, with respect to any  
2       month, to have been engaged in self-employment in  
3       such month until it is shown to the satisfaction of the  
4       Administrator that such individual rendered no sub-  
5       stantial services in such month with respect to any  
6       trade or business the net income or loss of which is  
7       includible in computing his net earnings from self-  
8       employment for any taxable year. The Administrator  
9       shall by regulations prescribe the methods and criteria  
10      for determining whether or not an individual has  
11      rendered substantial services with respect to any trade  
12      or business.

13           *“Penalty for Failure To Report Certain Events*

14      “(f) Any individual in receipt of benefits subject to  
15      deduction under subsection (b) or (c) (or who is in  
16      receipt of such benefits on behalf of another individual),  
17      because of the occurrence of an event specified therein (other  
18      than an event described in subsection (b) (2) or (c) (2)),  
19      shall report such occurrence to the Administrator prior  
20      to the receipt and acceptance of an insurance benefit for  
21      the second month following the month in which such event  
22      occurred. Any such individual having knowledge thereof,  
23      who fails to report any such occurrence, shall suffer an  
24      additional deduction equal to that imposed under subsection  
25      (b) or (c), except that the first additional deduction im-



1           “(A) such individual shall suffer one additional  
2           deduction in an amount equal to his benefit or benefits  
3           for the last month in such taxable year for which he  
4           was entitled to a benefit under section 202; and

5           “(B) if the failure to make such report continues  
6           after the close of the fourth calendar month following the  
7           close of such taxable year, such individual shall suffer  
8           an additional deduction in the same amount for each  
9           month during all or any part of which such failure  
10          continues after such fourth month;

11          except that the number of the additional deductions required  
12          by this paragraph shall not exceed the number of months in  
13          such taxable year for which such individual received and  
14          accepted insurance benefits under section 202 and for which  
15          deductions are imposed under subsection (b) (2) by reason  
16          of such net earnings from self-employment. If more than  
17          one additional deduction would be imposed under this para-  
18          graph with respect to a failure by an individual to file a  
19          report required by paragraph (1) and such failure is the  
20          first for which any additional deduction is imposed under  
21          this paragraph, only one additional deduction shall be  
22          imposed with respect to such first failure.

23          “(3) If the Administrator determines, on the basis of  
24          information obtained by or submitted to him, that it may  
25          reasonably be expected that an individual entitled to bene-

1 fits under section 202 for any taxable year will suffer deduc-  
2 tions imposed under subsection (b) (2) by reason of his  
3 net earnings from self-employment for such year, the  
4 Administrator may, before the close of such taxable  
5 year, suspend the payment for each month in such year  
6 (or for only such months as the Administrator may specify)  
7 of the benefits payable on the basis of such individual's  
8 wages and self-employment income; and such suspension  
9 shall remain in effect with respect to the benefits for any  
10 month until the Administrator has determined whether or not  
11 any deduction is imposed for such month under subsection  
12 (b). The Administrator is authorized, before the close of the  
13 taxable year of an individual entitled to benefits during such  
14 year, to request of such individual that he make, at such  
15 time or times as the Administrator may specify, a declaration  
16 of his estimated net earnings from self-employment for the  
17 taxable year and that he furnish to the Administrator such  
18 other information with respect to such net earnings as the  
19 Administrator may specify. A failure by such individual  
20 to comply with any such request shall in itself constitute  
21 justification for a determination under this paragraph that it  
22 may reasonably be expected that the individual will suffer  
23 deductions imposed under subsection (b) (2) by reason of  
24 his net earnings from self-employment for such year.

1 *“Circumstances Under Which Deductions Not Required*

2 *“(h) Deductions by reason of subsection (b), (f), or*  
3 *(g) shall, notwithstanding the provisions of such subsection,*  
4 *be made from the benefits to which an individual is entitled*  
5 *only to the extent that they reduce the total amount which*  
6 *would otherwise be paid, on the basis of the same wages and*  
7 *self-employment income, to him and the other individuals*  
8 *living in the same household.*

9 *“Deductions With Respect to Certain Lump Sum Payments*

10 *“(i) Deductions shall also be made from any old-age*  
11 *insurance benefit to which an individual is entitled, or from*  
12 *any other insurance benefit payable on the basis of such*  
13 *individual’s wages and self-employment income, until such*  
14 *deductions total the amount of any lump sum paid to such*  
15 *individual under section 204 of the Social Security Act in*  
16 *force prior to the date of enactment of the Social Security*  
17 *Act Amendments of 1939.*

18 *“Attainment of Age Seventy-five*

19 *“(j) For the purposes of this section, an individual shall*  
20 *be considered as seventy-five years of age during the entire*  
21 *month in which he attains such age.”*

22 *(b) The amendments made by this section shall take*  
23 *effect on the first day of the second calendar month following*  
24 *the month in which this Act is enacted, except that the pro-*  
25 *visions of subsections (d) and (e) of section 203 of the*

1 *Social Security Act as in effect prior to the enactment of this*  
2 *Act shall be applicable for months prior to such first day.*

3 *DEFINITIONS*

4 *SEC. 104. (a) Title II of the Social Security Act is*  
5 *amended by striking out section 209 and inserting in lieu*  
6 *thereof the following:*

7 *“DEFINITION OF WAGES*

8 *“SEC. 209. For the purposes of this title, the term*  
9 *‘wages’ means remuneration paid prior to 1951 which*  
10 *was wages for the purposes of this title under the law*  
11 *applicable to the payment of such remuneration, and re-*  
12 *muneration paid after 1950 for employment, including*  
13 *the cash value of all remuneration paid in any medium other*  
14 *than cash; except that, in the case of remuneration paid*  
15 *after 1950, such term shall not include—*

16 *“(a) That part of the remuneration which, after*  
17 *remuneration (other than remuneration referred to in the*  
18 *succeeding subsections of this section) equal to \$3,000*  
19 *with respect to employment has been paid to an individ-*  
20 *ual during any calendar year, is paid to such individual*  
21 *during such calendar year;*

22 *“(b) The amount of any payment (including any*  
23 *amount paid by an employer for insurance or annuities,*  
24 *or into a fund, to provide for any such payment) made*  
25 *to, or on behalf of, an employee or any of his dependents*

1        *under a plan or system established by an employer which*  
2        *makes provision for his employees generally (or for his*  
3        *employees generally and their dependents) or for a class*  
4        *or classes of his employees (or for a class or classes of his*  
5        *employees and their dependents), on account of (1) re-*  
6        *irement, or (2) sickness or accident disability, or (3)*  
7        *medical or hospitalization expenses in connection with*  
8        *sickness or accident disability, or (4) death;*

9            *“(c) Any payment made to an employee (includ-*  
10        *ing any amount paid by an employer for insurance or*  
11        *annuities, or into a fund, to provide for any such pay-*  
12        *ment) on account of retirement;*

13            *“(d) Any payment on account of sickness or*  
14        *accident disability, or medical or hospitalization ex-*  
15        *penditures in connection with sickness or accident disability,*  
16        *made by an employer to, or on behalf of, an employee*  
17        *after the expiration of six calendar months following*  
18        *the last calendar month in which the employee worked*  
19        *for such employer;*

20            *“(e) Any payment made to, or on behalf of, an*  
21        *employee or his beneficiary (1) from or to a trust*  
22        *exempt from tax under section 165 (a) of the Internal*  
23        *Revenue Code at the time of such payment unless such*  
24        *payment is made to an employee of the trust as remun-*  
25        *eration for services rendered as such employee and not*

1 as a beneficiary of the trust, or (2) under or to an  
2 annuity plan which, at the time of such payment, meets  
3 the requirements of section 165 (a) (3), (4), (5),  
4 and (6) of such code;

5 “(f) The payment by an employer (without de-  
6 duction from the remuneration of the employee) (1)  
7 of the tax imposed upon an employee under section  
8 1400 of the Internal Revenue Code, or (2) of any  
9 payment required from an employee under a State  
10 unemployment compensation law;

11 “(g) Remuneration paid in any medium other than  
12 cash to an employee for service not in the course of  
13 the employer’s trade or business or for domestic service  
14 in a private home of the employer;

15 “(h) Remuneration paid in any medium other than  
16 cash for agricultural labor; or

17 “(i) Any payment (other than vacation or sick  
18 pay) made to an employee after the month in which  
19 he attains retirement age (as defined in section 216  
20 (a)), if he did not work for the employer in the period  
21 for which such payment is made.

22 “DEFINITION OF EMPLOYMENT

23 “SEC. 210. For the purposes of this title—

24 “Employment

25 “(a) The term ‘employment’ means any service per-

1 *formed after 1936 and prior to 1951 which was employment*  
2 *for the purposes of this title under the law applicable to the*  
3 *period in which such service was performed, and any service,*  
4 *of whatever nature, performed after 1950 either (A) by an*  
5 *employee for the person employing him, irrespective of the*  
6 *citizenship or residence of either, (i) within the United States,*  
7 *or (ii) on or in connection with an American vessel or*  
8 *American aircraft under a contract of service which is entered*  
9 *into within the United States or during the performance of*  
10 *which and while the employee is employed on the vessel or*  
11 *aircraft it touches at a port in the United States, if the*  
12 *employee is employed on and in connection with such vessel*  
13 *or aircraft when outside the United States, or (B) outside*  
14 *the United States by a citizen of the United States as an*  
15 *employee for an American employer (as defined in subsection*  
16 *(e)); except that, in the case of service performed after*  
17 *1950, such term shall not include—*

18        “(1) (A) *Agricultural labor (as defined in sub-*  
19        *section (f) of this section) performed in any calendar*  
20        *quarter by an employee, unless the cash remuneration*  
21        *paid for such labor is \$50 or more and such labor is*  
22        *performed for an employer by an individual who is*  
23        *regularly employed by such employer to perform such*  
24        *agricultural labor. For the purposes of this paragraph,*  
25        *an individual shall be deemed to be regularly employed*

1 by an employer during a calendar quarter only if (i) on  
2 each of some sixty days during such quarter such indi-  
3 vidual performs agricultural labor for such employer  
4 for some portion of the day, or (ii) such individual was  
5 regularly employed (as determined under clause (i)) by  
6 such employer in the performance of such labor during  
7 the preceding calendar quarter;

8 “(B) Service performed in connection with the pro-  
9 duction or harvesting of any commodity defined as an  
10 agricultural commodity in section 15 (g) of the Agri-  
11 cultural Marketing Act, as amended, or in connection  
12 with the ginning of cotton;

13 “(2) Domestic service performed in a local college  
14 club, or local chapter of a college fraternity or sorority,  
15 by a student who is enrolled and is regularly attending  
16 classes at a school, college, or university;

17 “(3) Service not in the course of the employer’s  
18 trade or business performed in any calendar quarter by  
19 an employee, unless the cash remuneration paid for such  
20 service is \$50 or more and such service is performed  
21 by an individual who is regularly employed by such  
22 employer to perform such service. For the purposes of  
23 this paragraph, an individual shall be deemed to be  
24 regularly employed by an employer during a calendar

1       quarter only if (A) on each of some twenty-four days  
2       during such quarter such individual performs for such  
3       employer for some portion of the day service not in the  
4       course of the employer's trade or business, or (B) if such  
5       individual was regularly employed (as determined under  
6       clause (A)) by such employer in the performance of  
7       such service during the preceding calendar quarter. As  
8       used in this paragraph, the term 'service not in the course  
9       of the employer's trade or business' includes domestic  
10      service in a private home of the employer;

11           “(4) Service performed by an individual in the  
12      employ of his son, daughter, or spouse, and service per-  
13      formed by a child under the age of twenty-one in the  
14      employ of his father or mother;

15           “(5) Service performed by an individual on or in  
16      connection with a vessel not an American vessel, or on or  
17      in connection with an aircraft not an American aircraft,  
18      if the individual is employed on and in connection with  
19      such vessel or aircraft when outside the United States;

20           “(6) Service performed in the employ of any in-  
21      strumentality of the United States, if such instrumen-  
22      tality is exempt from the tax imposed by section 1410 of  
23      the Internal Revenue Code by virtue of any provision of  
24      law which specifically refers to such section in granting  
25      such exemption;

1           “(7) (A) Service performed in the employ of the  
2           United States, if such service is covered by a retirement  
3           system established by a law of the United States or by  
4           the agency for which such service is performed;

5           “(B) Service performed in the employ of any instru-  
6           mentality of the United States, if such service is covered  
7           by a retirement system established by a law of the United  
8           States;

9           “(C) Service performed in the employ of an instru-  
10          mentality of the United States which is either wholly  
11          owned or which, but for the provisions of section 1412  
12          of the Internal Revenue Code, would be exempt from  
13          the tax imposed by section 1410 of such code and was  
14          exempt from the tax imposed by section 1410 of such  
15          code on December 31, 1950, except that the provisions of  
16          this subparagraph shall not be applicable to—

17               “(i) service performed in the employ of a na-  
18               tional farm loan association, a production credit  
19               association, a State, county, or community committee  
20               under the Production and Marketing Administration,  
21               a Federal credit union, the Bonneville Power Ad-  
22               ministrator, or the United States Maritime Commis-  
23               sion; or

24               “(ii) service performed in the employ of the  
25               Tennessee Valley Authority unless such service is

1 covered by a retirement system established by such  
2 authority; or

3 “(iii) service performed by a civilian em-  
4 ployee, not compensated from funds appropriated  
5 by the Congress, in the Army and Air Force Ex-  
6 change Service, Army and Air Force Motion Pic-  
7 ture Service, Navy Ship’s Service Stores, Marine  
8 Corps Post Exchanges, or other activities, conducted  
9 by an instrumentality of the United States subject  
10 to the jurisdiction of the Secretary of Defense, at  
11 installations of the National Military Establishment  
12 for the comfort, pleasure, contentment, and mental  
13 and physical improvement of personnel of such  
14 Establishment;

15 “(D) Service performed in the employ of the  
16 United States or in the employ of any instrumentality  
17 of the United States, if such service is performed—

18 “(i) as the President or Vice President of the  
19 United States or as a Member, Delegate, or Resi-  
20 dent Commissioner, of or to the Congress;

21 “(ii) in the legislative branch;

22 “(iii) in the field service of the Post Office  
23 Department unless performed by any individual as  
24 an employee who is excluded by Executive order  
25 from the operation of the Civil Service Retirement

1        *Act of 1930 because he is serving under a tempo-*  
2        *rary appointment pending final determination of*  
3        *eligibility for permanent or indefinite appointment;*

4            *“(iv) in or under the Bureau of the Census*  
5        *of the Department of Commerce by temporary em-*  
6        *ployees employed for the taking of any census;*

7            *“(v) by any individual as an employee who*  
8        *is excluded by Executive order from the operation*  
9        *of the Civil Service Retirement Act of 1930 because*  
10       *he is paid on a contract or fee basis;*

11           *“(vi) by any individual as an employee re-*  
12       *ceiving nominal compensation of \$12 or less per*  
13       *annum;*

14           *“(vii) in a hospital, home, or other institution*  
15       *of the United States by a patient or inmate thereof;*

16           *“(viii) by any individual as a consular agent*  
17       *appointed under authority of section 551 of the*  
18       *Foreign Service Act of 1946 (22 U. S. C., sec.*  
19       *951);*

20           *“(ix) by any individual as an employee in-*  
21       *cluded under section 2 of the Act of August 4, 1947*  
22       *(relating to certain interns, student nurses, and other*  
23       *student employees of hospitals of the Federal Gov-*  
24       *ernment; 5 U. S. C., sec. 1052);*

25           *“(x) by any individual as an employee serving*

1 on a temporary basis in case of fire, storm, earth-  
2 quake, flood, or other emergency;

3 “(xi) by any individual as an employee who is  
4 employed under a Federal relief program to relieve  
5 him from unemployment; or

6 “(xii) as a member of a State, county, or com-  
7 munity committee under the Production and Market-  
8 ing Administration or of any other board, council,  
9 committee, or other similar body, unless such board,  
10 council, committee, or other body is composed ex-  
11 clusively of individuals otherwise in the full-time  
12 employ of the United States;

13 “(8) Service (other than service included under an  
14 agreement under section 218) performed in the employ  
15 of a State, or any political subdivision thereof, or any  
16 instrumentality of any one or more of the foregoing which  
17 is wholly owned by one or more States or political sub-  
18 divisions; and any service (other than service included  
19 under an agreement under section 218) performed in the  
20 employ of any instrumentality of one or more States  
21 or political subdivisions to the extent that the instru-  
22 mentality is, with respect to such service, immune under  
23 the Constitution of the United States from the tax im-  
24 posed by section 1410 of the Internal Revenue Code;

25 “(9) (A) Service performed by a duly ordained,

1 commissioned, or licensed minister of a church in the  
2 exercise of his ministry or by a member of a religious  
3 order in the exercise of duties required by such order;

4 *“(B) Service in the employ of—*

5 *“(i) a corporation, fund, or foundation which*  
6 *is exempt from income tax under section 101 (6)*  
7 *of the Internal Revenue Code and is organized and*  
8 *operated primarily for religious purposes; or*

9 *“(ii) a corporation, fund, or foundation which*  
10 *is exempt from income tax under section 101 (6)*  
11 *of the Internal Revenue Code and is owned and*  
12 *operated by one or more corporations, funds, or*  
13 *foundations included under clause (i) hereof;*  
14 *unless such service is performed on or after the first day*  
15 *of the calendar quarter following the calendar quarter in*  
16 *which such corporation, fund, or foundation files (whether*  
17 *filed on, before, or after January 1, 1951) with the*  
18 *Commissioner of Internal Revenue a statement that it*  
19 *desires to have the insurance system established by this*  
20 *title extended to services performed by its employees;*

21 *“(10) Service performed by an individual as an*  
22 *employee or employee representative as defined in sec-*  
23 *tion 1532 of the Internal Revenue Code;*

24 *“(11) (A) Service performed in any calendar*  
25 *quarter in the employ of any organization exempt from*

1 *income tax under section 101 of the Internal Revenue*  
2 *Code, if the remuneration for such service is less than*  
3 *\$50;*

4 *“(B) Service performed in the employ of a school,*  
5 *college, or university if such service is performed by a*  
6 *student who is enrolled and is regularly attending classes*  
7 *at such school, college, or university;*

8 *“(12) Service performed in the employ of a foreign*  
9 *government (including service as a consular or other*  
10 *officer or employee or a nondiplomatic representative);*

11 *“(13) Service performed in the employ of an instru-*  
12 *mentality wholly owned by a foreign government—*

13 *“(A) If the service is of a character similar to*  
14 *that performed in foreign countries by employees of*  
15 *the United States Government or of an instrumen-*  
16 *tality thereof; and*

17 *“(B) If the Secretary of State shall certify to*  
18 *the Secretary of the Treasury that the foreign gov-*  
19 *ernment, with respect to whose instrumentality and*  
20 *employees thereof exemption is claimed, grants an*  
21 *equivalent exemption with respect to similar service*  
22 *performed in the foreign country by employees of*  
23 *the United States Government and of instrumentali-*  
24 *ties thereof;*

25 *“(14) Service performed as a student nurse in the*

1       *employ of a hospital or a nurses' training school by an*  
2       *individual who is enrolled and is regularly attending*  
3       *classes in a nurses' training school chartered or approved*  
4       *pursuant to State law; and service performed as an*  
5       *interne in the employ of a hospital by an individual who*  
6       *has completed a four years' course in a medical school*  
7       *chartered or approved pursuant to State law;*

8               *“(15) Service performed by an individual in (or*  
9       *as an officer or member of the crew of a vessel while*  
10       *it is engaged in) the catching, taking, harvesting, cul-*  
11       *tivating, or farming of any kind of fish, shellfish, crus-*  
12       *tacea, sponges, seaweeds, or other aquatic forms of*  
13       *animal and vegetable life (including service performed*  
14       *by any such individual as an ordinary incident to any*  
15       *such activity), except (A) service performed in con-*  
16       *nection with the catching or taking of salmon or halibut,*  
17       *for commercial purposes, and (B) service performed*  
18       *on or in connection with a vessel of more than ten net*  
19       *tons (determined in the manner provided for deter-*  
20       *mining the register tonnage of merchant vessels under*  
21       *the laws of the United States);*

22               *“(16) (A) Service performed by an individual*  
23       *under the age of eighteen in the delivery or distribution*  
24       *of newspapers or shopping news, not including delivery*

1        *or distribution to any point for subsequent delivery or*  
2        *distribution;*

3            *“(B) Service performed by an individual in, and*  
4        *at the time of, the sale of newspapers or magazines to*  
5        *ultimate consumers, under an arrangement under which*  
6        *the newspapers or magazines are to be sold by him at*  
7        *a fixed price, his compensation being based on the reten-*  
8        *tion of the excess of such price over the amount at*  
9        *which the newspapers or magazines are charged to him,*  
10       *whether or not he is guaranteed a minimum amount of*  
11       *compensation for such service, or is entitled to be*  
12       *credited with the unsold newspapers or magazines turned*  
13       *back; or*

14           *“(17) Service performed in the employ of an inter-*  
15       *national organization entitled to enjoy privileges, ex-*  
16       *emptions, and immunities as an international organiza-*  
17       *tion under the International Organizations Immunities*  
18       *Act (59 Stat. 669).*

19           *“Included and Excluded Service*

20           *“(b) If the services performed during one-half or more*  
21       *of any pay period by an employee for the person employing*  
22       *him constitute employment, all the services of such employee*  
23       *for such period shall be deemed to be employment; but if*  
24       *the services performed during more than one-half of any such*  
25       *pay period by an employee for the person employing him do*

1 *not constitute employment, then none of the services of such*  
2 *employee for such period shall be deemed to be employment.*  
3 *As used in this subsection, the term 'pay period' means a*  
4 *period (of not more than thirty-one consecutive days) for*  
5 *which a payment of remuneration is ordinarily made to the*  
6 *employee by the person employing him. This subsection*  
7 *shall not be applicable with respect to services performed in*  
8 *a pay period by an employee for the person employing him,*  
9 *where any of such service is excepted by paragraph (10) of*  
10 *subsection (a).*

11 *"American Vessel*

12 *"(c) The term 'American vessel' means any vessel*  
13 *documented or numbered under the laws of the United*  
14 *States; and includes any vessel which is neither documented*  
15 *or numbered under the laws of the United States nor*  
16 *documented under the laws of any foreign country, if its*  
17 *crew is employed solely by one or more citizens or residents*  
18 *of the United States or corporations organized under the*  
19 *laws of the United States or of any State.*

20 *"American Aircraft*

21 *"(d) The term 'American aircraft' means an aircraft*  
22 *registered under the laws of the United States.*

23 *"American Employer*

24 *"(e) The term 'American employer' means an em-*  
25 *ployer which is (1) the United States or any instrumental-*

1 *ity thereof, (2) a State or any political subdivision thereof,*  
2 *or any instrumentality of any one or more of the foregoing,*  
3 *(3) an individual who is a resident of the United States,*  
4 *(4) a partnership, if two-thirds or more of the partners are*  
5 *residents of the United States, (5) a trust, if all of the*  
6 *trustees are residents of the United States, or (6) a corpora-*  
7 *tion organized under the laws of the United States or of any*  
8 *State.*

9 *“Agricultural Labor*

10 *“(f) The term ‘agricultural labor’ includes all service*  
11 *performed—*

12 *“(1) On a farm, in the employ of any person, in*  
13 *connection with cultivating the soil, or in connection*  
14 *with the raising or harvesting any agricultural or horti-*  
15 *cultural commodity, including the raising, shearing, feed-*  
16 *ing, caring for, training, and management of livestock,*  
17 *bees, poultry, and fur-bearing animals and wildlife.*

18 *“(2) In the employ of the owner or tenant or other*  
19 *operator of a farm, in connection with the operation,*  
20 *management, conservation, improvement, or mainte-*  
21 *nance of such farm and its tools and equipment, or in*  
22 *salvaging timber or clearing land of brush and other*  
23 *debris left by a hurricane, if the major part of such*  
24 *service is performed on a farm.*

25 *“(3) In connection with the production or harvest-*

1        *ing of any commodity defined as an agricultural com-*  
2        *modity in section 15 (g) of the Agricultural Marketing*  
3        *Act, as amended, or in connection with the ginning of*  
4        *cotton, or in connection with the operation or mainte-*  
5        *nance of ditches, canals, reservoirs, or waterways*  
6        *not owned or operated for profit, used exclusively for*  
7        *supplying and storing water for farming purposes.*

8            *“(4) (A) In the employ of the operator of a farm*  
9        *in handling, planting, drying, packing, packaging, proc-*  
10       *essing, freezing, grading, storing, or delivering to storage*  
11       *or to market or to a carrier for transportation to market,*  
12       *in its unmanufactured state, any agricultural or horti-*  
13       *cultural commodity; but only if such operator produced*  
14       *more than one-half of the commodity with respect to*  
15       *which such service is performed.*

16           *“(B) In the employ of a group of operators of*  
17       *farms (other than a cooperative organization) in the*  
18       *performance of service described in subparagraph (A),*  
19       *but only if such operators produced all of the commodity*  
20       *with respect to which such service is performed. For*  
21       *the purposes of this subparagraph, any unincorpo-*  
22       *rated group of operators shall be deemed a cooperative*  
23       *organization if the number of operators comprising such*  
24       *group is more than twenty at any time during the cal-*  
25       *endar quarter in which such service is performed.*



1 *the effective date specified in section 219 such term includes*  
 2 *Puerto Rico.*

3 *“Citizen of Puerto Rico*

4 *“(j) An individual who is a citizen of Puerto Rico*  
 5 *(but not otherwise a citizen of the United States) and*  
 6 *who is not a resident of the United States shall not be*  
 7 *considered, for the purposes of this section, as a citizen*  
 8 *of the United States prior to the effective date specified*  
 9 *in section 219.*

10 *“Employee*

11 *“(k) The term ‘employee’ means—*

12 *‘(1) any officer of a corporation; or*

13 *“(2) any individual who, under the usual common*  
 14 *law rules applicable in determining the employer-*  
 15 *employee relationship, has the status of an employee; or*

16 *“(3) any individual (other than an individual who*  
 17 *is an employee under paragraph (1) or (2) of this*  
 18 *subsection) who performs services for remuneration for*  
 19 *any person—*

20 *“(A) as an agent-driver or commission-driver*  
 21 *engaged in distributing meat products, bakery prod-*  
 22 *ucts, or laundry or dry-cleaning services; or*

23 *“(B) as a full-time life insurance salesman;*  
 24 *if the contract of service contemplates that substantially*

1 all of such services are to be performed personally by  
2 such individual; except that an individual shall not be  
3 included in the term 'employee' under the provisions  
4 of this paragraph if such individual has a substantial  
5 investment in facilities used in connection with the per-  
6 formance of such services (other than in facilities for  
7 transportation), or if the services are in the nature of  
8 a single transaction not part of a continuing relationship  
9 with the person for whom the services are performed.

10 "SELF-EMPLOYMENT

11 "SEC. 211. For the purposes of this title—

12 "Net Earnings From Self-Employment

13 "(a) The term 'net earnings from self-employment'  
14 means the gross income, as computed under chapter 1  
15 of the Internal Revenue Code, derived by an individual  
16 from any trade or business carried on by such individual,  
17 less the deductions allowed under such chapter which are  
18 attributable to such trade or business, plus his distributive  
19 share (whether or not distributed) of the ordinary net income  
20 or loss, as computed under section 183 of such code, from  
21 any trade or business carried on by a partnership of which  
22 he is a member; except that in computing such gross income  
23 and deductions and such distributive share of partnership  
24 ordinary net income or loss—

1           “(1) There shall be excluded rentals from real  
2           estate (including personal property leased with the real  
3           estate) and deductions attributable thereto, unless such  
4           rentals are received in the course of a trade or business  
5           as a real estate dealer;

6           “(2) There shall be excluded income derived from  
7           any trade or business in which, if the trade or business  
8           were carried on exclusively by employees, the major  
9           portion of the services would constitute agricultural  
10          labor as defined in section 210 (f); and there shall be  
11          excluded all deductions attributable to such income;

12          “(3) There shall be excluded dividends on any  
13          share of stock, and interest on any bond, debenture, note,  
14          or certificate, or other evidence of indebtedness, issued  
15          with interest coupons or in registered form by any  
16          corporation (including one issued by a government or  
17          political subdivision thereof) unless such dividends  
18          and interest (other than interest described in section  
19          25 (a) of the Internal Revenue Code) are received in  
20          the course of a trade or business as a dealer in stocks  
21          or securities;

22          “(4) There shall be excluded any gain or loss  
23          (A) which is considered under chapter 1 of the Internal  
24          Revenue Code as gain or loss from the sale or exchange

1 of a capital asset, (B) from the cutting or disposal of  
2 timber if section 117 (j) of such code is applicable  
3 to such gain or loss, or (C) from the sale, exchange,  
4 involuntary conversion, or other disposition of property  
5 if such property is neither (i) stock in trade or other  
6 property of a kind which would properly be includible  
7 in inventory if on hand at the close of the taxable year,  
8 nor (ii) property held primarily for sale to customers in  
9 the ordinary course of the trade or business;

10 “(5) The deduction for net operating losses pro-  
11 vided in section 23 (s) of such code shall not be allowed;

12 “(6) (A) If any of the income derived from a  
13 trade or business (other than a trade or business car-  
14 ried on by a partnership) is community income under  
15 community property laws applicable to such income,  
16 all of the gross income and deductions attributable to  
17 such trade or business shall be treated as the gross in-  
18 come and deductions of the husband unless the wife  
19 exercises substantially all of the management and con-  
20 trol of such trade or business, in which case all of such  
21 gross income and deductions shall be treated as the gross  
22 income and deductions of the wife;

23 “(B) If any portion of a partner’s distributive share  
24 of the ordinary net income or loss from a trade or busi-  
25 ness carried on by a partnership is community income or

1     *loss under the community property laws applicable to*  
2     *such share, all of such distributive share shall be included*  
3     *in computing the net earnings from self-employment of*  
4     *such partner, and no part of such share shall be taken*  
5     *into account in computing the net earnings from self-*  
6     *employment of the spouse of such partner;*

7             *“(7) In the case of any taxable year beginning*  
8     *on or after the effective date specified in section 219,*  
9     *(A) the term ‘possession of the United States’ as used*  
10    *in section 251 of the Internal Revenue Code shall not*  
11    *include Puerto Rico, and (B) a citizen or resident of*  
12    *Puerto Rico shall compute his net earnings from self-*  
13    *employment in the same manner as a citizen of the*  
14    *United States and without regard to the provisions of*  
15    *section 252 of such code.*

16    *If the taxable year of a partner is different from that of the*  
17    *partnership, the distributive share which he is required to*  
18    *include in computing his net earnings from self-employment*  
19    *shall be based upon the ordinary net income or loss of the*  
20    *partnership for any taxable year of the partnership (even*  
21    *though beginning prior to 1951) ending within or with his*  
22    *taxable year.*

23             *“Self-Employment Income*

24             *“(b). The term ‘self-employment income’ means the net*  
25    *earnings from self-employment derived by an individual*

1 (other than a nonresident alien individual) during any tax-  
2 able year beginning after 1950; except that such term shall  
3 not include—

4 “(1) That part of the net earnings from self-  
5 employment which is in excess of: (A) \$3,000, minus  
6 (B) the amount of the wages paid to such individual  
7 during the taxable year; or

8 “(2) The net earnings from self-employment, if  
9 such net earnings for the taxable year are less than  
10 \$400.

11 In the case of any taxable year beginning prior to the  
12 effective date specified in section 219, an individual who is  
13 a citizen of Puerto Rico (but not otherwise a citizen of the  
14 United States) and who is not a resident of the United  
15 States during such taxable year shall be considered, for the  
16 purposes of this subsection, as a nonresident alien individual.  
17 An individual who is not a citizen of the United States but  
18 who is a resident of the Virgin Islands or (after the effective  
19 date specified in section 219) a resident of Puerto Rico shall  
20 not, for the purposes of this subsection, be considered to be a  
21 nonresident alien individual.

22 “Trade or Business

23 “(c) The term ‘trade or business,’ when used with ref-  
24 erence to self-employment income or net earnings from self-  
25 employment, shall have the same meaning as when used in

1 *section 23 of the Internal Revenue Code, except that such*  
2 *term shall not include—*

3       “(1) *The performance of the functions of a public*  
4 *office;*

5       “(2) *The performance of service by an individual*  
6 *as an employee (other than service described in section*  
7 *210 (a) (16) (B) performed by an individual who has*  
8 *attained the age of eighteen);*

9       “(3) *The performance of service by an individual*  
10 *as an employee or employee representative as defined in*  
11 *section 1532 of the Internal Revenue Code;*

12       “(4) *The performance of service by a duly or-*  
13 *dained, commissioned, or licensed minister of a church*  
14 *in the exercise of his ministry or by a member of a*  
15 *religious order in the exercise of duties required by*  
16 *such order; or*

17       “(5) *The performance of service by an individual*  
18 *in the exercise of his profession as a physician, lawyer,*  
19 *dentist, osteopath, veterinarian, chiropractor, naturopath,*  
20 *optometrist, Christian Science practitioner, architect, cer-*  
21 *tified public accountant, or professional engineer; or the*  
22 *performance of such service by a partnership.*

23               *“Partnership and Partner*

24       “(d) *The term ‘partnership’ and the term ‘partner’*

1 shall have the same meaning as when used in supplement  
2 F of chapter 1 of the Internal Revenue Code.

3 "Taxable Year

4 "(e) The term 'taxable year' shall have the same  
5 meaning as when used in chapter 1 of the Internal Revenue  
6 Code; and the taxable year of any individual shall be a  
7 calendar year unless he has a different taxable year for the  
8 purposes of chapter 1 of such code, in which case his taxable  
9 year for the purposes of this title shall be the same as his  
10 taxable year under such chapter 1.

11 "CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR  
12 QUARTERS

13 "SEC. 212. For the purposes of determining aver-  
14 age monthly wage and quarters of coverage the amount of  
15 self-employment income derived during any taxable year  
16 shall be credited to calendar quarters as follows:

17 "(a) In the case of a taxable year which is a calen-  
18 dar year the self-employment income of such taxable year  
19 shall be credited equally to each quarter of such calendar  
20 year.

21 "(b) In the case of any other taxable year the self-  
22 employment income shall be credited equally to the  
23 calendar quarter in which such taxable year ends and to  
24 each of the next three or fewer preceding quarters any  
25 part of which is in such taxable year.

1                   “QUARTER AND QUARTER OF COVERAGE

2                   “Definitions

3       “SEC. 213. (a) For the purposes of this title—

4       “(1) The term ‘quarter’, and the term ‘calendar quar-  
5 ter’, means a period of three calendar months ending on  
6 March 31, June 30, September 30, or December 31.

7       “(2) (A) The term ‘quarter of coverage’ means, in the  
8 case of any quarter occurring prior to 1951, a quarter in  
9 which the individual has been paid \$50 or more in wages.

10 In the case of any individual who has been paid, in a calen-  
11 dar year prior to 1951, \$3,000 or more in wages each  
12 quarter of such year following his first quarter of coverage  
13 shall be deemed a quarter of coverage, excepting any quarter  
14 in such year in which such individual died or became entitled  
15 to a primary insurance benefit and any quarter succeeding  
16 such quarter in which he died or became so entitled.

17       “(B) The term ‘quarter of coverage’ means, in the case  
18 of a quarter occurring after 1950, a quarter in which the  
19 individual has been paid \$50 or more in wages or for which  
20 he has been credited (as determined under section 212) with  
21 \$100 or more of self-employment income, except that—

22               “(i) no quarter after the quarter in which such  
23 individual died shall be a quarter of coverage;

24               “(ii) if the wages paid to any individual in a  
25 calendar year equal or exceed \$3,000, each quarter of

1        *such year shall (subject to clause (i)) be a quarter of*  
2        *coverage;*

3            *“(iii) if an individual has self-employment income*  
4        *for a taxable year, and if the sum of such income and*  
5        *the wages paid to him during such taxable year equals*  
6        *\$3,000, each quarter any part of which falls in such*  
7        *year shall be a quarter of coverage; and*

8            *“(iv) no quarter shall be counted as a quarter of*  
9        *coverage prior to the beginning of such quarter.*

10            *“Crediting of Wages Paid in 1937*

11        *“(b) With respect to wages paid to an individual in*  
12        *the six-month periods commencing either January 1, 1937,*  
13        *or July 1, 1937; (A) if wages of not less than \$100 were*  
14        *paid in any such period, one-half of the total amount thereof*  
15        *shall be deemed to have been paid in each of the calendar*  
16        *quarters in such period; and (B) if wages of less than \$100*  
17        *were paid in any such period, the total amount thereof shall*  
18        *be deemed to have been paid in the latter quarter of such*  
19        *period, except that if in any such period, the individual*  
20        *attained age sixty-five, all of the wages paid in such period*  
21        *shall be deemed to have been paid before such age was*  
22        *attained.*

1        "INSURED STATUS FOR PURPOSES OF OLD-AGE AND  
2                                    SURVIVORS INSURANCE BENEFITS

3        "SEC. 214. For the purposes of this title—

4                                    "Fully Insured Individual

5        "(a) (1) In the case of any individual who died prior  
6 to the first day of the second calendar month following the  
7 month in which this section was enacted, the term 'fully  
8 insured individual' means any individual who had not less  
9 than one quarter of coverage (whenever acquired) for each  
10 two of the quarters elapsing after 1936, or after the quarter  
11 in which he attained the age of twenty-one, whichever is  
12 later, and up to but excluding the quarter in which he at-  
13 tained retirement age, or died, whichever first occurred,  
14 except that in no case shall an individual be a fully insured  
15 individual unless he has at least six quarters of coverage.

16        "(2) In the case of any individual who did not die  
17 prior to the first day of the second calendar month following  
18 the month in which this section was enacted, the term 'fully  
19 insured individual' means any individual who had not less  
20 than—

21                                    "(A) one quarter of coverage (whether acquired  
22 before or after such day) for each two of the quarters

1        *elapsing after 1950; or after the quarter in which he*  
 2        *attained the age of twenty-one, whichever is later, and*  
 3        *up to but excluding the quarter in which he attained*  
 4        *retirement age, or died, whichever first occurred, except*  
 5        *that in no case shall an individual be a fully insured*  
 6        *individual unless he has at least six quarters of*  
 7        *coverage; or*

8            *“(B) forty quarters of coverage.*

9            *“(3) When the number of elapsed quarters specified*  
 10        *in paragraph (1) or (2) (A) is an odd number, for pur-*  
 11        *poses of such paragraph such number shall be reduced by one.*

12            *“Currently Insured Individual*

13            *“(b) The term ‘currently insured individual’ means*  
 14        *any individual who had not less than six quarters of coverage*  
 15        *during the thirteen-quarter period ending with (1) the quar-*  
 16        *ter in which he died, (2) the quarter in which he became*  
 17        *entitled to old-age insurance benefits, or (3) the quarter in*  
 18        *which he became entitled to primary insurance benefits under*  
 19        *this title as in effect prior to the enactment of this section.*

20            *“COMPUTATION OF PRIMARY INSURANCE AMOUNT*

21            *“SEC. 215. For the purposes of this title—*

22            *“Primary Insurance Amount*

23            *“(a) (1) The primary insurance amount of an indi-*

1 *vidual who attained age twenty-two after 1950 and with*  
2 *respect to whom not less than six of the quarters elapsing*  
3 *after 1950 are quarters of coverage shall be 50 per centum*  
4 *of the first \$100 of his average monthly wage plus 15 per*  
5 *centum of the next \$150 of such wage. When the pri-*  
6 *mary insurance amount thus computed is less than \$25 it shall*  
7 *be increased to \$25 except in the case of an individual whose*  
8 *average monthly wage is less than \$34, in which case his*  
9 *primary insurance amount thus computed shall be increased*  
10 *to \$20.*

11 *“(2) The primary insurance amount of an individual*  
12 *who attained age twenty-two prior to 1951 and with re-*  
13 *spect to whom not less than six of the quarters elapsing*  
14 *after 1950 are quarters of coverage shall be whichever of*  
15 *the following is the larger—*

16 *“(A) the amount computed as provided in para-*  
17 *graph (1) of this subsection; or*

18 *“(B) the amount determined for him by use of the*  
19 *conversion table under subsection (c).*

20 *“(3) The primary insurance amount of any other in-*  
21 *dividual shall be the amount determined for him by use of*  
22 *the conversion table under subsection (c).*

1                                    *“Average Monthly Wage*

2                    *“(b) (1) An individual’s ‘average monthly wage’ (for*  
3 *purposes of subsection (a)) means the quotient obtained by*  
4 *dividing the total of his wages and self-employment income*  
5 *after his starting date (determined under paragraph (2))*  
6 *and prior to his closing date (determined under paragraph*  
7 *(3)), by the number of months elapsing after such starting*  
8 *date and prior to such closing date excluding from such*  
9 *elapsed months any month in any quarter prior to the*  
10 *quarter in which he attained the age of twenty-one which*  
11 *was not a quarter of coverage.*

12                    *“(2) An individual’s ‘starting date’ shall be December*  
13 *31, 1950, or the day preceding the quarter in which he*  
14 *attained the age of twenty-two, whichever results in the higher*  
15 *average monthly wage.*

16                    *“(3) (A) Except to the extent provided in paragraphs*  
17 *(B) and (C), an individual’s ‘closing date’ shall be the first*  
18 *day of the second quarter preceding the quarter in which*  
19 *he died or became entitled to old-age insurance benefits,*  
20 *whichever first occurred.*

21                    *“(B) If the number of months elapsing after an indi-*  
22 *vidual’s starting date and prior to his closing date, as deter-*  
23 *mined under subparagraph (A), is less than eighteen, his*  
24 *closing date shall be the first day of the quarter in which he*

1 died or became entitled to old-age insurance benefits, which-  
2 ever first occurred.

3       “(C) In the case of an individual who died or became  
4 entitled to old-age insurance benefits after the first quarter  
5 in which he both was fully insured and had attained retire-  
6 ment age, the determination of his closing date under sub-  
7 paragraphs (A) and (B) shall be made as though he became  
8 entitled to old-age insurance benefits in such first quarter, but  
9 only if it would result in a higher average monthly wage for  
10 such individual.

11       “(4) Notwithstanding the preceding provisions of this  
12 subsection, in computing an individual's average monthly  
13 wage, there shall not be taken into account any self-employ-  
14 ment income of such individual for taxable years ending  
15 in or after the month in which he became entitled to old-age  
16 insurance benefits or died, whichever first occurred.

17       “Determinations Made by Use of the Conversion Table

18       “(c) (1) The amount referred to in paragraph (3)  
19 and clause (B) of paragraph (2) of subsection (a) for an  
20 individual shall be the amount appearing in column II of  
21 the following table on the line on which in column I appears  
22 his primary insurance benefit (determined as provided in  
23 subsection (d)); and his average monthly wage shall, for  
24 purposes of section 203 (a), be the amount appearing on  
25 such line in column III.

<i>I</i> <i>Primary insurance benefit (as determined under subaection (d))</i>	<i>II</i> <i>Primary insurance amount</i>	<i>III</i> <i>Assumed average monthly wage for purpose of computing maximum benefits</i>
\$10	\$20.00	\$50.00
\$11	22.00	52.00
\$12	24.00	54.00
\$13	28.00	56.00
\$14	29.50	59.00
\$15	31.00	62.00
\$16	32.50	65.00
\$17	34.00	68.00
\$18	35.00	70.00
\$19	36.00	72.00
\$20	37.00	74.00
\$21	38.50	77.00
\$22	40.50	81.00
\$23	43.00	86.00
\$24	46.00	92.00
\$25	48.50	97.00
\$26	50.90	106.00
\$27	52.40	116.00
\$28	53.80	125.00
\$29	55.00	133.00
\$30	56.20	141.00
\$31	57.40	149.00
\$32	58.60	157.00
\$33	59.80	165.00
\$34	61.00	173.00
\$35	62.20	181.00
\$36	63.40	189.00
\$37	64.40	196.00
\$38	65.50	203.00
\$39	66.50	210.00
\$40	67.60	217.00
\$41	68.60	224.00
\$42	69.70	231.00
\$43	70.70	238.00
\$44	71.60	244.00
\$45	72.50	250.00
\$46	72.50	250.00



1 was enacted rendered services for wages of \$15 or more,  
2 his primary insurance benefit shall be whichever of the fol-  
3 lowing is larger: (A) the primary insurance benefit to  
4 which he was entitled for such first month following the month  
5 in which this section was enacted, or (B) his primary insur-  
6 ance benefit for such month recomputed, under section 209  
7 (q) of the Social Security Act as in effect prior to the enact-  
8 ment of this section, in the same manner as if such individual  
9 had filed application for and was entitled to a recomputation  
10 for such month, except that in making such recomputation  
11 section 217 (a) shall be applicable if such individual is a  
12 World War II veteran.

13 “(3) In the case of any individual who died prior to  
14 the second calendar month following the month in which  
15 this section was enacted, his primary insurance benefit shall  
16 be determined as provided in this title as in effect prior to  
17 the enactment of this section, except that section 217 (a)  
18 shall be applicable, in lieu of section 210 of this Act as  
19 in effect prior to the enactment of this section, but only if  
20 it results in a larger primary insurance benefit.

21 “(4) In the case of any other individual, his primary  
22 insurance benefit shall be determined as provided in this  
23 title as in effect prior to the enactment of this section, except  
24 that—

25 “(A) The computation of such benefit shall be based



1           “(2) if an individual's average monthly wage  
2           computed under subsection (b) or for the purposes of  
3           subsection (d) (4) is not a multiple of \$1, it shall be  
4           reduced to the next lower multiple of \$1.

5           *“Average Monthly Wage for Computing Maximum Benefits*

6           “(f) For the purposes of section 203 (a) the average  
7           monthly wage of any individual whose primary insurance  
8           amount is computed under subsection (a) (2) shall be  
9           whichever of the following is the larger:

10           “(1) The average monthly wage computed in ac-  
11           cordance with subsection (b); or

12           “(2) The average monthly wage as derived from  
13           column III of the table in subsection (c).

14                           *“Recomputation of Benefits*

15           “(g) (1) After an individual's primary insurance  
16           amount has been determined under this section, there shall  
17           be no recomputation of such individual's primary insurance  
18           amount except as provided in this subsection or, in the case  
19           of a World War II veteran who dies after the calendar  
20           month following the month in which this section was enacted  
21           and prior to July 27, 1954, as provided in section 217 (b).

22           “(2) Upon application by an individual entitled to old-  
23           age insurance benefits, the Administrator shall recompute his  
24           primary insurance amount if application therefor is filed  
25           after the twelfth month for which deductions under para-

1 graph (1) or (2) of section 203 (b) have been imposed  
2 (within a period of thirty-six months) with respect to such  
3 benefit, not taking into account any month prior to the sec-  
4 ond month following the month in which this section was  
5 enacted or prior to the earliest month for which the last  
6 previous computation of his primary insurance amount was  
7 effective, and if not less than six of the quarters elapsing after  
8 1950 and prior to the quarter in which he filed such applica-  
9 tion are quarters of coverage. A recomputation under this  
10 paragraph shall be made only as provided in subsection  
11 (a) (1) and shall take into account only such wages and  
12 self-employment income as would be taken into account under  
13 subsection (b) if the month in which application for recom-  
14 putation is filed were deemed to be the month in which the  
15 individual became entitled to old-age insurance benefits.  
16 Such recomputation shall be effective for and after the month  
17 in which such application for recomputation is filed.

18 “(3) (A) Upon application by an individual entitled  
19 to old-age insurance benefits, filed at least six months after  
20 the month in which he became so entitled, the Administrator  
21 shall recompute his primary insurance amount. Such recom-  
22 putation shall be made in the manner provided in the pre-  
23 ceding subsections of this section for computation of such  
24 amount except that his closing date for purposes of subsection  
25 (b) shall be deemed to be the first day of the quarter in which

1 *he became entitled to old-age insurance benefits. Such re-*  
2 *computation shall be effective for and after the first month*  
3 *in which he became entitled to old-age insurance benefits.*

4       “(B) *Upon application by a person entitled to monthly*  
5 *benefits on the basis of the wages and self-employment income*  
6 *of an individual who died after the first calendar month fol-*  
7 *lowing the month in which this section was enacted, the*  
8 *Administrator shall recompute such individual's primary*  
9 *insurance amount, if such application is filed at least six*  
10 *months after the month in which such individual died or*  
11 *became entitled to old-age insurance benefits, whichever first*  
12 *occurred. Such recomputation shall be made in the manner*  
13 *provided in the preceding subsections of this section for*  
14 *computation of such amount except that his closing date for*  
15 *purposes of subsection (b) shall be deemed to be the first day*  
16 *of the quarter in which he died or became entitled to old-age*  
17 *insurance benefits, whichever first occurred. Such recom-*  
18 *putation shall be effective for and after the month in which*  
19 *such person who filed the application for recomputation be-*  
20 *came entitled to such monthly benefits. No recomputa-*  
21 *tion under this paragraph shall affect the amount of the lump-*  
22 *sum death payment under subsection (i) of section 202 and*  
23 *no such recomputation shall render erroneous any such*  
24 *payment certified by the Administrator prior to the effective*  
25 *date of the recomputation.*

1       “(4) Upon the death after the first calendar month fol-  
2       lowing the month in which this section was enacted of an  
3       individual entitled to old-age insurance benefits, if any person  
4       is entitled to monthly benefits, or to a lump-sum death pay-  
5       ment, on the basis of the wages and self-employment income  
6       of such individual, the Administrator shall recompute the  
7       decedent’s primary insurance amount, but (except as pro-  
8       vided in paragraph (3) (B)) only if—

9               “(A) the decedent would have been entitled to a  
10       recomputation under paragraph (2) if he had filed  
11       application therefor in the month in which he died; or

12               “(B) the decedent during his lifetime was paid com-  
13       pensation which is treated, under section 205 (o), as  
14       remuneration for employment.

15       If the recomputation is permitted by subparagraph (A),  
16       the recomputation shall be made (if at all) as though he  
17       had filed application for a recomputation under paragraph  
18       (2) in the month in which he died, except that such recom-  
19       putation shall include any compensation (described in sec-  
20       tion 205 (o)) paid to him prior to the closing date which  
21       would have been applicable under such paragraph. If  
22       recomputation is permitted by subparagraph (B), the  
23       recomputation shall take into account only the wages and  
24       self-employment income which were taken into account in the  
25       last previous computation of his primary insurance amount

1 and the compensation (described in section 205 (o)) paid  
2 to him prior to the closing date applicable to such computa-  
3 tion. If both of the preceding sentences are applicable to  
4 an individual, only the recomputation which results in the  
5 larger primary insurance amount shall be made.

6 “(5) Any recomputation under this subsection shall be  
7 effective only if such recomputation results in a higher primary  
8 insurance amount. No such recomputation shall, for the  
9 purposes of section 203 (a), lower the average monthly wage.

10 “Rounding of Benefits

11 “(h) The amount of any primary insurance amount  
12 and the amount of any monthly benefit computed under sec-  
13 tion 202 which, after reduction under section 203 (a), is  
14 not a multiple of \$0.10 shall be raised to the next higher  
15 multiple of \$0.10.

16 “OTHER DEFINITIONS

17 “Sec. 216. For the purposes of this title—

18 “Retirement Age

19 “(a) The term ‘retirement age’ means age sixty-five.

20 “Wife

21 “(b) The term ‘wife’ means the wife of an individual,  
22 but only if she (1) is the mother of his son or daughter, or  
23 (2) was married to him for a period of not less than three  
24 years immediately preceding the day on which her applica-  
25 tion is filed.

*“Widow*

1  
2       “(c) *The term ‘widow’ (except when used in section*  
3 *202 (i)) means the surviving wife of an individual, but*  
4 *only if she (1) is the mother of his son or daughter,*  
5 *(2) legally adopted his son or daughter while she was*  
6 *married to him and while such son or daughter was under*  
7 *the age of eighteen, (3) was married to him at the time*  
8 *both of them legally adopted a child under the age of*  
9 *eighteen, or (4) was married to him for a period of not less*  
10 *than one year immediately prior to the day on which he died.*

*“Former Wife Divorced*

11  
12       “(d) *The term ‘former wife divorced’ means a woman*  
13 *divorced from an individual, but only if she (1) is the*  
14 *mother of his son or daughter, (2) legally adopted his son or*  
15 *daughter while she was married to him and while such son*  
16 *or daughter was under the age of eighteen, or (3) was*  
17 *married to him at the time both of them legally adopted a*  
18 *child under the age of eighteen.*

*“Child*

19  
20       “(e) *The term ‘child’ means (1) the child of an in-*  
21 *dividual, and (2) in the case of a living individual, a step-*  
22 *child or adopted child who has been such stepchild or*  
23 *adopted child for not less than three years immediately*  
24 *preceding the day on which application for child’s benefits is*  
25 *filed, and (3) in the case of a deceased individual, (A) an*

1 *adopted child, or (B) a stepchild who has been such stepchild*  
2 *for not less than one year immediately preceding the day*  
3 *on which such individual died. In determining whether an*  
4 *adopted child has met the length of time requirement in*  
5 *clause (2), time spent in the relationship of stepchild shall*  
6 *be counted as time spent in the relationship of adopted child.*

7 *“Husband*

8 *“(f) The term ‘husband’ means the husband of an indi-*  
9 *vidual, but only if he (1) is the father of her son or daughter,*  
10 *or (2) was married to her for a period of not less than three*  
11 *years immediately preceding the day on which his applica-*  
12 *tion is filed.*

13 *“Widower*

14 *“(g) The term ‘widower’ (except when used in sec-*  
15 *tion 202 (i)) means the surviving husband of an individual,*  
16 *but only if he (1) is the father of her son or daughter, (2)*  
17 *legally adopted her son or daughter while he was married*  
18 *to her and while such son or daughter was under the age*  
19 *of eighteen, (3) was married to her at the time both of them*  
20 *legally adopted a child under the age of eighteen, or (4)*  
21 *was married to her for a period of not less than one year*  
22 *immediately prior to the day on which she died.*

23 *“Determination of Family Status*

24 *“(h) (1) In determining whether an applicant is the*  
25 *wife, husband, widow, widower, child, or parent of a fully*

1 *fully insured or currently insured individual for purposes*  
2 *of this title, the Administrator shall apply such law as would*  
3 *be applied in determining the devolution of intestate personal*  
4 *property by the courts of the State in which such insured*  
5 *individual is domiciled at the time such applicant files appli-*  
6 *cation, or, if such insured individual is dead, by the courts*  
7 *of the State in which he was domiciled at the time of his death,*  
8 *or if such insured individual is or was not so domiciled in*  
9 *any State, by the courts of the District of Columbia. Appli-*  
10 *cants who according to such law would have the same status*  
11 *relative to taking intestate personal property as a wife, hus-*  
12 *band, widow, widower, child, or parent shall be deemed such.*

13       “(2) *A wife shall be deemed to be living with her hus-*  
14 *band if they are both members of the same household, or she*  
15 *is receiving regular contributions from him toward her sup-*  
16 *port, or he has been ordered by any court to contribute to her*  
17 *support; and a widow shall be deemed to have been living*  
18 *with her husband at the time of his death if they were both*  
19 *members of the same household on the date of his death, or*  
20 *she was receiving regular contributions from him toward her*  
21 *support on such date, or he had been ordered by any court to*  
22 *contribute to her support.*

23       “(3) *A husband shall be deemed to be living with his*  
24 *wife if they are both members of the same household, or*  
25 *he is receiving regular contributions from her toward his*

1 support, or she has been ordered by any court to contribute  
2 to his support; and a widower shall be deemed to have  
3 been living with his wife at the time of her death if they  
4 were both members of the same household on the date of her  
5 death, or he was receiving regular contributions from her  
6 toward his support on such date, or she had been ordered  
7 by any court to contribute to his support."

8 (b) The amendment made by subsection (a) shall take  
9 effect January 1, 1951, except that sections 214, 215, and  
10 216 of the Social Security Act shall be applicable (1) in the  
11 case of applications filed after the date of enactment of this  
12 Act for monthly benefits for months after the first calendar  
13 month following the month in which such date occurred, and  
14 (2) in the case of applications for lump-sum death payments  
15 with respect to deaths after such first calendar month follow-  
16 ing the month in which this Act was enacted.

17 WORLD WAR II VETERANS

18 SEC. 105. Title II of the Social Security Act is  
19 amended by striking out section 210 and by adding after  
20 section 216 (added by section 104 (a) of this Act) the  
21 following:

22 "BENEFITS IN CASE OF WORLD WAR II VETERANS

23 "SEC. 217. (a) (1) For purposes of determining en-  
24 titlement to and the amount of any monthly benefit for any  
25 month after the first month following the month in which

1 this section was enacted, or entitlement to and the amount  
2 of any lump-sum death payment in case of a death after  
3 such first month, payable under this title on the basis  
4 of the wages or self-employment income of any World War  
5 II veteran, such veteran shall be deemed to have been paid  
6 wages (in addition to the wages, if any, actually paid to  
7 him) of \$160 in each month during any part of which he  
8 served in the active military or naval service of the United  
9 States during World War II. This subsection shall not be  
10 applicable in the case of any monthly benefit or lump-sum  
11 death payment if—

12           “(A) a larger such benefit or payment, as the case  
13 may be, would be payable without its application;

14           “(B) a benefit (other than a benefit payable in a  
15 lump sum unless it is a commutation of, or a substitute  
16 for, periodic payments) which is based, in whole or in  
17 part, upon the active military or naval service of such  
18 veteran during World War II is determined by any  
19 agency or wholly owned instrumentality of the United  
20 States (other than the Veterans' Administration) to be  
21 payable by it under any other law of the United  
22 States or under a system established by such agency  
23 or instrumentality.

24           “(2) Upon application for benefits or a lump-sum death  
25 payment on the basis of the wages and self-employment income

1 of any World War II veteran, the Federal Security Admin-  
2 istrator shall make a decision without regard to clause (B)  
3 of paragraph (1) of this subsection unless he has been noti-  
4 fied by the Civil Service Commission that, on the basis of the  
5 military or naval service of such veteran during World War  
6 II, a benefit described in clause (B) of paragraph (1) has  
7 been determined to be payable by some other agency or wholly  
8 owned instrumentality of the United States. The Federal  
9 Security Administrator shall thereupon report such decision  
10 to the Civil Service Commission. The Commission shall then  
11 ascertain whether in such case some other agency or wholly  
12 owned instrumentality of the United States has decided that  
13 a benefit described in clause (B) of paragraph (1) is pay-  
14 able by it. If in any such case such a decision has been made  
15 or is thereafter made, the Commission shall so notify the Fed-  
16 eral Security Administrator, and the Administrator shall  
17 certify no further benefits for payment or shall recompute the  
18 amount of any further benefits payable, as may be required  
19 by paragraph (1) of this subsection. Any payments there-  
20 tofore certified by the Federal Security Administrator on the  
21 basis of paragraph (1) of this subsection to any individual,  
22 not exceeding the amount of the accrued benefits payable with  
23 respect to him by such agency or wholly owned instrumen-  
24 tality of the United States, shall (notwithstanding any other  
25 provision of law) be deemed to have been paid with respect

1 to him by such agency or instrumentality on account of such  
2 accrued benefits. No such payment certified by the Federal  
3 Security Administrator and no payment certified by him for  
4 any month prior to the first month for which any such benefit  
5 is paid by such other agency or instrumentality shall be  
6 deemed by reason of this subsection to have been an erroneous  
7 payment.

8       “(3) Any agency or wholly owned instrumentality of the  
9 United States which is authorized by any law of the United  
10 States to pay benefits, or has a system of benefits which  
11 are based, in whole or in part, on military or naval serv-  
12 ice during World War II shall, at the request of the  
13 Civil Service Commission, certify to it, with respect to any  
14 veteran, such information as the Commission deems necessary  
15 to carry out its functions under paragraph (2) of this sub-  
16 section.

17       “(b) (1) In the case of any World War II veteran  
18 who dies during the period of three years immediately fol-  
19 lowing his separation from the active military or naval  
20 service of the United States, such veteran shall be deemed to  
21 have died a fully insured individual, but his primary insur-  
22 ance amount shall be computed only as provided in section  
23 215 (a) (3) and, for the purposes of such computation, he  
24 shall be deemed to have an average monthly wage of \$160  
25 and to have been paid \$200 in wages, for the purposes of

1 *section 209 (e) (2) of this Act as in effect prior to the enact-*  
2 *ment of this section, in each calendar year in which he had*  
3 *thirty days or more of active military or naval service after*  
4 *September 16, 1940, and prior to January 1, 1951. This*  
5 *subsection shall not be applicable in the case of any monthly*  
6 *benefit or lump-sum death payment if—*

7           *“(A) a larger such benefit or payment, as the case*  
8 *may be, would be payable without its application;*

9           *“(B) any pension or compensation is determined*  
10 *by the Veterans’ Administration to be payable by it on*  
11 *the basis of the death of such veteran;*

12           *“(C) the death of the veteran occurred while he*  
13 *was in the active military or naval service of the*  
14 *United States; or*

15           *“(D) such veteran has been discharged or released*  
16 *from the active military or naval service of the United*  
17 *States subsequent to July 26, 1951.*

18           *“(2) Upon an application for benefits or a lump-sum*  
19 *death payment on the basis of the wages and self-employ-*  
20 *ment income of any World War II veteran, the Federal*  
21 *Security Administrator shall make a decision without regard*  
22 *to paragraph (1) (B) of this subsection unless he has been*  
23 *notified by the Veterans’ Administration that pension or com-*  
24 *ensation is determined to be payable by the Veterans’ Ad-*  
25 *ministration by reason of the death of such veteran. The*

1 *Federal Security Administrator shall thereupon report such*  
2 *decision to the Veterans' Administration. If the Veterans'*  
3 *Administration in any such case has made an adjudication*  
4 *or thereafter makes an adjudication that any pension or*  
5 *compensation is payable under any law administered by*  
6 *it, it shall notify the Federal Security Administrator, and the*  
7 *Administrator shall certify no further benefits for payment,*  
8 *or shall recompute the amount of any further benefits pay-*  
9 *able, as may be required by paragraph (1) of this subsection.*  
10 *Any payments theretofore certified by the Federal Security*  
11 *Administrator on the basis of paragraph (1) of this sub-*  
12 *section to any individual, not exceeding the amount of any*  
13 *accrued pension or compensation payable to him by the*  
14 *Veterans' Administration, shall (notwithstanding the pro-*  
15 *visions of section 3 of the Act of August 12, 1935, as*  
16 *amended (38 U. S. C., sec. 454a)) be deemed to have been*  
17 *paid to him by such Administration on account of such*  
18 *accrued pension or compensation. No such payment certi-*  
19 *fied by the Federal Security Administrator, and no payment*  
20 *certified by him for any month prior to the first month for*  
21 *which any pension or compensation is paid by the Veterans'*  
22 *Administration shall be deemed by reason of this subsection*  
23 *to have been an erroneous payment.*

24       “(c) *In the case of any World War II veteran to whom*  
25 *subsection (a) is applicable, proof of support required under*

1 *section 202 (h) may be filed by a parent at any time prior*  
2 *to July 1951 or prior to the expiration of two years after*  
3 *the date of the death of such veteran, whichever is the later.*

4 *“(d) For the purposes of this section—*

5 *“(1) The term ‘World War II’ means the period be-*  
6 *ginning with September 16, 1940, and ending at the close*  
7 *of July 24, 1947.*

8 *“(2) The term ‘World War II veteran’ means any*  
9 *individual who served in the active military or naval service*  
10 *of the United States at any time during World War II and*  
11 *who, if discharged or released therefrom, was so discharged*  
12 *or released under conditions other than dishonorable after*  
13 *active service of ninety days or more or by reason of a dis-*  
14 *ability or injury incurred or aggravated in service in line of*  
15 *duty; but such term shall not include any individual who*  
16 *died while in the active military or naval service of the*  
17 *United States if his death was inflicted (other than by an*  
18 *enemy of the United States) as lawful punishment for a*  
19 *military or naval offense.”*

20 *COVERAGE OF STATE AND LOCAL EMPLOYEES*

21 *SEC. 106. Title II of the Social Security Act is amended*  
22 *by adding after section 217 (added by section 105 of this*  
23 *Act) the following:*

1 "VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND  
2 LOCAL EMPLOYEES.

3 "Purpose of Agreement

4 "SEC. 218. (a) (1) The Administrator shall, at the  
5 request of any State, enter into an agreement with such  
6 State for the purpose of extending the insurance system  
7 established by this title to services (not otherwise included  
8 as employment under this title) performed by individuals as  
9 employees of such State or any political subdivision thereof.  
10 Each such agreement shall contain such provisions, not incon-  
11 sistent with the provisions of this section, as the State may  
12 request.

13 "(2) Notwithstanding section 210 (a), for the purposes  
14 of this title the term 'employment' includes any agricultural  
15 labor, domestic service, or service performed by a student,  
16 included under an agreement entered into under this section.

17 "Definitions

18 "(b) For the purposes of this section—

19 "(1) The term 'State' does not include the District  
20 of Columbia.

21 "(2) The term 'political subdivision' includes an  
22 instrumentality of (A) a State, (B) one or more po-  
23 litical subdivisions of a State, or (C) a State and one or  
24 more of its political subdivisions.

1           “(3) The term ‘employee’ includes an officer of a  
2 State or political subdivision.

3           “(4) The term ‘retirement system’ means a pen-  
4 sion, annuity, retirement, or similar fund or system estab-  
5 lished by a State or by a political subdivision thereof.

6           “(5) The term ‘coverage group’ means (A) em-  
7 ployees of the State other than those engaged in per-  
8 forming service in connection with a proprietary func-  
9 tion; (B) employees of a political subdivision of a State  
10 other than those engaged in performing service in con-  
11 nection with a proprietary function; (C) employees of a  
12 State engaged in performing service in connection with  
13 a single proprietary function; or (D) employees of a  
14 political subdivision of a State engaged in performing  
15 service in connection with a single proprietary function.

16           If under the preceding sentence an employee would be  
17 included in more than one coverage group by reason of  
18 the fact that he performs service in connection with two  
19 or more proprietary functions or in connection with both  
20 a proprietary function and a nonproprietary function,  
21 he shall be included in only one such coverage group.

22           The determination of which coverage group such em-  
23 ployee shall be included in shall be made in such manner  
24 as may be specified in the agreement.

1     *tuted employment as defined in section 1426 of such code;*

2             *“(2) that the State will comply with such regula-*  
3     *tions relating to payments and reports as the Admin-*  
4     *istrator may prescribe to carry out the purposes of this*  
5     *section.*

6                     *“Effective Date of Agreement*

7             *“(f) Any agreement or modification of an agreement*  
8     *under this section shall be effective with respect to services*  
9     *performed after an effective date specified in such agreement*  
10    *or modification, but in no case prior to January 1, 1951,*  
11    *and in no case (other than in the case of an agreement or*  
12    *modification agreed to prior to January 1, 1953) prior to*  
13    *the first day of the calendar year in which such agreement*  
14    *or modification, as the case may be, is agreed to by the*  
15    *Administrator and the State.*

16                     *“Termination of Agreement*

17             *“(g) (1) Upon giving at least two years' advance*  
18    *notice in writing to the Administrator, a State may terminate,*  
19    *effective at the end of a calendar quarter specified in the*  
20    *notice, its agreement with the Administrator either—*

21                     *“(A) in its entirety, but only if the agreement has*  
22    *been in effect from its effective date for not less than*  
23    *five years prior to the receipt of such notice; or*

24                     *“(B) with respect to any coverage group desig-*  
25    *nated by the State, but only if the agreement has been*

1        *in effect with respect to such coverage group for not*  
2        *less than five years prior to the receipt of such notice.*

3        *“(2) If the Administrator, after reasonable notice and*  
4        *opportunity for hearing to a State with whom he has entered*  
5        *into an agreement pursuant to this section, finds that the*  
6        *State has failed or is no longer legally able to comply sub-*  
7        *stantially with any provision of such agreement or of this*  
8        *section, he shall notify such State that the agreement will be*  
9        *terminated in its entirety, or with respect to any one or more*  
10       *coverage groups designated by him, at such time, not later*  
11       *than two years from the date of such notice, as he deems*  
12       *appropriate, unless prior to such time he finds that there no*  
13       *longer is any such failure or that the cause for such legal*  
14       *inability has been removed.*

15       *“(3) If any agreement entered into under this section*  
16       *is terminated in its entirety, the Administrator and the State*  
17       *may not again enter into an agreement pursuant to this*  
18       *section. If any such agreement is terminated with respect*  
19       *to any coverage group, the Administrator and the State*  
20       *may not thereafter modify such agreement so as to again*  
21       *make the agreement applicable with respect to such cover-*  
22       *age group.*

23                    *“Deposits in Trust Fund; Adjustments*

24        *“(h) (1) All amounts received by the Secretary of*



1                    *“Failure To Make Payments*

2            *“(j) In case any State does not make, at the time or*  
3 *times due, the payments provided for under an agreement*  
4 *pursuant to this section, there shall be added, as part of*  
5 *the amounts due, interest at the rate of 6 per centum per*  
6 *annum from the date due until paid, and the Administrator*  
7 *may, in his discretion, deduct such amounts plus interest*  
8 *from any amounts certified by him to the Secretary of the*  
9 *Treasury for payment to such State under any other provision*  
10 *of this Act. Amounts so deducted shall be deemed to have*  
11 *been paid to the State under such other provision of this*  
12 *Act. Amounts equal to the amounts deducted under this*  
13 *subsection are hereby appropriated to the Trust Fund.*

14                    *“Instrumentalities of Two or More States*

15            *“(k) The Administrator may, at the request of any*  
16 *instrumentality of two or more States, enter into an agree-*  
17 *ment with such instrumentality for the purposes of extend-*  
18 *ing the insurance system established by this title to services*  
19 *performed by individuals as employees of such instrumen-*  
20 *tality. Such agreement, to the extent practicable, shall be*  
21 *governed by the provisions of this section applicable in the*  
22 *case of an agreement with a State.*

23                    *“Delegation of Functions*

24            *“(l) The Administrator is authorized, pursuant to*  
25 *agreement with the head of any Federal agency, to dele-*



1 *exclude (in the case of any coverage group) any agricultural*  
2 *labor, domestic service, or service performed by a student,*  
3 *designated by the State. This paragraph shall apply only*  
4 *with respect to service which, if performed in the employ*  
5 *of an individual, would be excluded from employment by*  
6 *section 210 (a).*

7     “(6) *Such agreement shall exclude services performed*  
8 *by an individual who is employed to relieve him from unem-*  
9 *ployment and shall exclude services performed in a hospital,*  
10 *home, or other institution by a patient or inmate thereof.*

11     “*Exclusion of Positions Covered by Retirement Systems*

12     “(d) *No agreement with any State may be made appli-*  
13 *cable (either in the original agreement or by any modification*  
14 *thereof) to any service performed by employees as members*  
15 *of any coverage group in positions covered by a retirement*  
16 *system on the date such agreement is made applicable to such*  
17 *coverage group.*

18             “*Payment and Reports by States*

19     “(e) *Each agreement under this section shall provide—*

20             “(1) *that the State will pay to the Secretary of*  
21 *the Treasury, at such time or times as the Adminis-*  
22 *trator may by regulation prescribe, amounts equivalent*  
23 *to the sum of the taxes which would be imposed by sec-*  
24 *tions 1400 and 1410 of the Internal Revenue Code if the*  
25 *services of employees covered by the agreement consti-*

1 gate any of his functions under this section to any officer or  
2 employee of such agency and otherwise to utilize the services  
3 and facilities of such agency in carrying out such functions,  
4 and payment therefor shall be in advance or by way of  
5 reimbursement, as may be provided in such agreement.”

6 **PUERTO RICO**

7 *SEC. 107. Title II of the Social Security Act is amended*  
8 *by adding after section 218 (added by section 106 of this*  
9 *Act) the following:*

10 **“EFFECTIVE DATE IN CASE OF PUERTO RICO**

11 *“SEC. 219. If the Governor of Puerto Rico certifies to*  
12 *the President of the United States that the Legislature of*  
13 *Puerto Rico has, by concurrent resolution, resolved that it*  
14 *desires the extension to Puerto Rico of the provisions of*  
15 *this title, the effective date referred to in sections 210 (h),*  
16 *210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be*  
17 *January 1 of the first calendar year which begins more than*  
18 *ninety days after the date on which the President receives*  
19 *such certification.”*

20 **RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME**

21 *SEC. 108. (a) Subsection (b) of section 205 of the*  
22 *Social Security Act is amended by inserting “former wife*  
23 *divorced, husband, widower,” after “widow,”.*

24 *(b) Subsection (c) of section 205 of the Social*  
25 *Security Act is amended to read as follows:*

1     “(c) (1) For the purposes of this subsection—

2             “(A) The term ‘year’ means a calendar year when  
3     used with respect to wages and a taxable year (as defined  
4     in section 211 (e)) when used with respect to self-em-  
5     ployment income.

6             “(B) The term ‘time limitation’ means a period of  
7     three years, two months, and fifteen days.

8             “(C) The term ‘survivor’ means an individual’s  
9     spouse, former wife divorced, child, or parent, who  
10    survives such individual.

11            “(2) On the basis of information obtained by or sub-  
12   mitted to the Administrator, and after such verification  
13   thereof as he deems necessary, the Administrator shall estab-  
14   lish and maintain records of the amounts of wages paid to,  
15   and the amounts of self-employment income derived by,  
16   each individual and of the periods in which such wages were  
17   paid and such income was derived and, upon request, shall  
18   inform any individual or his survivor, or any agent desig-  
19   nated by such individual in writing of the amounts of wages  
20   and self-employment income of such individual and the  
21   periods during which such wages were paid and such income  
22   was derived, as shown by such records at the time of such  
23   request.

24            “(3) The Administrator’s records shall be evidence for  
25   the purpose of proceedings before the Administrator or

1 any court of the amounts of wages paid to, and self-employ-  
2 ment income derived by, an individual and of the periods  
3 in which such wages were paid and such income was derived.  
4 The absence of an entry in such records as to wages alleged  
5 to have been paid to, or as to self-employment income alleged  
6 to have been derived by, an individual in any period shall be  
7 evidence that no such alleged wages were paid to, or that  
8 no such alleged income was derived by, such individual  
9 during such period.

10 “(4) Prior to the expiration of the time limitation  
11 following any year the Administrator may, if it is brought  
12 to his attention that any entry of wages or self-employment  
13 income in his records for such year is erroneous or that any  
14 item of wages or self-employment income for such year has  
15 been omitted from such records, correct such entry or include  
16 such omitted item in his records, as the case may be. After  
17 the expiration of the time limitation following any year—

18 “(A) the Administrator’s records (with changes,  
19 if any, made pursuant to paragraph (5)) of the amounts  
20 of wages paid to, and self-employment income derived  
21 by, an individual during any period in such year shall  
22 be conclusive for the purposes of this title;

23 “(B) the absence of an entry in the Administrator’s  
24 records as to the wages alleged to have been paid by  
25 an employer to an individual during any period in such

1     year shall be presumptive evidence for the purposes of  
2     this title that no such alleged wages were paid to such  
3     individual in such period; and

4             “(C) the absence of an entry in the Administra-  
5     tor’s records as to the self-employment income alleged  
6     to have been derived by an individual in such year shall  
7     be conclusive for the purposes of this title that no such  
8     alleged self-employment income was derived by such in-  
9     dividual in such year unless it is shown that he filed a  
10    tax return of his self-employment income for such year  
11    before the expiration of the time limitation following such  
12    year, in which case the Administrator shall include in his  
13    records the self-employment income of such individual for  
14    such year.

15            “(5) After the expiration of the time limitation follow-  
16    ing any year in which wages were paid or alleged to have  
17    been paid to, or self-employment income was derived or  
18    alleged to have been derived by, an individual, the Adminis-  
19    trator may change or delete any entry with respect to wages  
20    or self-employment income in his records of such year for  
21    such individual or include in his records of such year for such  
22    individual any omitted item of wages or self-employment  
23    income but only—

24            “(A) if an application for monthly benefits or for  
25    a lump-sum death payment was filed within the time

1 *limitation following such year; except that no such*  
2 *change, deletion, or inclusion may be made pursuant to*  
3 *this subparagraph after a final decision upon the appli-*  
4 *cation for monthly benefits or lump-sum death payment;*

5       “(B) *if within the time limitation following such*  
6 *year an individual or his survivor makes a request for*  
7 *a change or deletion, or for an inclusion of an omitted*  
8 *item, and alleges in writing that the Administrator’s*  
9 *records of the wages paid to, or the self-employment*  
10 *income derived by, such individual in such year are in*  
11 *one or more respects erroneous; except that no such*  
12 *change, deletion, or inclusion may be made pursuant to*  
13 *this subparagraph after a final decision upon such re-*  
14 *quest. Written notice of the Administrator’s decision on*  
15 *any such request shall be given to the individual who*  
16 *made the request;*

17       “(C) *to correct errors apparent on the face of such*  
18 *records;*

19       “(D) *to transfer items to records of the Railroad*  
20 *Retirement Board if such items were credited under this*  
21 *title when they should have been credited under the*  
22 *Railroad Retirement Act, or to enter items transferred*  
23 *by the Railroad Retirement Board which have been*  
24 *credited under the Railroad Retirement Act when they*  
25 *should have been credited under this title;*

1           “(E) to delete or reduce the amount of any entry  
2           which is erroneous as a result of fraud;

3           “(F) to conform his records to tax returns or por-  
4           tions thereof (including information returns and other  
5           written statements) filed with the Commissioner of  
6           Internal Revenue under title VIII of the Social Security  
7           Act, under subchapter E of chapter 1 or subchapter A  
8           or E of chapter 9 of the Internal Revenue Code, or  
9           under regulations made under authority of such title or  
10          subchapter, and to information returns filed by a State  
11          pursuant to an agreement under section 218 or regula-  
12          tions of the Administrator thereunder; except that no  
13          amount of self-employment income of an individual for  
14          any taxable year (if such return or statement was filed  
15          after the expiration of the time limitation following the  
16          taxable year) shall be included in the Administrator’s  
17          records pursuant to this subparagraph in excess of the  
18          amount which has been deleted pursuant to this sub-  
19          paragraph as payments erroneously included in such  
20          records as wages paid to such individual in such taxable  
21          year;

22          “(G) to correct errors made in the allocation, to  
23          individuals or periods, of wages or self-employment  
24          income entered in the records of the Administrator;

25          “(H) to include wages paid during any period in

1        *such year to an individual by an employer if there is an*  
2        *absence of any entry in the Administrator's records of*  
3        *wages having been paid by such employer to such indi-*  
4        *vidual in such period; or*

5            *(I) to enter items which constitute remuneration*  
6        *for employment under subsection (o), such entries to*  
7        *be in accordance with certified reports of records made*  
8        *by the Railroad Retirement Board pursuant to section*  
9        *5 (k) (3) of the Railroad Retirement Act of 1937.*

10        *“(6) Written notice of any deletion or reduction under*  
11        *paragraph (4) or (5) shall be given to the individual whose*  
12        *record is involved or to his survivor, except that (A) in*  
13        *the case of a deletion or reduction with respect to any entry*  
14        *of wages such notice shall be given to such individual only if*  
15        *he has previously been notified by the Administrator of the*  
16        *amount of his wages for the period involved, and (B) such*  
17        *notice shall be given to such survivor only if he or the indi-*  
18        *vidual whose record is involved has previously been notified*  
19        *by the Administrator of the amount of such individual's*  
20        *wages and self-employment income for the period involved.*

21        *“(7) Upon request in writing (within such period, after*  
22        *any change or refusal of a request for a change of his rec-*  
23        *ords pursuant to this subsection, as the Administrator may*  
24        *prescribe), opportunity for hearing with respect to such*  
25        *change or refusal shall be afforded to any individual or his*

1 survivor. If a hearing is held pursuant to this paragraph the  
2 Administrator shall make findings of fact and a decision  
3 based upon the evidence adduced at such hearing and shall  
4 include any omitted items, or change or delete any entry, in  
5 his records as may be required by such findings and decision.

6 “(8) Decisions of the Administrator under this subsec-  
7 tion shall be reviewable by commencing a civil action in the  
8 United States district court as provided in subsection (g).”

9 (c) Section 205 of the Social Security Act is amended  
10 by adding at the end thereof the following subsections:

11 “Crediting of Compensation Under the Railroad Retirement  
12 Act

13 “(o) If there is no person who would be entitled, upon  
14 application therefor, to an annuity under section 5 of the  
15 Railroad Retirement Act of 1937, or to a lump-sum pay-  
16 ment under subsection (f) (1) of such section, with  
17 respect to the death of an employee (as defined in such  
18 Act), then, notwithstanding section 210 (a) (10) of this  
19 Act, compensation (as defined in such Railroad Retirement  
20 Act, but excluding compensation attributable as having been  
21 paid during any month on account of military service  
22 creditable under section 4 of such Act if wages are deemed  
23 to have been paid to such employee during such month under  
24 section 217 (a) of this Act) of such employee shall con-  
25 stitute remuneration for employment for purposes of deter-

1 *mining (A) entitlement to and the amount of any lump-sum*  
2 *death payment under this title on the basis of such employee's*  
3 *wages or self-employment income and (B) entitlement to and*  
4 *the amount of any monthly benefit under this title, for the*  
5 *month in which such employee died or for any month there-*  
6 *after, on the basis of such wages or self-employment income.*  
7 *For such purposes, compensation (as so defined) paid in a*  
8 *calendar year shall, in the absence of evidence to the contrary,*  
9 *be presumed to have been paid in equal proportions with*  
10 *respect to all months in the year in which the employee*  
11 *rendered services for such compensation.*

12 *“Special Rules in Case of Federal Service*

13 *“(p) (1) With respect to service included as employ-*  
14 *ment under section 210 which is performed in the employ*  
15 *of the United States or in the employ of any instrumentality*  
16 *which is wholly owned by the United States, the Admin-*  
17 *istrator shall not make determinations as to whether an*  
18 *individual has performed such service, the periods of such*  
19 *service, the amounts of remuneration for such service which*  
20 *constitute wages under the provisions of section 209, or the*  
21 *periods in which or for which such wages were paid, but*  
22 *shall accept the determinations with respect thereto of the*  
23 *head of the appropriate Federal agency or instrumentality,*  
24 *and of such agents as such head may designate, as evidenced*

1 *by returns filed in accordance with the provisions of section*  
2 *1420 (e) of the Internal Revenue Code and certifications*  
3 *made pursuant to this subsection. Such determinations shall*  
4 *be final and conclusive.*

5       “(2) *The head of any such agency or instrumentality is*  
6 *authorized and directed, upon written request of the Admin-*  
7 *istrator, to make certification to him with respect to any*  
8 *matter determinable for the Administrator by such head or*  
9 *his agents under this subsection, which the Administrator*  
10 *finds necessary in administering this title.*

11       “(3) *The provisions of paragraphs (1) and (2)*  
12 *shall be applicable in the case of service performed by a*  
13 *civilian employee, not compensated from funds appropriated*  
14 *by the Congress, in the Army and Air Force Exchange*  
15 *Service, Army and Air Force Motion Picture Service, Navy*  
16 *Ship's Service Stores, Marine Corps Post Exchanges, or*  
17 *other activities, conducted by an instrumentality of the*  
18 *United States subject to the jurisdiction of the Secretary of*  
19 *Defense, at installations of the National Military Establish-*  
20 *ment for the comfort, pleasure, contentment, and mental*  
21 *and physical improvement of personnel of such Establish-*  
22 *ment; and for purposes of paragraphs (1) and (2) the*  
23 *Secretary of Defense shall be deemed to be the head of such*  
24 *instrumentality.”*

25       “(d) *The amendments made by subsections (a) and (c)*

1 of this section shall take effect on the first day of the second  
2 calendar month following the month in which this Act is  
3 enacted. The amendment made by subsection (b) of this  
4 section shall take effect January 1, 1951, except that,  
5 effective on the first day of the second calendar month follow-  
6 ing the month in which this Act is enacted, the husband or  
7 former wife divorced of an individual shall be treated the  
8 same as a parent of such individual for purposes of section  
9 205 (c) of the Social Security Act as in effect prior to  
10 the enactment of this Act.

11 MISCELLANEOUS AMENDMENTS

12 SEC. 109. (a) (1) The second sentence of section 201 (a)  
13 of the Social Security Act is amended by striking out "such  
14 amounts as may be appropriated to the Trust Fund" and  
15 inserting in lieu thereof "such amounts as may be appropri-  
16 ated to, or deposited in, the Trust Fund".

17 (2) Section 201 (a) of the Social Security Act is  
18 amended by striking out the third sentence and by inserting  
19 in lieu thereof the following: "There is hereby appropriated  
20 to the Trust Fund for the fiscal year ending June 30, 1941,  
21 and for each fiscal year thereafter, out of any moneys in the  
22 Treasury not otherwise appropriated, amounts equivalent  
23 to 100 per centum of—

24 " (1) the taxes (including interest, penalties, and  
25 additions to the taxes) received under subchapter A of

1 chapter 9 of the Internal Revenue Code (and covered  
2 into the Treasury) which are deposited into the Treasury  
3 by collectors of internal revenue before January 1,  
4 1951; and

5 “(2) the taxes certified each month by the Com-  
6 missioner of Internal Revenue as taxes received under  
7 subchapter A of chapter 9 of such code which are de-  
8 posited into the Treasury by collectors of internal reve-  
9 nue after December 31, 1950, and before January 1,  
10 1953, with respect to assessments of such taxes made  
11 before January 1, 1951; and

12 “(3) the taxes imposed by subchapter A of chapter  
13 9 of such code with respect to wages (as defined in section  
14 1426 of such code) reported to the Commissioner of  
15 Internal Revenue pursuant to section 1420 (c) of such  
16 code after December 31, 1950, as determined by the  
17 Secretary of the Treasury by applying the applicable  
18 rates of tax under such subchapter to such wages, which  
19 wages shall be certified by the Federal Security Admin-  
20 istrator on the basis of the records of wages established  
21 and maintained by such Administrator in accordance  
22 with such reports; and

23 “(4) the taxes imposed by subchapter E of chapter  
24 1 of such code with respect to self-employment income  
25 (as defined in section 481 of such code) reported to

1        *the Commissioner of Internal Revenue on tax returns*  
2        *under such subchapter, as determined by the Secretary of*  
3        *the Treasury by applying the applicable rate of tax under*  
4        *such subchapter to such self-employment income, which*  
5        *self-employment income shall be certified by the Federal*  
6        *Security Administrator on the basis of the records of*  
7        *self-employment income established and maintained by*  
8        *the Administrator in accordance with such returns.*

9        *The amounts appropriated by clauses (3) and (4) shall be*  
10       *transferred from time to time from the general fund in the*  
11       *Treasury to the Trust Fund on the basis of estimates by the*  
12       *Secretary of the Treasury of the taxes, referred to in clauses*  
13       *(3) and (4), paid to or deposited into the Treasury; and*  
14       *proper adjustments shall be made in amounts subsequently*  
15       *transferred to the extent prior estimates were in excess of or*  
16       *were less than the amounts of the taxes referred to in such*  
17       *clauses."*

18       *(3) Section 201 (a) of the Social Security Act is*  
19       *amended by striking out the following: "There is also author-*  
20       *ized to be appropriated to the Trust Fund such additional*  
21       *sums as may be required to finance the benefits and payments*  
22       *provided under this title."*

23       *(4) Section 201 (b) of such Act is amended by*  
24       *striking out "Chairman of the Social Security Board" and*  
25       *inserting in lieu thereof "Federal Security Administrator".*

1       (5) Section 201 (b) of such Act is amended by adding  
2 after the second sentence thereof the following new sentence:  
3 “The Commissioner for Social Security shall serve as Secre-  
4 tary of the Board of Trustees.”

5       (6) Paragraph (2) of section 201 (b) of such Act  
6 is amended by striking out “on the first day of each regular  
7 session of the Congress” and inserting in lieu thereof “not  
8 later than the first day of March of each year”.

9       (7) Section 201 (b) of such Act is amended by striking  
10 out the period at the end of paragraph (3) and inserting  
11 in lieu thereof “; and”, and by adding the following new  
12 paragraph:

13             “(4) Recommend improvements in administrative  
14 procedures and policies.”

15       (8) Section 201 (b) of such Act is amended by adding  
16 at the end thereof the following: “Such report shall be  
17 printed as a House document of the session of the Congress  
18 to which the report is made.”

19       (9) Section 201 (f) of such Act is amended to read as  
20 follows:

21             “(f) (1) The Managing Trustee is directed to pay  
22 from the Trust Fund into the Treasury the amount esti-  
23 mated by him and the Federal Security Administrator  
24 which will be expended during a three-month period by the  
25 Federal Security Agency and the Treasury Department for

1 *the administration of titles II and VIII of this Act and*  
2 *subchapter E of chapter 1 and subchapter A of chapter 9*  
3 *of the Internal Revenue Code. Such payments shall be cov-*  
4 *ered into the Treasury as repayments to the account for re-*  
5 *imbursement of expenses incurred in connection with the*  
6 *administration of titles II and VIII of this Act and sub-*  
7 *chapter E of chapter 1 and subchapter A of chapter 9 of the*  
8 *Internal Revenue Code.*

9       “(2) *Repayments made under paragraph (1) shall not*  
10 *be available for expenditures but shall be carried to the*  
11 *surplus fund of the Treasury. If it subsequently appears*  
12 *that the estimates under such paragraph in any particular*  
13 *three-month period were too high or too low, appropriate*  
14 *adjustments shall be made by the Managing Trustee in*  
15 *future payments.”*

16       (b) (1) *Sections 204, 205 (other than subsections*  
17 *(c) and (l)), and 206 of such Act are amended by strik-*  
18 *ing out “Board” wherever appearing therein and inserting*  
19 *in lieu thereof “Administrator”; by striking out “Board’s”*  
20 *wherever appearing therein and inserting in lieu thereof*  
21 *“Administrator’s”; and by striking out (where they refer to*  
22 *the Social Security Board) “it” and “its” and inserting in*  
23 *lieu thereof “he”, “him”, or “his”, as the context may*  
24 *require.*

1       (2) Section 205 (l) of such Act is amended to read as  
2 follows:

3       “(l) The Administrator is authorized to delegate to any  
4 member, officer, or employee of the Federal Security Agency  
5 designated by him any of the powers conferred upon him by  
6 this section, and is authorized to be represented by his own  
7 attorneys in any court in any case or proceeding arising  
8 under the provisions of subsection (e).”

9       (c) Section 208 of such Act is amended by striking out  
10 the words “the Federal Insurance Contributions Act” and  
11 inserting in lieu thereof the following: “subchapter E of  
12 chapter 1 or subchapter A or E of chapter 9 of the Internal  
13 Revenue Code”.

14           TITLE II—AMENDMENTS TO INTERNAL  
15                           REVENUE CODE

16                                   RATE OF TAX ON WAGES

17       SEC. 201. (a) Clauses (2) and (3) of section 1400 of  
18 the Internal Revenue Code are amended to read as follows:

19           “(2) With respect to wages received during the  
20 calendar years 1950 to 1955, both inclusive, the rate  
21 shall be  $1\frac{1}{2}$  per centum.

22           “(3) With respect to wages received during the  
23 calendar years 1956 to 1959, both inclusive, the rate  
24 shall be 2 per centum.

25           “(4) With respect to wages received during the



1 of the Internal Revenue Code is amended by adding after  
2 section 1411 the following new section:

3 **“SEC. 1412. INSTRUMENTALITIES OF THE UNITED STATES.**

4 *“Notwithstanding any other provision of law (whether*  
5 *enacted before or after the enactment of this section) which*  
6 *grants to any instrumentality of the United States an exemp-*  
7 *tion from taxation, such instrumentality shall not be exempt*  
8 *from the tax imposed by section 1410 unless such other pro-*  
9 *vision of law grants a specific exemption, by reference to*  
10 *section 1410, from the tax imposed by such section.”*

11 (b) Section 1420 of the Internal Revenue Code is  
12 amended by adding at the end thereof the following new  
13 subsection:

14 *“(e) FEDERAL SERVICE.—In the case of the taxes im-*  
15 *posed by this subchapter with respect to service performed*  
16 *in the employ of the United States or in the employ of any*  
17 *instrumentality which is wholly owned by the United States,*  
18 *the determination whether an individual has performed serv-*  
19 *ice which constitutes employment as defined in section 1426,*  
20 *the determination of the amount of remuneration for such*  
21 *service which constitutes wages as defined in such section, and*  
22 *the return and payment of the taxes imposed by this sub-*  
23 *chapter, shall be made by the head of the Federal agency or*  
24 *instrumentality having the control of such service, or by such*  
25 *agents as such head may designate. The person making such*

1 return may, for convenience of administration, make pay-  
2 ments of the tax imposed under section 1410 with respect to  
3 such service without regard to the \$3,000 limitation in section  
4 1426 (a) (1). The provisions of this subsection shall be  
5 refund of the tax paid under section 1410 on that part of the  
6 remuneration not included in wages by reason of section  
7 1426 (a) (1). The provisions of this subsection shall be  
8 applicable in the case of service performed by a civilian em-  
9 ployee, not compensated from funds appropriated by the  
10 Congress, in the Army and Air Force Exchange Service,  
11 Army and Air Force Motion Picture Service, Navy Ship's  
12 Service Stores, Marine Corps Post Exchanges, or other activ-  
13 ities, conducted by an instrumentality of the United States  
14 subject to the jurisdiction of the Secretary of Defense, at  
15 installations of the National Military Establishment for the  
16 comfort, pleasure, contentment, and mental and physical im-  
17 provement of personnel of such Establishment; and for pur-  
18 poses of this subsection the Secretary of Defense shall be  
19 deemed to be the head of such instrumentality."

20 (c) Section 1411 of the Internal Revenue Code is  
21 amended by adding at the end thereof the following new  
22 sentence: "For the purposes of this section, in the case of  
23 remuneration received from the United States or a wholly  
24 owned instrumentality thereof during any calendar year  
25 after the calendar year 1950, each head of a Federal agency

1 or instrumentality who makes a return pursuant to section  
2 1420 (e) and each agent, designated by the head of a Federal  
3 agency or instrumentality, who makes a return pursuant  
4 to such section shall be deemed a separate employer.”.

5 (d) The amendments made by this section shall be  
6 applicable only with respect to remuneration paid after 1950.

7 **DEFINITION OF WAGES**

8 **SEC. 203.** (a) Section 1426 (a) of the Internal Revenue  
9 Code is amended to read as follows:

10 “(a) **WAGES.**—The term ‘wages’ means all remunera-  
11 tion for employment, including the cash value of all remun-  
12 eration paid in any medium other than cash; except that  
13 such term shall include—

14 “(1) That part of the remuneration which, after  
15 remuneration (other than remuneration referred to in  
16 the succeeding paragraphs of this subsection) equal to  
17 \$3,000 with respect to employment has been paid to an  
18 individual by an employer during any calendar year,  
19 is paid to such individual by such employer during such  
20 calendar year. If an employer (hereinafter referred to  
21 as successor employer) during any calendar year ac-  
22 quires substantially all the property used in a trade or  
23 business of another employer (hereinafter referred to as  
24 a predecessor), or used in a separate unit of a trade or  
25 business of a predecessor, and immediately after the

1        *acquisition employs in his trade or business an individual*  
2        *who immediately prior to the acquisition was employed*  
3        *in the trade or business of such predecessor, then, for the*  
4        *purpose of determining whether the successor employer*  
5        *has paid remuneration (other than remuneration referred*  
6        *to in the succeeding paragraphs of this subsection) with*  
7        *respect to employment equal to \$3,000 to such individual*  
8        *during such calendar year, any remuneration (other*  
9        *than remuneration referred to in the succeeding para-*  
10       *graphs of this subsection) with respect to employment*  
11       *paid (or considered under this paragraph as having*  
12       *been paid) to such individual by such predecessor dur-*  
13       *ing such calendar year and prior to such acquisition*  
14       *shall be considered as having been paid by such successor*  
15       *employer;*

16        *“(2) The amount of any payment (including any*  
17        *amount paid by an employer for insurance or annuities,*  
18        *or into a fund, to provide for any such payment) made*  
19        *to, or on behalf of, an employee or any of his depend-*  
20        *ents under a plan or system established by an employer*  
21        *which makes provision for his employees generally (or*  
22        *for his employees generally and their dependents) or*  
23        *for a class or classes of his employees (or for a class*  
24        *or classes of his employees and their dependents), on*  
25        *account of (A) retirement, or (B) sickness or accident*

1        *disability, or (C) medical or hospitalization expenses in*  
2        *connection with sickness or accident disability, or (D)*  
3        *death;*

4            *“(3) Any payment made to an employee (includ-*  
5        *ing any amount paid by an employer for insurance or*  
6        *annuities, or into a fund, to provide for any such pay-*  
7        *ment) on account of retirement;*

8            *“(4) Any payment on account of sickness or acci-*  
9        *dent disability, or medical or hospitalization expenses*  
10       *in connection with sickness or accident disability, made*  
11       *by an employer to, or on behalf of, an employee after*  
12       *the expiration of six calendar months following the last*  
13       *calendar month in which the employee worked for such*  
14       *employer;*

15           *“(5) Any payment made to, or on behalf of, an*  
16       *employee or his beneficiary (A) from or to a trust*  
17       *exempt from tax under section 165 (a) at the time of*  
18       *such payment unless such payment is made to an*  
19       *employee of the trust as remuneration for services ren-*  
20       *dered as such employee and not as a beneficiary of the*  
21       *trust, or (B) under or to an annuity plan which, at the*  
22       *time of such payment, meets the requirements of section*  
23       *165 (a) (3), (4), (5), and (6);*

24           *“(6) The payment by an employer (without deduc-*  
25       *tion from the remuneration of the employee) (A) of*

1     *the tax imposed upon an employee under section 1400,*  
2     *or (B) of any payment required from an employee*  
3     *under a State unemployment compensation law;*

4             *“(7) Remuneration paid in any medium other than*  
5     *cash to an employee for service not in the course of the*  
6     *employer’s trade or business or for domestic service in*  
7     *a private home of the employer;*

8             *“(8) Remuneration paid in any medium other than*  
9     *cash for agricultural labor; or*

10            *“(9) Any payment (other than vacation or sick*  
11     *pay) made to an employee after the month in which*  
12     *he attains the age of sixty-five, if he did not work for*  
13     *the employer in the period for which such payment*  
14     *is made.”*

15            *(b) Section 1401 (d) of the Internal Revenue Code is*  
16     *amended by adding at the end thereof the following new*  
17     *paragraph:*

18            **“(3) SPECIAL RULES IN THE CASE OF FEDERAL**  
19     **AND STATE EMPLOYEES.—**

20            **“(A) Federal Employees.—***In the case of re-*  
21     *muneration received from the United States or a*  
22     *wholly owned instrumentality thereof during any*  
23     *calendar year after the calendar year 1950, each*  
24     *head of a Federal agency or instrumentality who*  
25     *makes a return pursuant to section 1420 (e) and*

1 each agent, designated by the head of a Federal  
2 agency or instrumentality, who makes a return pur-  
3 suant to such section shall, for the purposes of  
4 subsection (c) and paragraph (2) of this subsection,  
5 be deemed a separate employer; and the term 'wages'  
6 includes, for the purposes of paragraph (2) of this  
7 subsection, the amount, not to exceed \$3,000, deter-  
8 mined by each such head or agent as constituting  
9 wages paid to an employee.

10 "(B) State Employees.—For the purposes of  
11 paragraph (2) of this subsection, in the case of  
12 remuneration received during any calendar year  
13 after the calendar year 1950, the term 'wages' in-  
14 cludes remuneration for services covered by an  
15 agreement made pursuant to section 218 of the  
16 Social Security Act; the term 'employer' includes  
17 a State or any political subdivision thereof, or any  
18 instrumentality of any one or more of the foregoing;  
19 the term 'tax' or 'tax imposed by section 1400'  
20 includes, in the case of services covered by an  
21 agreement made pursuant to section 218 of the  
22 Social Security Act, an amount equivalent to the  
23 tax which would be imposed by section 1400 (a),  
24 if such services constituted employment as defined  
25 in section 1426; and the provisions of paragraph



1 1950 either (A) by an employee for the person employing  
2 him, irrespective of the citizenship or residence of either, (i)  
3 within the United States, or (ii) on or in connection with an  
4 American vessel or American aircraft under a contract of  
5 service which is entered into within the United States or dur-  
6 ing the performance of which and while the employee is em-  
7 ployed on the vessel or aircraft it touches at a port in the  
8 United States, if the employee is employed on and in connec-  
9 tion with such vessel or aircraft when outside the United  
10 States, or (B) outside the United States by a citizen of the  
11 United States as an employee for an American employer (as  
12 defined in subsection (i) of this section); except that, in the  
13 case of service performed after 1950, such terms shall not  
14 include—

15       “(1) (A) Agricultural labor (as defined in sub-  
16 section (h) of this section) performed in any calendar  
17 quarter by an employee, unless the cash remuneration  
18 paid for such labor is \$50 or more and such labor is  
19 performed for an employer by an individual who is  
20 regularly employed by such employer to perform such  
21 agricultural labor. For the purposes of this paragraph,  
22 an individual shall be deemed to be regularly employed  
23 by an employer during a calendar quarter only if (i)  
24 on each of some sixty days during such quarter such  
25 individual performs agricultural labor for such employer

1        *for some portion of the day, or (ii) such individual was*  
2        *regularly employed (as determined under clause (i)) by*  
3        *such employer in the performance of such labor during*  
4        *the preceding calendar quarter;*

5            *“(B) Service performed in connection with the pro-*  
6        *duction or harvesting of any commodity defined as an*  
7        *agricultural commodity in section 15 (g) of the Agri-*  
8        *cultural Marketing Act, as amended, or in connection*  
9        *with the ginning of cotton;*

10           *“(2) Domestic service performed in a local college*  
11        *club, or local chapter of a college fraternity or sorority,*  
12        *by a student who is enrolled and is regularly attending*  
13        *classes at a school, college, or university;*

14           *“(3) Service not in the course of the employer’s*  
15        *trade or business performed in any calendar quarter by*  
16        *an employee, unless the cash remuneration paid for such*  
17        *service is \$50 or more and such service is performed by*  
18        *an individual who is regularly employed by such employer*  
19        *to perform such service. For the purposes of this para-*  
20        *graph, an individual shall be deemed to be regularly*  
21        *employed by an employer during a calendar quarter only*  
22        *if (A) on each of some twenty-four days during such*  
23        *quarter such individual performs for such employer for*  
24        *some portion of the day service not in the course of the*  
25        *employer’s trade or business, or (B) such individual was*

1 *regularly employed (as determined under clause (A))*  
2 *by such employer in the performance of such service*  
3 *during the preceding calendar quarter. As used in this*  
4 *paragraph, the term 'service not in the course of the*  
5 *employer's trade or business' includes domestic service*  
6 *in a private home of the employer;*

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

11 *"(5) Service performed by an individual on or in*  
12 *connection with a vessel not an American vessel, or*  
13 *on or in connection with an aircraft not an American*  
14 *aircraft, if the individual is employed on and in connec-*  
15 *tion with such vessel or aircraft when outside the United*  
16 *States;*

17 *"(6) Service performed in the employ of any in-*  
18 *strumentality of the United States, if such instrumen-*  
19 *tality is exempt from the tax imposed by section 1410*  
20 *by virtue of any provision of law which specifically*  
21 *refers to such section in granting such exemption;*

22 *"(7) (A) Service performed in the employ of the*  
23 *United States, if such service is covered by a retirement*  
24 *system established by a law of the United States or by*  
25 *the agency for which such service is performed;*

1           “(B) Service performed in the employ of any instru-  
2           mentality of the United States, if such service is covered  
3           by a retirement system established by a law of the United  
4           States;

5           “(C) Service performed in the employ of an instru-  
6           mentality of the United States which is either wholly  
7           owned or which, but for the provisions of section 1412,  
8           would be exempt from the tax imposed by section 1410  
9           and was exempt from the tax imposed by section 1410  
10          on December 31, 1950, except that the provisions of  
11          this subparagraph shall not be applicable to—

12           “(i) service performed in the employ of a na-  
13           tional farm loan association, a production credit  
14           association, a State, county, or community committee  
15           under the Production and Marketing Administration,  
16           a Federal credit union, the Bonneville Power Ad-  
17           ministrator, or the United States Maritime Commis-  
18           sion; or

19           “(ii) service performed in the employ of the  
20           Tennessee Valley Authority unless such service is  
21           covered by a retirement system established by such  
22           authority; or

23           “(iii) service performed by a civilian em-  
24           ployee, not compensated from funds appropriated  
25           by the Congress, in the Army and Air Force Ex-

1        *change Service, Army and Air Force Motion Pic-*  
2        *ture Service, Navy Ship's Service Stores, Marine*  
3        *Corps Post Exchanges, or other activities, conducted*  
4        *by an instrumentality of the United States subject*  
5        *to the jurisdiction of the Secretary of Defense, at*  
6        *installations of the National Military Establishment*  
7        *for the comfort, pleasure, contentment, and mental*  
8        *and physical improvement of personnel of such*  
9        *Establishment;*

10        *“(D) Service performed in the employ of the*  
11        *United States or in the employ of any instrumentality*  
12        *of the United States, if such service is performed—*

13                *“(i) as the President or Vice President of the*  
14                *United States or as a Member, Delegate, or Resi-*  
15                *dent Commissioner, of or to the Congress;*

16                *“(ii) in the legislative branch;*

17                *“(iii) in the field service of the Post Office*  
18                *Department unless performed by any individual as*  
19                *an employee who is excluded by Executive order*  
20                *from the operation of the Civil Service Retirement*  
21                *Act of 1930 because he is serving under a tempo-*  
22                *rary appointment pending final determination of*  
23                *eligibility for permanent or indefinite appointment;*

24                *“(iv) in or under the Bureau of the Census*  
25                *of the Department of Commerce by temporary em-*

1            *ployees employed for the taking of any census;*

2            *“(v) by any individual as an employee who*  
3            *is excluded by Executive order from the operation*  
4            *of the Civil Service Retirement Act of 1930 because*  
5            *he is paid on a contract or fee basis;*

6            *“(vi) by any individual as an employee re-*  
7            *ceiving nominal compensation of \$12 or less per*  
8            *annum;*

9            *“(vii) in a hospital, home, or other institution*  
10           *of the United States by a patient or inmate thereof;*

11           *“(viii) by any individual as a consular agent*  
12           *appointed under authority of section 551 of the*  
13           *Foreign Service Act of 1946 (22 U. S. C., sec.*  
14           *951);*

15           *“(ix) by any individual as an employee in-*  
16           *cluded under section 2 of the Act of August 4, 1947*  
17           *(relating to certain interns, student nurses, and other*  
18           *student employees of hospitals of the Federal Gov-*  
19           *ernment; 5 U. S. C., sec. 1052);*

20           *“(x) by any individual as an employee serving*  
21           *on a temporary basis in case of fire, storm, earth-*  
22           *quake, flood, or other emergency;*

23           *“(xi) by any individual as an employee who is*  
24           *employed under a Federal relief program to relieve*  
25           *him from unemployment; or*

1           “(xii) as a member of a State, county, or com-  
2           munity committee under the Production and Market-  
3           ing Administration or of any other board, council,  
4           committee, or other similar body, unless such board,  
5           council, committee, or other body is composed ex-  
6           clusively of individuals otherwise in the full-time  
7           employ of the United States;

8           “(8) Service performed in the employ of a State,  
9           or any political subdivision thereof, or any instrumen-  
10          tality of any one or more of the foregoing which is wholly  
11          owned by one or more States or political subdivisions;  
12          and any service performed in the employ of any instru-  
13          mentality of one or more States or political subdivisions  
14          to the extent that the instrumentality is, with respect to  
15          such service, immune under the Constitution of the  
16          United States from the tax imposed by section 1410;

17          “(9) (A) Services performed by a duly ordained,  
18          commissioned, or licensed minister of a church in the  
19          exercise of his ministry or by a member of a religious  
20          order in the exercise of duties required by such order;

21          “(B) Service in the employ of—

22                 “(i) a corporation, fund, or foundation which  
23                 is exempt from income tax under section 101 (6)  
24                 and is organized and operated primarily for re-  
25                 ligious purposes: or

1           “(ii) a corporation, fund, or foundation which  
2           is exempt from income tax under section 101 (6)  
3           and is owned and operated by one or more corpora-  
4           tions, funds, or foundations included under clause  
5           (i) of this subparagraph;

6           unless such service is performed on or after the first day  
7           of the calendar quarter following the calendar quarter in  
8           which such corporation, fund, or foundation files  
9           (whether filed on, before, or after January 1, 1951)  
10          with the Commissioner a statement that it desires to have  
11          the insurance system established by title II of the Social  
12          Security Act extended to services performed by its  
13          employees;

14          “(10) Service performed by an individual as an  
15          employee or employee representative as defined in  
16          section 1532;

17          “(11) (A) Service performed in any calendar  
18          quarter in the employ of any organization exempt from  
19          income tax under section 101, if the remuneration for  
20          such service is less than \$50;

21          “(B) Service performed in the employ of a school,  
22          college, or university if such service is performed by  
23          a student who is enrolled and is regularly attending  
24          classes at such school, college, or university;

25          “(12) Service performed in the employ of a for-

1     *foreign government (including service as a consular or other*  
2     *officer or employee or a nondiplomatic representative);*

3             *“(13) Service performed in the employ of an in-*  
4     *strumentality wholly owned by a foreign government—*

5             *“(A) If the service is of a character similar*  
6     *to that performed in foreign countries by employees*  
7     *of the United States Government or of an instru-*  
8     *mentality thereof; and*

9             *“(B) If the Secretary of State shall certify to*  
10    *the Secretary of the Treasury that the foreign gov-*  
11    *ernment, with respect to whose instrumentality and*  
12    *employees thereof exemption is claimed, grants an*  
13    *equivalent exemption with respect to similar service*  
14    *performed in the foreign country by employees of*  
15    *the United States Government and of instrumen-*  
16    *talities thereof;*

17            *“(14) Service performed as a student nurse in the*  
18    *employ of a hospital or a nurses' training school by an*  
19    *individual who is enrolled and is regularly attending*  
20    *classes in a nurses' training school chartered or approved*  
21    *pursuant to State law; and service performed as an*  
22    *interne in the employ of a hospital by an individual who*  
23    *has completed a four years' course in a medical school*  
24    *chartered or approved pursuant to State law;*

25            *“(15) Service performed by an individual in (or*

1       *as an officer or member of the crew of a vessel while*  
2       *it is engaged in) the catching, taking, harvesting, cul-*  
3       *tivating or farming of any kind of fish, shellfish, crus-*  
4       *tacea, sponges, seaweeds, or other aquatic forms of*  
5       *animal and vegetable life (including service performed*  
6       *by any such individual as an ordinary incident to any*  
7       *such activity), except (A) service performed in con-*  
8       *nection with the catching or taking of salmon or halibut,*  
9       *for commercial purposes, and (B) service performed*  
10       *on or in connection with a vessel of more than ten net*  
11       *tons (determined in the manner provided for deter-*  
12       *mining the register tonnage of merchant vessels under*  
13       *the laws of the United States);*

14                “(16) (A) *Service performed by an individual*  
15       *under the age of eighteen in the delivery or distribution*  
16       *of newspapers or shopping news, not including delivery*  
17       *or distribution to any point for subsequent delivery or*  
18       *distribution;*

19                “(B) *Service performed by an individual in, and*  
20       *at the time of, the sale of newspapers or magazines to*  
21       *ultimate consumers, under an arrangement under which*  
22       *the newspapers or magazines are to be sold by him*  
23       *at a fixed price, his compensation being based on the*  
24       *retention of the excess of such price over the amount*  
25       *at which the newspapers or magazines are charged to*

1 him, whether or not he is guaranteed a minimum  
2 amount of compensation for such service, or is entitled  
3 to be credited with the unsold newspapers or magazines  
4 turned back; or

5 “(17) Service performed in the employ of an  
6 international organization.

7 (b) Effective January 1, 1951, section 1426 (e) of  
8 the Internal Revenue Code is amended to read as follows:

9 “(e) STATE, ETC.—

10 “(1) The term ‘State’ includes Alaska, Hawaii,  
11 the District of Columbia, and the Virgin Islands; and on  
12 and after the effective date specified in section 3810  
13 such term includes Puerto Rico.

14 “(2) UNITED STATES.—The term ‘United States’  
15 when used in a geographical sense includes the Virgin  
16 Islands; and on and after the effective date specified in  
17 section 3810 such term includes Puerto Rico.

18 “(3) CITIZEN.—An individual who is a citizen of  
19 Puerto Rico (but not otherwise a citizen of the United  
20 States) and who is not a resident of the United States  
21 shall not be considered, for the purposes of this section,  
22 as a citizen of the United States prior to the effective  
23 date specified in section 3810.”

24 (c) Section 1426 (g) of the Internal Revenue Code  
25 is amended by striking out “(g) American Vessel.—” and

1 *inserting in lieu thereof “(g) American Vessel and Air-*  
 2 *craft.—”, and by striking out the period at the end of such*  
 3 *subsection and inserting in lieu thereof the following: “; and*  
 4 *the term ‘American aircraft’ means an aircraft registered*  
 5 *under the laws of the United States.”*

6 *(d) Section 1426 (h) of the Internal Revenue Code*  
 7 *is amended to read as follows:*

8 *“(h) AGRICULTURAL LABOR.—The term ‘agricultural*  
 9 *labor’ includes all service performed—*

10 *“(1) On a farm, in the employ of any person, in*  
 11 *connection with cultivating the soil, or in connection*  
 12 *with raising or harvesting any agricultural or horticul-*  
 13 *tural commodity, including the raising, shearing, feeding,*  
 14 *caring for, training, and management of livestock, bees,*  
 15 *poultry, and fur-bearing animals and wildlife.*

16 *“(2) In the employ of the owner or tenant or other*  
 17 *operator of a farm, in connection with the operation,*  
 18 *management, conservation, improvement, or mainte-*  
 19 *nance of such farm and its tools and equipment, or in*  
 20 *salvaging timber or clearing land of brush and other*  
 21 *debris left by a hurricane, if the major part of such*  
 22 *service is performed on a farm.*

23 *“(3) In connection with the production or harvest-*  
 24 *ing of any commodity defined as an agricultural com-*  
 25 *modity in section 15 (g) of the Agricultural Marketing*

1     *Act, as amended, or in connection with the ginning of*  
2     *cotton, or in connection with the operation or mainte-*  
3     *nance of ditches, canals, reservoirs, or waterways, not*  
4     *owned or operated for profit, used exclusively for supply-*  
5     *ing and storing water for farming purposes.*

6             “(4) (A) *In the employ of the operator of a farm*  
7     *in handling, planting, drying, packing, packaging,*  
8     *processing, freezing, grading, storing, or delivering to*  
9     *storage or to market or to a carrier for transportation*  
10    *to market, in its unmanufactured state, any agricultural*  
11    *or horticultural commodity; but only if such operator*  
12    *produced more than one-half of the commodity with*  
13    *respect to which such service is performed.*

14            “(B) *In the employ of a group of operators of*  
15    *farms (other than a cooperative organization) in the*  
16    *performance of service described in subparagraph (A),*  
17    *but only if such operators produced all of the com-*  
18    *modity with respect to which such service is performed.*  
19    *For the purposes of this subparagraph, any unincor-*  
20    *porated group of operators shall be deemed a coopera-*  
21    *tive organization if the number of operators comprising*  
22    *such group is more than twenty at any time during*  
23    *the calendar quarter in which such service is performed.*

24            “(C) *The provisions of subparagraphs (A) and*  
25    *(B) shall not be deemed to be applicable with respect*

1 to service performed in connection with commercial  
2 canning or commercial freezing or in connection with  
3 any agricultural or horticultural commodity after its  
4 delivery to a terminal market for distribution for  
5 consumption.

6 “(5) On a farm operated for profit if such service  
7 is not in the course of the employer’s trade or business  
8 or is domestic service in a private home of the employer.

9 As used in this section, the term ‘farm’ includes stock,  
10 dairy, poultry, fruit, fur-bearing animal, and truck farms,  
11 plantations, ranches, nurseries, ranges, greenhouses or other  
12 similar structures used primarily for the raising of agri-  
13 cultural or horticultural commodities, and orchards.”

14 (e) Section 1426 of the Internal Revenue Code is  
15 amended by striking out subsections (i) and (j) and insert-  
16 ing in lieu thereof the following:

17 “(i) AMERICAN EMPLOYER.—The term ‘American  
18 employer’ means an employer which is (1) the United  
19 States or any instrumentality thereof, (2) an individual  
20 who is a resident of the United States, (3) a partnership,  
21 if two-thirds or more of the partners are residents of the  
22 United States, (4) a trust, if all of the trustees are residents  
23 of the United States, or (5) a corporation organized under  
24 the laws of the United States or of any State.”

25 (f) Sections 1426 (c) and 1428 of the Internal Revenue

1 Code are each amended by striking out "paragraph (9)"  
 2 and inserting in lieu thereof "paragraph (10)".

3 (g) The amendments made by subsections (c), (d),  
 4 (e), and (f) of this section shall be applicable only with  
 5 respect to services performed after 1950.

#### 6 DEFINITION OF EMPLOYEE

7 SEC. 205. (a) Section 1426 (d) of the Internal Reve-  
 8 nue Code is hereby amended to read as follows:

9 "(d) EMPLOYEE.—The term 'employee' means—

10 "(1) any officer of a corporation; or

11 "(2) any individual who, under the usual common  
 12 law rules applicable in determining the employer-  
 13 employee relationship, has the status of an employee; or

14 "(3) any individual (other than an individual who  
 15 is an employee under paragraph (1) or (2) of this  
 16 subsection) who performs services for remuneration for  
 17 any person—

18 "(A) as an agent-driver or commission-driver  
 19 engaged in distributing meat products, bakery prod-  
 20 ucts, or laundry or dry-cleaning services; or

21 "(B) as a full-time life insurance salesman;  
 22 if the contract of service contemplates that substantially  
 23 all of such services are to be performed personally by  
 24 such individual; except that an individual shall not be  
 25 included in the term 'employee' under the provisions

1 of this paragraph if such individual has a substantial  
 2 investment in facilities used in connection with the per-  
 3 formance of such services (other than in facilities for  
 4 transportation), or if the services are in the nature of  
 5 a single transaction not part of a continuing relationship  
 6 with the person for whom the services are performed.”

7 (b) The amendment made by this section shall be ap-  
 8 plicable only with respect to services performed after  
 9 1950.

10 COMBINED WITHHOLDING OF INCOME AND EMPLOYEE

11 SOCIAL SECURITY TAXES

12 SEC. 206. (a) Section 1400 of the Internal Revenue  
 13 Code is amended by inserting before “In addition to other  
 14 taxes” the following:

15 “(a) IN GENERAL.—”

16 and by adding at the end of such section the following new  
 17 subsection:

18 “(b) WAGES SUBJECT TO COMBINED WITHHOLDING  
 19 OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.—

20 If wages as defined in section 1633 (relating to combined  
 21 withholding of income and employee social security taxes)  
 22 are received by an individual, there shall be levied, collected,  
 23 and paid upon the income of such individual, in lieu of the  
 24 tax determined under subsection (a) with respect to such

1 wages, the tax which under section 1633 (d) (1) is con-  
2 sidered as imposed by this subsection.”

3 (b) Section 1401 (a) of the Internal Revenue Code  
4 is amended to read as follows:

5 “(a) REQUIREMENT.—The tax imposed by section 1400  
6 (a) shall be collected by the employer of the taxpayer, by  
7 deducting the amount of the tax from the wages as and when  
8 paid. The tax imposed by section 1400 (b) shall be col-  
9 lected by the employer of the taxpayer in the manner pre-  
10 scribed by section 1633 (relating to combined withholding of  
11 income and employee social security taxes).”

12 (c) Section 1622 (a) of the Internal Revenue Code  
13 is amended to read as follows:

14 “(a) REQUIREMENT OF WITHHOLDING.—

15 “(1) IN GENERAL.—Every employer making pay-  
16 ment of wages shall deduct and withhold upon such wages  
17 a tax equal to 15 per centum of the amount by which  
18 the wages exceed the number of withholding exemptions  
19 claimed multiplied by the amount of one such exemption  
20 as shown in subsection (b) (1).

21 “(2) WAGES SUBJECT TO COMBINED WITHHOLD-  
22 ING OF INCOME AND EMPLOYEE SOCIAL SECURITY  
23 TAXES.—The provisions of paragraph (1) of this sub-  
24 section and of subsection (c) (1) of this section shall not  
25 apply with respect to any payment of wages as defined



1       tion) and without regard to paragraph (2) (B), (C),  
2       and (D) and paragraph (4) of section 1426 (a) (relat-  
3       ing to sickness, accident disability, medical and hospital-  
4       ization, and death payments).

5       “(b) *PERCENTAGE WITHHOLDING.*—Every employer  
6       making a payment of wages to an employee shall deduct and  
7       withhold from such wages a tax equal to the sum of the  
8       following:

9               “(1)  $1\frac{1}{2}$  per centum of the wages, and

10              “(2) 15 per centum of the wages in excess of an  
11       amount equal to one withholding exemption as deter-  
12       mined under section 1622 (b) multiplied by the number  
13       of withholding exemptions claimed (as defined in section  
14       1621 (e)).

15       “(c) *WAGE BRACKET WITHHOLDING.*—At the elec-  
16       tion of the employer with respect to any payment of wages  
17       to an employee, the employer shall deduct and withhold from  
18       the wages paid to such employee a tax determined in accord-  
19       ance with tables prescribed by the Commissioner pursuant  
20       to section 1634, which shall be in lieu of the tax required  
21       to be deducted and withheld under subsection (b) of this  
22       section.

23       “(d) *APPORTIONMENT OF TAX.*—

24              “(1) *TAX REQUIRED TO BE DEDUCTED AND*  
25       *WITHHELD.*—The tax required to be deducted and with-

1 held under this section during any calendar year shall  
2 be considered the tax required to be deducted and with-  
3 held under section 1622 (a) (2) to the extent such tax  
4 under this section exceeds  $1\frac{1}{2}$  per centum of the wages  
5 paid by the employer to the employee during such calen-  
6 dar year. The balance of such tax under this section  
7 shall be considered the tax imposed by section 1400 (b).  
8 For the purpose of this section in determining  $1\frac{1}{2}$  per  
9 centum of the wages, the term 'wages' shall not include  
10 any amount which is not wages as defined in section  
11 1426 (a).

12       “(2) TAX ACTUALLY DEDUCTED AND WITH-  
13 HELD.—The amount deducted and withheld as tax under  
14 this section shall be apportioned, in the manner provided  
15 in paragraph (1) (relating to the tax required to be de-  
16 ducted and withheld under this section), on the basis of the  
17 facts and circumstances known at the close of the period  
18 during which such amount was deducted and withheld,  
19 and, to the extent determined by such apportionment,  
20 shall be deemed an amount deducted and withheld as  
21 tax under section 1622 and an amount deducted and  
22 withheld as tax under section 1401, respectively.

23       “(e) CHANGE OF RATE UNDER SECTION 1400.—If  
24 for any calendar year the applicable rate prescribed by  
25 section 1400 (a) is not  $1\frac{1}{2}$  per centum, then there shall be

1 substituted for the rate of  $1\frac{1}{2}$  per centum wherever specified  
2 in this section the rate prescribed by section 1400 (a) for  
3 such calendar year.

4 “(f) OTHER LAWS APPLICABLE.—All provisions of  
5 law, including penalties, applicable with respect to the tax  
6 required to be deducted and withheld under section 1622  
7 shall, insofar as applicable and not inconsistent with the  
8 provisions of this section, be applicable with respect to the  
9 tax under this section.

10 “SEC. 1634. WAGE BRACKET WITHHOLDING TABLES.

11 “The Commissioner shall prescribe the wage bracket  
12 withholding tables referred to in section 1633 (c). Such  
13 tables shall be identical with the tables prescribed by section  
14 1622 (c), except that the tax to be withheld under such tables  
15 shall differ from the tax to be withheld under the tables pre-  
16 scribed by section 1622 (c) only in the following respects:

17 “(a) Wherever the tables prescribed by section  
18 1622 (c) show a specific amount (including a showing  
19 of \$0) of tax to be withheld with respect to a wage  
20 bracket, except where such amount is shown for the  
21 highest wage bracket in the table, such specific amount  
22 shall be increased by an amount equal to the applicable  
23 tax rate prescribed by section 1400 (a) applied to the  
24 amount at the midpoint of the wage bracket.

25 “(b) In the case of the highest wage bracket shown

1     *in a table, the specific amount of tax to be withheld*  
2     *shown in the corresponding table prescribed by section*  
3     *1622 (c) shall be increased by an amount equal to the*  
4     *applicable tax rate prescribed by section 1400 (a)*  
5     *applied to the amount at the lower limit of such highest*  
6     *wage bracket.*

7     “(c) *Wherever the tables prescribed by section 1622*  
8     *(c) show a specific percentage, such percentage shall be*  
9     *increased by the applicable tax rate prescribed by section*  
10    *1400 (a).*

11    **“SEC. 1635. TAX PAID BY RECIPIENT.**

12    *“If the employer, in violation of the provisions of section*  
13    *1633, fails to deduct and withhold the tax under such section,*  
14    *if by reason of section 1633 (d) a portion of such tax is con-*  
15    *sidered tax required to be deducted and withheld under section*  
16    *1622, and if thereafter the tax against which such portion*  
17    *may be credited is paid, such portion of the tax required to*  
18    *be deducted and withheld under section 1633 (determined in*  
19    *accordance with section 1633 (d)) shall not be collected from*  
20    *the employer; but this section shall in no case relieve the*  
21    *employer from liability for any penalties or additions to the*  
22    *tax otherwise applicable in respect of such failure to deduct*  
23    *and withhold.*

24    **“SEC. 1636. RECEIPTS FOR EMPLOYEES.**

25    “(a) **REQUIREMENT.**—*Every person required to de-*

1 *duct and withhold from an employee a tax under section*  
2 *1400, 1622, or 1633, or who would have been required to*  
3 *deduct and withhold a tax under section 1622 if the employee*  
4 *had claimed no more than one withholding exemption, shall*  
5 *furnish to each such employee in respect of the remuneration*  
6 *paid by such person to such employee during the calendar year,*  
7 *on or before January 31 of the succeeding year, or, if his em-*  
8 *ployment is terminated before the close of such calendar year,*  
9 *on the day on which the last payment of remuneration is made,*  
10 *a written statement showing the following: (1) the name of*  
11 *such person, (2) the name of the employee (and his social*  
12 *security account number if wages as defined in section 1426*  
13 *(a) have been paid), (3) the total amount of wages as*  
14 *defined in section 1621 (a), (4) the total amount deducted*  
15 *and withheld as tax under section 1622, (5) the total amount*  
16 *of wages as defined in section 1426 (a), and (6) the total*  
17 *amount deducted and withheld as tax under section 1400.*  
18 *For the determination of the portion of the amount deducted*  
19 *and withheld as tax under section 1633 which is deemed an*  
20 *amount deducted and withheld as tax under section 1622*  
21 *and the portion which is deemed an amount deducted and*  
22 *withheld as tax under section 1400, see section 1633 (d) (2).*

23       “(b) *STATEMENTS TO CONSTITUTE INFORMATION*  
24 *RETURNS.*—*The statements required to be furnished by this*  
25 *section in respect of any remuneration shall be furnished at*

1 *such other times, shall contain such other information, and*  
2 *shall be in such form as the Commissioner, with the approval*  
3 *of the Secretary, may by regulations prescribe. A duplicate*  
4 *of any such statement if made and filed in accordance with*  
5 *regulations prescribed by the Commissioner with the approval*  
6 *of the Secretary shall constitute the return required to be*  
7 *made in respect of such remuneration under section 147. If*  
8 *such statement is required for a period other than a calendar*  
9 *year, the apportionment for such other period shall be made*  
10 *in a manner similar to that provided in section 1633 (d).*

11       “(c) *EXTENSION OF TIME.*—The Commissioner, under  
12 *such regulations as he may prescribe with the approval of*  
13 *the Secretary, may grant to any person a reasonable exten-*  
14 *sion of time (not in excess of thirty days) with respect to the*  
15 *statements required to be furnished under this section.*

16 “SEC. 1637. *PENALTIES.*

17       “(a) *PENALTIES FOR FRAUDULENT STATEMENT OR*  
18 *FAILURE TO FURNISH STATEMENT.*—In lieu of any other  
19 *penalty provided by law (except the penalty provided by sub-*  
20 *section (b) of this section), any person required under the*  
21 *provisions of section 1636 to furnish a statement who willfully*  
22 *furnishes a false or fraudulent statement, or who willfully*  
23 *fails to furnish a statement in the manner, at the time, and*  
24 *showing the information required under section 1636, or*  
25 *regulations prescribed thereunder, shall for each such fail-*

1 ure, upon conviction thereof, be fined not more than \$1,000,  
2 or imprisoned for not more than one year, or both.

3 “(b) *ADDITIONAL PENALTY.*—In addition to the  
4 penalty provided by subsection (a) of this section, any per-  
5 son required under the provisions of section 1636 to furnish  
6 a statement who willfully furnishes a false or fraudulent  
7 statement, or who willfully fails to furnish a statement in  
8 the manner, at the time, and showing the information re-  
9 quired under section 1636, or regulations prescribed there-  
10 under, shall for each such failure be subject to a civil penalty  
11 of \$50. Such penalty shall be assessed and collected in the  
12 same manner as the tax imposed by section 1410.”

13 (e) (1) Section 322 (a) of the Internal Revenue Code  
14 is amended by adding at the end thereof the following new  
15 paragraph:

16 “(4) *CREDIT FOR ‘SPECIAL REFUNDS’ OF EM-*  
17 *PLOYEE SOCIAL SECURITY TAX.*—The Commissioner  
18 is authorized to prescribe, with the approval of the  
19 Secretary, regulations providing for the crediting  
20 against the tax imposed by this chapter for any taxable  
21 year of the amount determined by the taxpayer or the  
22 Commissioner to be allowable under section 1401 (d) as  
23 a special refund of tax imposed on wages received dur-  
24 ing the calendar year in which such taxable year begins.  
25 If more than one taxable year begins in such calendar

1       year, such amount shall not be allowed under this sec-  
2       tion as a credit against the tax for any taxable year  
3       other than the last taxable year so beginning. The  
4       amount allowed as a credit under such regulations  
5       shall, for the purposes of this chapter, be considered an  
6       amount deducted and withheld at the source as tax  
7       under subchapter D of chapter 9.”

8       (2) Section 1403 (a) of the Internal Revenue Code  
9       is amended by striking out the first sentence and inserting  
10      in lieu thereof the following: “Every employer shall fur-  
11      nish to each of his employees a written statement or state-  
12      ments, in a form suitable for retention by the employee,  
13      showing the wages paid by him to the employee before  
14      January 1, 1951. (For corresponding provisions with  
15      respect to wages paid after December 31, 1950, see section  
16      1636.)”

17      (3) Section 1625 of the Internal Revenue Code is  
18      amended by adding at the end thereof the following new  
19      subsection:

20      “(d) APPLICATION OF SECTION.—This section shall  
21      apply only with respect to wages paid before January 1,  
22      1951. For corresponding provisions with respect to wages  
23      paid after December 31, 1950, see section 1636.”

24      (f) The amendments made by this section shall be appli-  
25      cable only with respect to wages paid after December 31,

1 1950, except that the amendment made by subsection (e)  
2 (1) of this section shall be applicable only with respect to  
3 taxable years beginning after December 31, 1950, and only  
4 with respect to "special refunds" in the case of wages paid  
5 after December 31, 1950.

6 PERIODS OF LIMITATION ON ASSESSMENT AND REFUND OF  
7 CERTAIN EMPLOYMENT TAXES

8 SEC. 207. (a) Subchapter E of chapter 9 of the Inter-  
9 nal Revenue Code is amended by inserting at the end thereof  
10 the following new sections:

11 "SEC. 1638. PERIOD OF LIMITATION UPON ASSESSMENT AND  
12 COLLECTION OF CERTAIN EMPLOYMENT TAXES.

13 "(a) GENERAL RULE.—The amount of any tax imposed  
14 by subchapter A of this chapter, subchapter D of this chap-  
15 ter, or this subchapter, shall (except as otherwise provided  
16 in the following subsections of this section) be assessed within  
17 three years after the return was filed, and no proceeding in  
18 court without assessment for the collection of such tax shall  
19 be begun after the expiration of such period.

20 "(b) FALSE RETURN OR NO RETURN.—In the case  
21 of a false or fraudulent return with intent to evade tax or  
22 of a failure to file a return, the tax may be assessed, or a pro-  
23 ceeding in court for the collection of such tax may be begun  
24 without assessment, at any time.

1       “(c) *WILLFUL ATTEMPT TO EVADE TAX.*—In case of  
2 a willful attempt in any manner to defeat or evade tax, the  
3 tax may be assessed, or a proceeding in court for the collec-  
4 tion of such tax may be begun without assessment, at any  
5 time.

6       “(d) *COLLECTION AFTER ASSESSMENT.*—Where the  
7 assessment of any tax imposed by subchapter A of this chapter,  
8 subchapter D of this chapter, or this subchapter, has been  
9 made within the period of limitation properly applicable  
10 thereto, such tax may be collected by distraint or by a proceed-  
11 ing in court, but only if begun (1) within six years after  
12 the assessment of the tax, or (2) prior to the expiration of  
13 any period for collection agreed upon in writing by the Com-  
14 missioner and the taxpayer.

15       “(e) *DATE OF FILING OF RETURN.*—For the purposes  
16 of this section, if a return for any period ending with or within  
17 a calendar year is filed before March 15 of the succeeding  
18 calendar year, such return shall be considered filed on March  
19 15 of such succeeding calendar year.

20       “(f) *APPLICATION OF SECTION.*—The provisions of  
21 this section shall apply only to those taxes imposed by sub-  
22 chapter A of this chapter, subchapter D of this chapter, or  
23 this subchapter, which are required to be collected and paid  
24 by making and filing returns.



1           “(B) If a claim was filed, and (i) no return  
2           was filed, or (ii) if the claim was not filed within  
3           three years from the time the return was filed, during  
4           the two years immediately preceding the filing of the  
5           claim.

6           “(C) If no claim was filed and the allowance  
7           of credit or refund is made within three years from  
8           the time the return was filed, during the three years  
9           immediately preceding the allowance of the credit or  
10          refund.

11          “(D) If no claim was filed, and (i) no return  
12          was filed or (ii) the allowance of the credit or  
13          refund is not made within three years from the  
14          time the return was filed, during the two years im-  
15          mediately preceding the allowance of the credit or  
16          refund.

17          “(b) PENALTIES, ETC.—The provisions of subsection  
18          (a) of this section shall apply to any penalty or sum assessed  
19          or collected with respect to the tax imposed by subchapter A  
20          of this chapter, subchapter D of this chapter, or this sub-  
21          chapter.

22          “(c) DATE OF FILING RETURN AND DATE OF PAY-  
23          MENT OF TAX.—For the purposes of this section—

24                 “(1) If a return for any period ending with or  
25                 within a calendar year is filed before March 15 of the

14        *succeeding calendar year, such return shall be con-*  
15        *sidered filed on March 15 of such succeeding calendar*  
16        *year; and*

17            *“(2) If a tax with respect to remuneration paid*  
18        *during any period ending with or within a calendar*  
19        *year is paid before March 15 of the succeeding calendar*  
20        *year, such tax shall be considered paid on March 15*  
21        *of such succeeding calendar year.*

22        *“(d) APPLICATION OF SECTION.—The provisions of*  
23        *this section shall apply only to those taxes imposed by sub-*  
24        *chapter A of this chapter, subchapter D of this chapter, or*  
25        *this subchapter, which are required to be collected and paid*  
14        *by making and filing returns.*

15            *“(e) EFFECTIVE DATE.—The provisions of this section*  
16        *shall not apply to any tax paid or collected with respect to*  
17        *remuneration paid during any calendar year before 1951*  
18        *or to any penalty or sum paid or collected with respect to*  
19        *such tax.”*

20            *(b) (1) Section 3312 of the Internal Revenue Code is*  
21        *amended by inserting immediately after the words “gift taxes”*  
22        *(which words immediately precede subsection (a) thereof)*  
23        *a comma and the following: “and except as otherwise pro-*  
24        *vided in section 1638 with respect to employment taxes under*  
25        *subchapters A, D, and E of chapter 9”.*

1     (2) *Section 3313 of the Internal Revenue Code is*  
2 *amended as follows:*

3           (A) *By inserting immediately after the words "and*  
4 *gift taxes," where those words first appear in the section,*  
5 *the following: "and except as otherwise provided by law*  
6 *in the case of employment taxes under subchapters A, D,*  
7 *and E of chapter 9"; and*

8           (B) *By inserting immediately after the words "and*  
9 *gift taxes", where those words appear in the parenthetical*  
10 *phrase, a comma and the following: "and other than such*  
11 *employment taxes".*

12     (3) *Section 3645 of the Internal Revenue Code is*  
13 *amended by striking out "Employment taxes, section 3312."*  
14 *and inserting in lieu thereof the following: "Employment*  
15 *taxes, sections 1638 and 3312."*

16     (4) *Section 3772 (c) of the Internal Revenue Code is*  
17 *amended by inserting at the end thereof the following:*

18           *"Employment taxes, see sections 1639 and 3313."*

19                           **SELF-EMPLOYMENT INCOME**

20     **SEC. 208. (a)** *Chapter 1 of the Internal Revenue*  
21 *Code is amended by adding at the end thereof the following*  
22 *new subchapter:*

## 1 "SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

## 2 "SEC. 480. RATE OF TAX.

3 "In addition to other taxes, there shall be levied, col-  
4 lected, and paid for each taxable year beginning after  
5 December 31, 1950, upon the self-employment income of  
6 every individual, a tax as follows:

7 "(1) In the case of any taxable year beginning  
8 after December 31, 1950, and before January 1, 1956,  
9 the tax shall be equal to  $2\frac{1}{4}$  per centum of the amount  
10 of the self-employment income for such taxable year.

11 "(2) In the case of any taxable year beginning  
12 after December 31, 1955, and before January 1, 1960,  
13 the tax shall be equal to 3 per centum of the amount  
14 of the self-employment income for such taxable year.

15 "(3) In the case of any taxable year beginning  
16 after December 31, 1959, and before January 1, 1965,  
17 the tax shall be equal to  $3\frac{3}{4}$  per centum of the amount  
18 of the self-employment income for such taxable year.

19 "(4) In the case of any taxable year beginning  
20 after December 31, 1964, and before January 1, 1970,  
21 the tax shall be equal to  $4\frac{1}{2}$  per centum of the amount  
22 of the self-employment income for such taxable year.

23 "(5) In the case of any taxable year beginning  
24 after December 31, 1969, the tax shall be equal to  $4\frac{1}{8}$

1       *per centum of the amount of the self-employment income*  
2       *for such taxable year.*

3       “SEC. 481. DEFINITIONS.

4       “*For the purposes of this subchapter—*

5       “(a) *NET EARNINGS FROM SELF-EMPLOYMENT.—*

6       *The term ‘net earnings from self-employment’ means the*  
7       *gross income derived by an individual from any trade or*  
8       *business carried on by such individual, less the deductions*  
9       *allowed by this chapter which are attributable to such trade*  
10       *or business, plus his distributive share (whether or not*  
11       *distributed) of the the ordinary net income or loss, as com-*  
12       *puted under section 183, from any trade or business carried*  
13       *on by a partnership of which he is a member; except that*  
14       *in computing such gross income and deductions and such*  
15       *distributive share of partnership ordinary net income or*  
16       *loss—*

17       “(1) *There shall be excluded rentals from real*  
18       *estate (including personal property leased with the real*  
19       *estate) and deductions attributable thereto, unless such*  
20       *rentals are received in the course of a trade or business*  
21       *as a real estate dealer;*

22       “(2) *There shall be excluded income derived from*  
23       *any trade or business in which, if the trade or business*  
24       *were carried on exclusively by employees, the major*

1        *portion of the services would constitute agricultural labor*  
2        *as defined in section 1426 (h); and there shall be ex-*  
3        *cluded all deductions attributable to such income;*

4            *“(3) There shall be excluded dividends on any*  
5        *share of stock, and interest on any bond, debenture,*  
6        *note, or certificate, or other evidence of indebtedness,*  
7        *issued with interest coupons or in registered form by*  
8        *any corporation (including one issued by a govern-*  
9        *ment or political subdivision thereof) unless such divi-*  
10       *dends and interest (other than interest described in*  
11       *section 25 (a)) are received in the course of a trade or*  
12       *business as a dealer in stocks or securities;*

13           *“(4) There shall be excluded any gain or loss*  
14        *(A) which is considered as gain or loss from the sale or*  
15        *exchange of a capital asset, (B) from the cutting or*  
16        *disposal of timber if section 117 (j) is applicable to*  
17        *such gain or loss, or (C) from the sale, exchange, in-*  
18        *voluntary conversion, or other disposition of property if*  
19        *such property is neither (i) stock in trade or other*  
20        *property of a kind which would properly be includible*  
21        *in inventory if on hand at the close of the taxable year,*  
22        *nor (ii) property held primarily for sale to customers in*  
23        *the ordinary course of the trade or business;*

24           *“(5) The deduction for net operating losses pro-*  
25        *vided in section 23 (s) shall not be allowed;*

1           “(6) (A) If any of the income derived from a  
2 trade or business (other than a trade or business car-  
3 ried on by a partnership) is community income under  
4 community property laws applicable to such income,  
5 all of the gross income and deductions attributable to  
6 such trade or business shall be treated as the gross in-  
7 come and deductions of the husband unless the wife  
8 exercises substantially all of the management and con-  
9 trol of such trade or business, in which case all of such  
10 gross income and deductions shall be treated as the  
11 gross income and deductions of the wife;

12           “(B) If any portion of a partner’s distributive  
13 share of the ordinary net income or loss from a trade or  
14 business carried on by a partnership is community in-  
15 come or loss under the community property laws ap-  
16 plicable to such share, all of such distributive share shall  
17 be included in computing the net earnings from self-  
18 employment of such partner, and no part of such share  
19 shall be taken into account in computing the net earnings  
20 from self-employment of the spouse of such partner;

21           “(7) In the case of any taxable year beginning  
22 on or after the effective date specified in section 3810,  
23 (A) the term ‘possession of the United States’ as used  
24 in section 251 shall not include Puerto Rico, and (B)  
25 a citizen or resident of Puerto Rico shall compute his

1 net earnings from self-employment in the same manner  
2 as a citizen of the United States and without regard  
3 to the provisions of section 252.

4 If the taxable year of a partner is different from that of the  
5 partnership, the distributive share which he is required  
6 to include in computing his net earnings from self-employ-  
7 ment shall be based upon the ordinary net income or loss  
8 of the partnership for any taxable year of the partnership  
9 (even though beginning prior to January 1, 1951) ending  
10 within or with his taxable year.

11 “(b) *SELF-EMPLOYMENT INCOME*.—The term ‘self-  
12 employment income’ means the net earnings from self-  
13 employment derived by an individual (other than a non-  
14 resident alien individual) during any taxable year beginning  
15 after December 31, 1950; except that such term shall not  
16 include—

17 “(1) That part of the net earnings from self-  
18 employment which is in excess of: (A) \$3,000, minus  
19 (B) the amount of the wages paid to such individual  
20 during the taxable year; or

21 “(2) The net earnings from self-employment, if  
22 such net earnings for the taxable year are less than  
23 \$400.

24 For the purposes of clause (1) the term ‘wages’ includes  
25 remuneration paid to an employee if such remuneration

1 *is for services included under an agreement entered into*  
2 *pursuant to the provisions of section 218 of the Social*  
3 *Security Act (relating to coverage of State employees).*  
4 *In the case of any taxable year beginning prior to the*  
5 *effective date specified in section 3810, an individual who*  
6 *is a citizen of Puerto Rico (but not otherwise a citizen of*  
7 *the United States) and who is not a resident of the United*  
8 *States or of the Virgin Islands during such taxable year shall*  
9 *be considered, for the purposes of this subchapter, as a non-*  
10 *resident alien individual. An individual who is not a citi-*  
11 *zen of the United States but who is a resident of the Virgin*  
12 *Islands or (after the effective date specified in section 3810)*  
13 *a resident of Puerto Rico shall not, for the purposes of this*  
14 *subchapter, be considered to be a nonresident alien individual.*

15       “(c) *TRADE OR BUSINESS.*—*The term ‘trade or busi-*  
16 *ness’, when used with reference to self-employment income*  
17 *or net earnings from self-employment, shall have the same*  
18 *meaning as when used in section 23, except that such term*  
19 *shall not include—*

20               “(1) *The performance of the functions of a public*  
21 *office;*

22               “(2) *The performance of service by an individual*  
23 *as an employee (other than service described in section*  
24 *1426 (b) (16) (B) performed by an individual who*  
25 *has attained the age of eighteen);*

1           “(3) *The performance of service by an individual*  
2           *as an employee or employee representative as defined*  
3           *in section 1532;*

4           “(4) *The performance of service by a duly ordained,*  
5           *commissioned, or licensed minister of a church in the*  
6           *exercise of his ministry or by a member of a religious*  
7           *order in the exercise of duties required by such order; or*

8           “(5) *The performance of service by an individual*  
9           *in the exercise of his profession as a physician, lawyer,*  
10           *dentist, osteopath, veterinarian, chiropractor, naturopath,*  
11           *or optometrist, or as a Christian Science practitioner,*  
12           *or as an architect, certified public accountant, or pro-*  
13           *fessional engineer; or the performance of such service*  
14           *by a partnership.*

15           “(d) *EMPLOYEE AND WAGES.—The term ‘employee’*  
16           *and the term ‘wages’ shall have the same meaning as when*  
17           *used in subchapter A of chapter 9.*

18           “SEC. 482. MISCELLANEOUS PROVISIONS.

19           “(a) *RETURNS.—Every individual (other than a non-*  
20           *resident alien individual) having net earnings from self-*  
21           *employment of \$400 or more for the taxable year shall make*  
22           *a return containing such information for the purpose of*  
23           *carrying out the provisions of this subchapter as the Com-*  
24           *missioner, with the approval of the Secretary, may by*  
25           *regulations prescribe. Such return shall be considered a*

1 return required under section 51 (a). In the case of a  
2 husband and wife filing a joint return under section 51  
3 (b), the tax imposed by this subchapter shall not be computed  
4 on the aggregate income but shall be the sum of the taxes  
5 computed under this subchapter on the separate self-employ-  
6 ment income of each spouse.

7 “(b) TITLE OF SUBCHAPTER.—This subchapter may  
8 be cited as the ‘Self-Employment Contributions Act’.

9 “(c) EFFECTIVE DATE IN CASE OF PUERTO RICO.—  
10 For effective date in case of Puerto Rico, see section 3810.

11 “(d) COLLECTION OF TAXES IN VIRGIN ISLANDS  
12 AND PUERTO RICO.—For provisions relating to collection of  
13 taxes in Virgin Islands and Puerto Rico, see section 3811.”

14 (b) Chapter 38 of the Internal Revenue Code is  
15 amended by adding at the end thereof the following new  
16 sections:

17 “SEC. 3810. EFFECTIVE DATE IN CASE OF PUERTO RICO.

18 “If the Governor of Puerto Rico certifies to the Presi-  
19 dent of the United States that the legislature of Puerto Rico  
20 has, by concurrent resolution, resolved that it desires the  
21 extension to Puerto Rico of the provisions of title II of the  
22 Social Security Act, the effective date referred to in sec-  
23 tions 1426 (e), 481 (a) (7), and 481 (b) shall be  
24 January 1 of the first calendar year which begins more

1 *than ninety days after the date on which the President*  
2 *receives such certification.*

3 **“SEC. 3811. COLLECTION OF TAXES IN VIRGIN ISLANDS AND**  
4 **PUERTO RICO.**

5 *“Notwithstanding any other provision of law respecting*  
6 *taxation in the Virgin Islands or Puerto Rico, all taxes*  
7 *imposed by subchapter E of chapter 1 and by subchapter A*  
8 *of chapter 9 shall be collected by the Bureau of Internal*  
9 *Revenue under the direction of the Secretary and shall be*  
10 *paid into the Treasury of the United States as internal*  
11 *revenue collections.”*

12 **“SEC. 3812. MITIGATION OF EFFECT OF STATUTE OF LIMITA-**  
13 **TIONS AND OTHER PROVISIONS IN CASE OF RE-**  
14 **LATED TAXES UNDER DIFFERENT CHAPTERS.**

15 *“(a) SELF-EMPLOYMENT TAX AND TAX ON WAGES.—*  
16 *In the case of the tax imposed by subchapter E of chapter 1*  
17 *(relating to tax on self-employment income) and the tax*  
18 *imposed by section 1400 of subchapter A of chapter 9 (re-*  
19 *lating to tax on employees under the Federal Insurance*  
20 *Contributions Act)—*

21 *“(1) (i) if an amount is erroneously treated as*  
22 *self-employment income, or*

23 *“(ii) if an amount is erroneously treated as wages,*  
24 *and*

1           “(2) if the correction of the error would require  
2           an assessment of one such tax and the refund or credit  
3           of the other tax, and

4           “(3) if at any time the correction of the error is  
5           authorized as to one such tax but is prevented as to the  
6           other tax by any law or rule of law (other than section  
7           3761, relating to compromises),  
8           then if the correction authorized is made, the amount of the  
9           assessment, or the amount of the credit or refund, as the  
10          case may be, authorized as to the one tax shall be reduced  
11          by the amount of the credit or refund, or the amount of the  
12          assessment, as the case may be, which would be required with  
13          respect to such other tax for the correction of the error if  
14          such credit or refund, or such assessment, of such other tax  
15          were not prevented by any law or rule of law (other than  
16          section 3761, relating to compromises).

17          “(b) DEFINITIONS.—For the purposes of subsection  
18          (a) of this section, the terms ‘self-employment income’ and  
19          ‘wages’ shall have the same meaning as when used in section  
20          481 (b).”

21          (c) Section 3801 of the Internal Revenue Code is  
22          amended by adding at the end thereof the following new  
23          subsection:

24          “(g) TAXES IMPOSED BY CHAPTER 9.—The provi-

1 sions of this section shall not be construed to apply to any  
2 tax imposed by chapter 9.”

3 (d) (1) Section 3 of the Internal Revenue Code is  
4 amended by inserting at the end thereof the following:

5 “Subchapter E—Tax on Self-Employment Income (the  
6 Self-Employment Contributions Act), divided into sections.”

7 (2) Section 12 (g) of the Internal Revenue Code is  
8 amended by inserting at the end thereof the following:

9 “(6) Tax on Self-Employment Income.—For tax  
10 on self-employment income, see subchapter E.”

11 (3) Section 31 of the Internal Revenue Code is amended  
12 by inserting immediately after the words “the tax” the fol-  
13 lowing: “(other than the tax imposed by subchapter E, relat-  
14 ing to tax on self-employment income)”; and section 131 (a)  
15 of the Internal Revenue Code is amended by inserting imme-  
16 diately after the words “except the tax imposed under section  
17 102” the following: “and except the tax imposed under sub-  
18 chapter E”.

19 (4) Section 58 (b) (1) of the Internal Revenue Code  
20 is amended by inserting immediately after the words “with-  
21 held at source” the following: “and without regard to the tax  
22 imposed by subchapter E on self-employment income”.

23 (5) Section 107 of the Internal Revenue Code is  
24 amended by inserting at the end thereof the following new  
25 subsection:



1 *neration paid in any medium other than cash; except that*  
2 *such term shall not include—*

3       “(1) *That part of the remuneration which, after*  
4 *remuneration (other than remuneration referred to in*  
5 *the succeeding paragraphs of this subsection) equal to*  
6 *\$3,000 with respect to employment has been paid to*  
7 *an individual by an employer during any calendar year,*  
8 *is paid to such individual by such employer during such*  
9 *calendar year. If an employer (hereinafter referred to*  
10 *as successor employer) during any calendar year acquires*  
11 *substantially all the property used in a trade or business*  
12 *of another employer (hereinafter referred to as a pre-*  
13 *decessor), or used in a separate unit of a trade or*  
14 *business of a predecessor, and immediately after the*  
15 *acquisition employs in his trade or business an individual*  
16 *who immediately prior to the acquisition was employed*  
17 *in the trade or business of such predecessor, then, for*  
18 *the purpose of determining whether the successor employer*  
19 *has paid remuneration (other than remuneration referred*  
20 *to in the succeeding paragraphs of this subsection) with*  
21 *respect to employment equal to \$3,000 to such individual*  
22 *during such calendar year, any remuneration (other*  
23 *than remuneration referred to in the succeeding para-*  
24 *graphs of this subsection) with respect to employment*  
25 *paid (or considered under this paragraph as having*

1       *been paid) to such individual by such predecessor during*  
2       *such calendar year and prior to such acquisition shall be*  
3       *considered as having been paid by such successor*  
4       *employer;*

5               “(2) *The amount of any payment (including any*  
6       *amount paid by an employer for insurance or annui-*  
7       *ties, or into a fund, to provide for any such payment)*  
8       *made to, or on behalf of, an employee or any of his de-*  
9       *pendents under a plan or system established by an em-*  
10       *ployer which makes provision for his employees gen-*  
11       *erally (or for his employees generally and their de-*  
12       *pendents) or for a class or classes of his employees (or*  
13       *for a class or classes of his employees and their depend-*  
14       *ents), on account of (A) retirement, or (B) sickness*  
15       *or accident disability, or (C) medical or hospitalization*  
16       *expenses in connection with sickness or accident disability,*  
17       *or (D) death;*

18               “(3) *Any payment made to an employee (includ-*  
19       *ing any amount paid by an employer for insurance or*  
20       *annuities, or into a fund, to provide for any such pay-*  
21       *ment) on account of retirement;*

22               “(4) *Any payment on account of sickness or acci-*  
23       *dent disability, or medical or hospitalization expenses in*  
24       *connection with sickness or accident disability, made*  
25       *by an employer to, or on behalf of, an employee after*

1     *the expiration of six calendar months following the last*  
2     *calendar month in which the employee worked for such*  
3     *employer;*

4             “(5) *Any payment made to, or on behalf of, an*  
5     *employee or his beneficiary (A) from or to a trust*  
6     *exempt from tax under section 165 (a) at the time of*  
7     *such payment unless such payment is made to an*  
8     *employee of the trust as remuneration for services ren-*  
9     *dered as such employee and not as a beneficiary of the*  
10    *trust, or (B) under or to an annuity plan which, at the*  
11    *time of such payment, meets the requirements of section*  
12    *165 (a) (3), (4), (5), and (6);*

13            “(6) *The payment by an employer (without de-*  
14    *duction from the remuneration of the employee) (A)*  
15    *of the tax imposed upon an employee under section 1400,*  
16    *or (B) of any payment required from an employee under*  
17    *a State unemployment compensation law;*

18            “(7) *Any payment (other than vacation or sick*  
19    *pay) made to an employee after the month in which*  
20    *he attains the age of sixty-five, if he did not work for*  
21    *the employer in the period for which such payment is*  
22    *made;*

23            “(8) *Dismissal payments which the employer is not*  
24    *legally required to make.”*

25            (2) *The amendment made by paragraph (1) shall be*

1 applicable only with respect to remuneration paid after  
2 1950. In the case of remuneration paid prior to 1951,  
3 the determination under section 1607 (b) (1) of the Internal  
4 Revenue Code (prior to its amendment by this Act) of  
5 whether or not such remuneration constituted wages shall be  
6 made as if paragraph (1) of this subsection had not been  
7 enacted and without inferences drawn from the fact that  
8 the amendment made by paragraph (1) is not made appli-  
9 cable to periods prior to 1951.

10 (3) Effective with respect to remuneration paid after  
11 December 31, 1951, section 1607 (b) of the Internal Rev-  
12 enue Code is amended by changing the semicolon at the end  
13 of paragraph (7) to a period and by striking out paragraph  
14 (8) thereof.

15 (b) (1) Section 1607 (c) (10) (A) (i) of the  
16 Internal Revenue Code is amended by striking out "does  
17 not exceed \$45" and inserting in lieu thereof "is less than  
18 \$50".

19 (2) Section 1607 (c) (10) (E) of the Internal Revenue  
20 Code is amended by striking out "in any calendar quarter"  
21 and by striking out ", and the remuneration for such service  
22 does not exceed \$45 (exclusive of room, board, and tuition)".

23 (3) The amendments made by paragraphs (1) and (2)

1 *shall be applicable only with respect to service performed after*  
2 *1950.*

3 *(c) (1) Paragraphs (3) and (4) of section 1621 (a)*  
4 *of the Internal Revenue Code are amended to read as follows:*

5 *“(3) (A) for domestic service in a private home, or*

6 *“(B) for domestic service performed in a local*  
7 *college club, or local chapter of a college fraternity or*  
8 *sorority, by a student who is enrolled and is regularly*  
9 *attending classes at a school, college, or university, or*

10 *“(4) for service not in the course of the employer’s*  
11 *trade or business performed in any calendar quarter by*  
12 *an employee, unless the cash remuneration paid for such*  
13 *service is \$50 or more and such service is performed*  
14 *by an individual who is regularly employed by such*  
15 *employer to perform such service. For the purposes of*  
16 *this paragraph, an individual shall be deemed to be*  
17 *regularly employed by an employer during a calendar*  
18 *quarter only if (A) on each of some twenty-four days*  
19 *during such quarter such individual performs for such*  
20 *employer for some portion of the day service not in the*  
21 *course of the employer’s trade or business, or (B) such*  
22 *individual was regularly employed (as determined under*  
23 *clause (A)) by such employer in the performance of*  
24 *such service during the preceding calendar quarter, or”.*

25 *(2) Section 1621 (a) of the Internal Revenue Code*

1 *is amended by striking out paragraph (9) thereof and*  
2 *inserting in lieu thereof the following:*

3       *“(9) for services performed by a duly ordained,*  
4 *commissioned, or licensed minister of a church in the*  
5 *exercise of his ministry or by a member of a religious*  
6 *order in the exercise of duties required by such order, or*

7       *“(10) (A) for services performed by an indi-*  
8 *vidual under the age of eighteen in the delivery or dis-*  
9 *tribution of newspapers or shopping news, not including*  
10 *delivery or distribution to any point for subsequent*  
11 *delivery or distribution, or*

12       *“(B) for services performed by an individual in,*  
13 *and at the time of, the sale of newspapers or magazines*  
14 *to ultimate consumers, under an arrangement under*  
15 *which the newspapers or magazines are to be sold by*  
16 *him at a fixed price, his compensation being based on*  
17 *the retention of the excess of such price over the*  
18 *amount at which the newspapers or magazines are*  
19 *charged to him, whether or not he is guaranteed a*  
20 *minimum amount of compensation for such service, or*  
21 *is entitled to be credited with the unsold newspapers*  
22 *or magazines turned back, or*

23       *“(11) for services not in the course of the em-*  
24 *ployer's trade or business, if paid in any medium other*  
25 *than cash, or*

1           “(12) to, or on behalf of, an employee or his bene-  
2           ficiary (A) from or to a trust exempt from tax under  
3           section 165 (a) at the time of such payment unless such  
4           payment is made to an employee of the trust as remunera-  
5           tion for services rendered as such employee and not as a  
6           beneficiary of the trust, or (b) under or to an annuity  
7           plan which, at the time of such payment, meets the re-  
8           quirements of section 165 (a) (3), (4), (5), and (6).”

9           (3) The amendments made by paragraphs (1) and  
10          (2) shall be applicable only with respect to remuneration  
11          paid after 1950.

12          (d) (1) Section 1631 of the Internal Revenue Code is  
13          amended to read as follows:

14          “SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN.

15                 “In case of a failure to make and file any return re-  
16                 quired under this chapter within the time prescribed by law  
17                 or prescribed by the Commissioner in pursuance of law,  
18                 unless it is shown that such failure is due to reasonable  
19                 cause and not to willful neglect, the addition to the tax or  
20                 taxes required to be shown on such return shall not be less  
21                 than \$5.”

22          (2) The amendment made by paragraph (1) shall be  
23          applicable only with respect to returns required to be filed  
24          after the date of enactment of this Act.

25          (e) If a corporation (hereinafter referred to as a prede-

1 cessor) incorporated under the laws of one State is suc-  
2 ceeded after 1945 and before 1951 by another corporation  
3 (hereinafter referred to as a successor) incorporated under  
4 the laws of another State, and if immediately upon the suc-  
5 cession the business of the successor is identical with that  
6 of the predecessor and, except for qualifying shares, the  
7 proportionate interest of each shareholder in the successor is  
8 identical with his proportionate interest in the predecessor,  
9 and if in connection with the succession the predecessor is  
10 dissolved or merged into the successor, and if the predecessor  
11 and the successor are employers under the Federal Insurance  
12 Contributions Act and the Federal Unemployment Tax Act  
13 in the calendar year in which the succession takes place, then—

14       (1) the predecessor and successor corporations,  
15       for purposes only of the application of the \$3,000  
16       limitation in the definition of wages under such Acts,  
17       shall be considered as one employer for such calendar  
18       year, and

19       (2) the successor shall, subject to the applicable  
20       statutes of limitations, be entitled to a credit or refund,  
21       without interest, of any tax under section 1410 of the  
22       Federal Insurance Contributions Act or section 1600  
23       of the Federal Unemployment Tax Act (together with  
24       any interest or penalty thereon) paid with respect to  
25       remuneration paid by the successor during such calendar

1        *year which would not have been subject to tax under*  
2        *such Acts if the remuneration had been paid by the*  
3        *predecessor.*

4        **TITLE III—AMENDMENTS TO PUBLIC ASSIST-**  
5        **ANCE AND MATERNAL AND CHILD WEL-**  
6        **FARE PROVISIONS OF THE SOCIAL SECU-**  
7        **RITY ACT**

8                        **PART 1—OLD-AGE ASSISTANCE**

9        **REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS**

10        **SEC. 301.** (a) *Clause (4) of subsection (a) of section 2*  
11        *of the Social Security Act is amended to read: “(4) pro-*  
12        *vide for granting an opportunity for a fair hearing before*  
13        *the State agency to any individual whose claim for old-age*  
14        *assistance is denied or is not acted upon with reasonable*  
15        *promptness”.*

16        (b) *Such subsection is further amended by striking out*  
17        *“and” before clause (8) thereof, and by striking out the*  
18        *period at the end of such subsection and inserting in lieu*  
19        *thereof a semicolon and the following new clauses:*  
20        *“(9) provide that all individuals wishing to make applica-*  
21        *tion for old-age assistance shall have opportunity to do so,*  
22        *and that old-age assistance shall be furnished with rea-*  
23        *sonable promptness to all eligible individuals; and (10)*  
24        *effective July 1, 1953, provide, if the plan includes pay-*  
25        *ments to individuals in private or public institutions, for the*

1 *establishment or designation of a State authority or author-*  
2 *ities which shall be responsible for establishing and main-*  
3 *taining standards for such institutions.”*

4 *(c) The amendments made by subsections (a) and*  
5 *(b) shall take effect July 1, 1951.*

6 *COMPUTATION OF FEDERAL PORTION OF OLD-AGE*

7 *ASSISTANCE*

8 *SEC. 302. (a) Section 3 (a) of the Social Security Act*  
9 *is amended to read as follows:*

10 *“SEC. 3. (a) From the sums appropriated therefor, the*  
11 *Secretary of the Treasury shall pay to each State which has*  
12 *an approved plan for old-age assistance, for each quarter,*  
13 *beginning with the quarter commencing October 1, 1950,*  
14 *(1) an amount, which shall be used exclusively as old-age*  
15 *assistance, equal to the sum of the following proportions of*  
16 *the total amounts expended during such quarter as old-age*  
17 *assistance under the State plan, not counting so much of such*  
18 *expenditure with respect to any individual for any month*  
19 *as exceeds \$50—*

20 *“(A) three-fourths of such expenditures, not count-*  
21 *ing so much of any expenditure with respect to any*  
22 *month as exceeds the product of \$20 multiplied by the*  
23 *total number of such individuals (other than those in-*  
24 *cluded in clause (C)) who received old-age assistance*  
25 *for such month; plus*

1           “(B) one-half of the amount by which such expendi-  
2           tures (other than expenditures with respect to individuals  
3           included in clause (C)) exceed the maximum which may  
4           be counted under clause (A); plus

5           “(C) one-half of such expenditures with respect to  
6           individuals who become entitled to old-age insurance  
7           benefits under section 202 (a) after the first month  
8           following the month in which the Social Security Act  
9           Amendments of 1950 were enacted and who were not en-  
10          titled to primary insurance benefits under such section  
11          as in effect prior to the enactment of such amendments;  
12          and (2) an amount equal to one-half of the total of the  
13          sums expended during such quarter as found necessary by  
14          the Administrator for the proper and efficient administration  
15          of the State plan, which amount shall be used for paying the  
16          costs of administering the State plan or for old-age assistance,  
17          or both, and for no other purpose.”

18          (b) The amendment made by subsection (a) shall take  
19          effect October 1, 1950.

20                           DEFINITION OF OLD-AGE ASSISTANCE

21          SEC. 303. (a) Section 6 of the Social Security Act is  
22          amended to read as follows:

23                           “DEFINITION

24          “SEC. 6. For the purposes of this title, the term ‘old-age  
25          assistance’ means money payments to, or medical care in

1 *behalf of or any type of remedial care recognized under*  
 2 *State law in behalf of, needy individuals who are sixty-five*  
 3 *years of age or older, but does not include any such payments*  
 4 *to or care in behalf of any individual who is an inmate of*  
 5 *a public institution (except as a patient in a medical institu-*  
 6 *tion) or any individual (a) who is a patient in an institution*  
 7 *for tuberculosis or mental diseases, or (b) who has been*  
 8 *diagnosed as having tuberculosis or psychosis and is a patient*  
 9 *in a medical institution as a result thereof."*

10 *(b) The amendment made by subsection (a) shall take*  
 11 *effect October 1, 1950, except that the exclusion of money*  
 12 *payments to needy individuals described in clause (a) or*  
 13 *(b) of section 6 of the Social Security Act as so amended*  
 14 *shall, in the case of any of such individuals who are not*  
 15 *patients in a public institution, be effective July 1, 1952.*

16 *PART 2—AID TO DEPENDENT CHILDREN*

17 *REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT*  
 18 *CHILDREN*

19 *SEC. 321. (a) Clause (4) of subsection (a) of section*  
 20 *402 of the Social Security Act is amended to read as fol-*  
 21 *lows: "(4) provide for granting an opportunity for a fair*  
 22 *hearing before the State agency to any individual whose*  
 23 *claim for aid to dependent children is denied or is not acted*  
 24 *upon with reasonable promptness;".*

25 *(b) Such subsection is further amended by striking out*

1 "and" before clause (8) thereof, and by striking out the  
2 period at the end of such subsection and inserting in lieu  
3 thereof a semicolon and the following new clauses: "(9)  
4 provide that all individuals wishing to make application  
5 for aid to dependent children shall have opportunity to do  
6 so, and that aid to dependent children shall be furnished with  
7 reasonable promptness to all eligible individuals; and (10)  
8 effective July 1, 1952, provide for prompt notice to appro-  
9 priate law-enforcement officials of the furnishing of aid to  
10 dependent children in respect of a child who has been de-  
11 serted or abandoned by a parent."

12 (c) Effective July 1, 1952, clause (2) of subsection  
13 (b) of section 402 of the Social Security Act is amended to  
14 read as follows: "(2) who was born within one year  
15 immediately preceding the application, if the parent or  
16 other relative with whom the child is living has resided in the  
17 State for one year immediately preceding the birth".

18 (d) The amendments made by subsections (a) and (b)  
19 shall take effect July 1, 1951.

20 **MAXIMUM FEDERAL PAYMENT FOR DEPENDENT CHILDREN**

21 **SEC. 322.** Effective October 1, 1950, section 403 (a)  
22 of the Social Security Act is amended by striking out "October  
23 1, 1948" and inserting in lieu thereof "October 1, 1950",  
24 by striking out "\$27" wherever it appears and inserting in

1 *lieu thereof "\$30", and by striking out "\$18" and inserting*  
2 *in lieu thereof "\$20".*

3 *DEFINITION OF AID TO DEPENDENT CHILDREN*

4 *SEC. 323. (a) Section 406 of the Social Security Act*  
5 *is amended by striking out subsection (b) and inserting in*  
6 *lieu thereof the following:*

7 *"(b) The term 'aid to dependent children' means money*  
8 *payments with respect to, or medical care in behalf of or any*  
9 *type of remedial care recognized under State law in behalf*  
10 *of, a dependent child or dependent children."*

11 *(b) The amendment made by subsection (a) shall take*  
12 *effect October 1, 1950.*

13 *PART 3—MATERNAL AND CHILD WELFARE*

14 *SEC. 331. (a) Section 501 of the Social Security Act*  
15 *is amended by striking out "\$11,000,000" and inserting in*  
16 *lieu thereof "\$20,000,000".*

17 *(b) Section 502 of the Social Security Act is amended*  
18 *by striking out "\$5,500,000" wherever it appears and in-*  
19 *serting in lieu thereof "\$10,000,000" and by striking out*  
20 *"\$35,000" and inserting in lieu thereof "\$60,000".*

21 *(c) Section 511 of the Social Security Act is amended*  
22 *by striking out "\$7,500,000" and inserting in lieu thereof*  
23 *"\$15,000,000".*

24 *(d) Section 512 of the Social Security Act is amended*

1 *by striking out "\$3,750,000" wherever it appears and in-*  
2 *serting in lieu thereof "\$7,500,000" and by striking out*  
3 *"\$30,000" and inserting in lieu thereof "\$60,000".*

4 *(e) Section 521 (a) of the Social Security Act is*  
5 *amended by striking out "\$3,500,000" and inserting in lieu*  
6 *thereof "\$12,000,000", by striking out "\$20,000" and*  
7 *inserting in lieu thereof "\$40,000", by striking out in the*  
8 *second sentence "as the rural population of such State bears*  
9 *to the total rural population of the United States" and insert-*  
10 *ing in lieu thereof "as the rural population of such State*  
11 *under the age of eighteen bears to the total rural population*  
12 *of the United States under such age", and by striking out*  
13 *the third sentence thereof and inserting in lieu of such sentence*  
14 *the following: "The amount so allotted shall be expended for*  
15 *payment of part of the cost of district, county, or other local*  
16 *child-welfare services in areas predominantly rural, for*  
17 *developing State services for the encouragement and assist-*  
18 *ance of adequate methods of community child-welfare organ-*  
19 *ization in areas predominantly rural and other areas of*  
20 *special need, and for paying the cost of returning any run-*  
21 *away child who has not attained the age of sixteen to his*  
22 *own community in another State in cases in which such*  
23 *return is in the interest of the child and the cost thereof*  
24 *cannot otherwise be met: Provided, That in developing such*  
25 *services for children the facilities and experience of voluntary*

1 agencies shall be utilized in accordance with child-care pro-  
2 grams and arrangements in the States and local communities  
3 as may be authorized by the State.

4 (f) The amendments made by the preceding subsections  
5 of this section shall be effective with respect to fiscal years  
6 beginning after June 30, 1951.

7 **PART 4—AID TO THE BLIND**

8 **REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND**

9 **SEC. 341.** (a) Clause (4) of subsection (a) of section  
10 1002 of the Social Security Act is amended to read as  
11 follows: “(4) provide for granting an opportunity for a fair  
12 hearing before the State agency to any individual whose claim  
13 for aid to the blind is denied or is not acted upon with reason-  
14 able promptness;”.

15 (b) (1) Effective for the period beginning October  
16 1, 1950, and ending June 30, 1952, clause (8) of such sub-  
17 section is amended to read as follows: “(8) provide that the  
18 State agency shall, in determining need, take into considera-  
19 tion and other income and resources of an individual claim-  
20 ing aid to the blind; except that the State agency may,  
21 in making such determination, disregard not to exceed \$50  
22 per month of earned income;”.

23 (2) Effective July 1, 1952, such clause (8) is amended  
24 to read as follows: “(8) provide that the State agency shall,  
25 in determining need, take into consideration any other income

1 *and resources of the individual claiming aid to the blind;*  
2 *except that, in making such determination, the State agency*  
3 *shall disregard the first \$50 per month of earned income;”.*

4 (c) *Such subsection is further amended by striking*  
5 *out “and” before clause (9) thereof, and by striking out the*  
6 *period at the end of such subsection and inserting in lieu*  
7 *thereof a semicolon and the following new clauses: “(10)*  
8 *provide that, in determining whether an individual is blind,*  
9 *there shall be an examination by a physician skilled in*  
10 *diseases of the eye and, effective July 1, 1953, provide*  
11 *that the services of optometrists within the scope of the*  
12 *practice of optometry as prescribed by the laws of the*  
13 *State shall be made available to the recipients thereof as well*  
14 *as to the recipients of any grant-in-aid program for improve-*  
15 *ment or conservation of vision; (11) effective July 1, 1951,*  
16 *provide that all individuals wishing to make application for*  
17 *aid to the blind shall have opportunity to do so, and that aid*  
18 *to the blind shall be furnished with reasonable promptness*  
19 *to all eligible individuals; and (12) effective July 1, 1953,*  
20 *provide, if the plan includes payments to individuals in*  
21 *private or public institutions, for the establishment or*  
22 *designation of a State authority or authorities which shall*  
23 *be responsible for establishing and maintaining standards for*  
24 *such institutions.”*

25 (d) *The amendments made by subsection (c) shall*

1 take effect October 1, 1950; and the amendment made by  
2 subsection (a) shall take effect July 1, 1951.

3 *COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND*

4 *SEC. 342. (a) So much of Section 1003 (a) of the*  
5 *Social Security Act as precedes clause (1) (A) thereof is*  
6 *amended to read as follows:*

7 *“SEC. 1003. (a) From the sums appropriated therefor,*  
8 *the Secretary of the Treasury shall pay to each State which*  
9 *has an approved plan for aid to the blind, for each quarter,*  
10 *beginning with the quarter commencing October 1, 1950,*  
11 *(1) an amount, which shall be used exclusively as aid to the*  
12 *blind, equal to the sum of the following proportions of the*  
13 *total amounts expended during such quarter as aid to the*  
14 *blind under the State plan, not counting so much of such*  
15 *expenditure with respect to any individual for any month as*  
16 *exceeds \$50—*

17 *(b) The amendment made by subsection (a) shall take*  
18 *effect October 1, 1950.*

19 *DEFINITION OF AID TO THE BLIND*

20 *SEC. 343. (a) Section 1006 of the Social Security Act*  
21 *is amended to read as follows:*

22 *“DEFINITION*

23 *“SEC. 1006. For the purposes of this title, the term ‘aid*  
24 *to the blind’ means money payments to, or medical care in*  
25 *behalf of or any type of remedial care recognized under*

1 *State law in behalf of, blind individuals who are needy, but*  
2 *does not include any such payments to or care in behalf of*  
3 *any individual who is an inmate of a public institution*  
4 *(except as a patient in a medical institution) or any individ-*  
5 *ual (a) who is a patient in an institution for tuberculosis*  
6 *or mental diseases, or (b) who has been diagnosed as having*  
7 *tuberculosis or psychosis and is a patient in a medical*  
8 *institution as a result thereof."*

9       *(b) The amendment made by subsection (a) shall take*  
10 *effect October 1, 1950.*

11                   *APPROVAL OF CERTAIN STATE PLANS*

12       *SEC. 344. (a) In the case of any State (as defined*  
13 *in the Social Security Act) which did not have on January*  
14 *1, 1949, a State plan for aid to the blind approved under*  
15 *title X of the Social Security Act, the Administrator shall*  
16 *approve a plan of such State for aid to the blind for the*  
17 *purposes of such title X, even though it does not meet the*  
18 *requirements of clause (8) of section 1002 (a) of the So-*  
19 *cial Security Act, if it meets all other requirements of such*  
20 *title X for an approved plan for aid to the blind; but pay-*  
21 *ments under section 1003 of the Social Security Act shall be*  
22 *made, in the case of any such plan, only with respect to ex-*  
23 *penditures thereunder which would be included as expendi-*  
24 *tures for the purposes of such section under a plan approved*

1 *under such title X without regard to the provisions of this*  
 2 *section.*

3 *(b) The provisions of subsection (a) shall be effective*  
 4 *only for the period beginning October 1, 1950, and ending*  
 5 *June 30, 1953.*

6 *PART 5—MISCELLANEOUS AMENDMENTS*

7 *SEC. 351. (a) Section 1 of the Social Security Act*  
 8 *is amended by striking out "Social Security Board established*  
 9 *by Title VII (hereinafter referred to as the 'Board'))" and*  
 10 *inserting in lieu thereof "Federal Security Administrator*  
 11 *(hereinafter referred to as the 'Administrator'))".*

12 *(b) Section 1001 of the Social Security Act is amended*  
 13 *by striking out "Social Security Board" and inserting in*  
 14 *lieu thereof "Administrator".*

15 *(c) The following provisions of the Social Security Act*  
 16 *are each amended by striking out "Board" and inserting in*  
 17 *lieu thereof "Administrator": Sections 2 (a) (5); 2 (a)*  
 18 *(6); 2 (b); 3 (b); 4; 402 (a) (5); 402 (a) (6);*  
 19 *402 (b); 403 (b); 404; 1002 (a) (5); 1002 (a) (6);*  
 20 *1002 (b) (other than subparagraph (1) thereof); 1003*  
 21 *(b); and 1004.*

22 *(d) The following provisions of the Social Security Act*  
 23 *are each amended by striking out (when they refer to the*  
 24 *Social Security Board) "it" or "its" and inserting in lieu*

1 thereof "he", "him", or "his", as the context may require:  
2 Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 1002  
3 (b) (other than subparagraph (1) thereof); 1003 (b);  
4 and 1004.

5 (e) Title V of the Social Security Act is amended by  
6 striking out "Children's Bureau", "Chief of the Children's  
7 Bureau", "Secretary of Labor", and (in sections 503 (a)  
8 and 513 (a)) "Board" and inserting in lieu thereof  
9 "Administrator".

#### 10 TITLE IV—MISCELLANEOUS PROVISIONS

##### 11 OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

12 SEC. 401. (a) Section 701 of the Social Security Act  
13 is amended to read:

##### 14 "OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

15 "SEC. 701. There shall be in the Federal Security  
16 Agency a Commissioner for Social Security, appointed by  
17 the Administrator, who shall perform such functions relating  
18 to social security as the Administrator shall assign to him."

19 (b) Section 908 of the Social Security Act Amend-  
20 ments of 1939 is repealed.

##### 21 REPORTS TO CONGRESS

22 SEC. 402. (a) Subsection (c) of section 541 of the  
23 Social Security Act is repealed.

24 (b) Section 704 of such Act is amended to read:



1           “(7) The terms ‘physician’ and ‘medical care’ and  
2           ‘hospitalization’ include osteopathic practitioners or the  
3           services of osteopathic practitioners and hospitals within  
4           the scope of their practice as defined by State law.”

5           (c) Section 1102 of the Social Security Act is amended  
6           by striking out “Social Security Board” and inserting in  
7           lieu thereof “Federal Security Administrator”.

8           (d) Section 1106 of the Social Security Act is amended  
9           to read as follows:

10          “DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

11          “SEC. 1106. Except as provided in section 205 (c),  
12          no disclosure of any return or portion of a return (including  
13          information returns and other written statements) filed with  
14          the Commissioner of Internal Revenue under title VIII of  
15          the Social Security Act or under subchapter E of chapter 1  
16          or subchapter A or E of chapter 9 of the Internal Revenue  
17          Code, or under regulations made under authority thereof,  
18          which has been transmitted to the Administrator by the  
19          Commissioner of Internal Revenue, or of any file, record,  
20          report, or other paper, or any information, obtained at any  
21          time by the Administrator or by any officer or employee of  
22          the Federal Security Agency in the course of discharging the  
23          duties of the Administrator under this Act, and no disclosure  
24          of any such file, record, report, or other paper, or informa-  
25          tion, obtained at any time by any person from the Adminis-

1 trator or from any officer or employee of the Federal Security  
2 Agency, shall be made except as authorized by section 1108  
3 and then only in accordance with such regulations as the  
4 Administrator may prescribe. Any person who shall violate  
5 any provision of this section shall be deemed guilty of a  
6 misdemeanor and, upon conviction thereof, shall be punished  
7 by a fine not exceeding \$1,000, or by imprisonment not  
8 exceeding one year, or both."

9 (e) Section 1107 (a) of the Social Security Act is  
10 amended by striking out "the Federal Insurance Contribu-  
11 tions Act, or the Federal Unemployment Tax Act," and  
12 inserting in lieu thereof the following: "subchapter E of  
13 chapter 1 or subchapter A, C, or E of chapter 9 of the  
14 Internal Revenue Code,".

15 (f) Section 1107 (b) of the Social Security Act is  
16 amended by striking out "Board" and inserting in lieu  
17 thereof "Administrator", and by striking out "wife, parent,  
18 or child", wherever appearing therein, and inserting in lieu  
19 thereof "wife, husband, widow, widower, former wife di-  
20 vorced, child, or parent".

21 (g) Title XI of the Social Security Act is amended  
22 by adding at the end thereof the following new section:

23 "FURNISHING OF WAGE RECORD AND OTHER INFORMATION

24 "SEC. 1108. (a) (1) The Administrator is author-  
25 ized, at the request of any agency charged with the admin-

1 *istration of a State unemployment compensation law (with*  
2 *respect to which such State is entitled to payments under*  
3 *section 302 (a) of this Act) and to the extent consistent*  
4 *with the efficient administration of this Act, to furnish to*  
5 *such agency, for use by it in the administration of such law*  
6 *or a State temporary disability insurance law administered*  
7 *by it, information from or pertaining to records, including*  
8 *account numbers, maintained by the Administrator in ac-*  
9 *cordance with section 205 (c) of this Act.*

10       “(2) *At the request of any agency, person, or organ-*  
11 *ization, the Administrator is authorized, to the extent con-*  
12 *sistent with efficient administration of this Act and subject*  
13 *to such conditions or limitations as he deems necessary, to*  
14 *conduct special statistical studies of, and compile special data*  
15 *with respect to, any matters related to the programs author-*  
16 *ized by this Act and to furnish information resulting there-*  
17 *from to any such agency, person, or organization.*

18       “(b) *Requests under subsection (a) shall be complied*  
19 *with only if the agency, person, or organization making the*  
20 *request agrees to make payment for the work or information*  
21 *requested in such amount, if any (not exceeding the cost of*  
22 *performing the work or furnishing the information), as may*  
23 *be determined by the Administrator. Payments for work*  
24 *performed or information furnished pursuant to this section*  
25 *shall be made in advance or by way of reimbursement, as*

1 *may be requested by the Administrator, and shall be deposited*  
2 *in the Treasury as a special deposit to be used to reimburse*  
3 *the appropriations (including authorizations to make expendi-*  
4 *tures from the Federal Old-Age and Survivors Insurance*  
5 *Trust Fund) for the unit or units of the Federal Security*  
6 *Agency which performed the work or furnished the infor-*  
7 *mation.*

8       “(c) *No information shall be furnished pursuant to this*  
9 *section in violation of section 1106 or regulations prescribed*  
10 *thereunder.”*

11           *ADVANCES TO STATE UNEMPLOYMENT FUNDS*

12       *SEC. 404. (a) Section 1201 (a) of the Social Security*  
13 *Act is amended by striking out “January 1, 1950” and*  
14 *inserting in lieu thereof “January 1, 1952”.*

15       *(b) The amendment made by subsection (a) of this*  
16 *section shall be effective as of January 1, 1950.*

Passed the House of Representatives October 5, 1949.

Attest:

RALPH R. ROBERTS,

*Clerk.*

Calendar No. 1680

81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6000

[Report No. 1669]

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## AN ACT

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

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OCTOBER 6 (legislative day, SEPTEMBER 3), 1949

Read twice and referred to the Committee on Finance

MAY 17 (legislative day, MARCH 29), 1950

Reported with an amendment

COMMITTEE ON FINANCE  
**United States Senate**

WALTER F. GEORGE, *Chairman*

(Compiled by F. F. Fauri, Specialist in Social Legislation, Legislative Reference Service, Library of Congress,  
at the direction of the Chairman and printed for the use of the Committee on Finance)

COMPARISON OF EXISTING SOCIAL SECURITY LAW AND PRINCIPAL CHANGES  
PROVIDED IN H. R. 6000

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# OLD-AGE AND SURVIVORS AND PERMANENT AND TOTAL DISABILITY INSURANCE

(All changes effective January 1, 1950, unless otherwise noted.)

## EXISTING LAW

## CHANGES IN H. R. 6000

### I. COVERAGE

All employment covered except that specifically excluded. The principal employments excluded are:

- (1) self-employment,
- (2) domestic service in a private home or college club,
- (3) agricultural labor (including borderline agricultural labor such as packing and processing of agricultural and horticultural commodities, maintenance of irrigation ditches, etc.)
- (4) governmental service, domestic (Federal, State and local), or foreign,
- (5) employment by nonprofit institutions organized for religious, charitable, scientific, literary, or educational purposes,
- (6) services by newsboys under 18 years of age and by certain vendors of newspapers and magazines,
- (7) employment of an individual by his son, daughter, or spouse, or of a child under 21 by his parent,
- (8) fishing and fish culture, except commercial salmon and halibut fishing or work on or in connection with a vessel of more than 10 net tons,
- (9) railroad employment.

Employment covered only in the 48 States, District of Columbia, Alaska and Hawaii and on American ships outside the United States.

Coverage extended to:

- (1) nonfarm self-employment (other than services performed by an individual as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, publisher, and aeronautical, chemical, civil, electrical, mechanical, metallurgical or mining engineer),
- (2) domestic service in a private home (but not on a farm operated for profit) if individual works 26 days or more in a calendar quarter for one employer and receives cash wages of at least \$25 per quarter, and domestic service in college clubs performed by nonstudent workers if remuneration is at least \$100 in a calendar quarter,
- (3) borderline agricultural labor (including packing and processing of commodities off the farm, maintenance of irrigation ditches, etc.),
- (4) certain governmental service—Federal civilian service not covered by a retirement system (except temporary workers, elective officials, etc.) and State and local employment at the election of the State (except where a retirement system exists, employees and beneficiaries must elect by two-thirds majority to be covered),
- (5) employment by nonprofit institutions,
- (6) employment of Americans outside United States by an American employer and employment on American aircraft outside United States,
- (7) employment and self-employment in Virgin Islands and, if requested by the legislature, in Puerto Rico.

Certain salesmen, mining lessees, taxicab drivers and other individuals who are not employees under common law rules for determining employer-employee relationship are covered as employees.

## II. WAGE CREDITS FOR WORLD WAR II SERVICE

Veteran who dies within 3 years after separation from service is considered to have died fully insured with an average monthly wage of not less than \$160. No benefits payable under this provision, however, if Veterans' Administration pays a pension or compensation by reason of death of the veteran.

Wage credits of \$160 for each month of military service provided for veterans, including those who died in service, without regard to whether or not a pension or compensation is payable by the Veterans' Administration.

## III. BENEFICIARIES OF OLD-AGE AND SURVIVORS INSURANCE

Monthly benefits payable to:

- (1) insured worker, age 65 and over,
- (2) wife, age 65 and over, of insured worker,
- (3) children under 18 of retired worker and children of deceased worker and in latter case, widows regardless of age,
- (4) dependent parents, age 65 and over, of deceased worker if no surviving widow or child who could have received benefits.

Lump sum death payment made to widow or widower of deceased insured worker or person paying funeral expenses if no monthly benefits immediately payable.

Monthly benefits payable to same groups of beneficiaries as under existing law and in addition wife of retired worker receives benefits regardless of age if she has in her care a child entitled to a child's insurance benefit on the basis of her husband's wage record. Also certain dependency and relationship requirements are liberalized, such as permitting the payment of benefits to a child on the basis of the mother's wage record if she was currently and fully insured at the time of death even though the father was supporting the child, a divorced wife qualifies for survivor benefits if she has entitled children of her former husband in her care, has not remarried, and was dependent upon him, etc.

Lump sum death payments made upon the death of all insured workers irrespective of the payment of monthly benefits.

## IV. BENEFICIARIES OF PERMANENT AND TOTAL DISABILITY INSURANCE

None.

A worker who meets the insured status requirements (See VI below) and who is permanently disabled so that he cannot engage in any substantially gainful activity is eligible for disability benefits following an initial waiting period of six consecutive months of total disability. An individual who is blind (as defined in the bill) is considered to be totally and permanently disabled even though he may be able to engage in substantially gainful activity. Amount of monthly benefit for permanently and totally disabled worker computed as for retired worker (see VII below) but no benefits are payable to dependents. Benefit payments begin in January 1951.

## V. INSURED STATUS FOR OLD-AGE AND SURVIVOR BENEFITS

To be fully insured (eligible for all old-age, dependents, and survivor benefits), a worker must have one quarter of coverage for each two calendar quarters clapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of age 65, but in no case are more than 40 quarters of coverage required.

To be currently insured (eligible for child, widowed mother, and lump sum death benefits) a worker must have 6 quarters of coverage out of the 13-quarter period ending with the quarter in which he died.

A worker is credited with a quarter of coverage toward insured status if he is paid \$50 or more in wages during a calendar quarter.

A worker may acquire fully insured status by meeting the requirements of existing law or by obtaining 20 quarters of coverage within the 40-quarter period ending with the quarter in which he attained the age of 65, any subsequent quarter or the quarter in which he died. Quarters included in a period of disability under the permanent and total disability insurance program are excluded from the count of quarters in the elapsed period used for determining insured status unless they are quarters of coverage.

A worker must have 6 quarters of coverage out of the 13-quarter period ending with the quarter in which he died, excluding from such period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage.

After 1949, \$100 in wages or \$200 in self-employment income is required for a quarter of coverage.

## VI. INSURED STATUS FOR PERMANENT AND TOTAL DISABILITY BENEFITS

None.

A worker must have 20 quarters of coverage out of the 40-calendar-quarter period ending with the quarter of disablement, and 6 quarters of coverage out of the 13-quarter period ending with the quarter of disablement.

## VII. COMPUTATION OF WORKER'S PRIMARY (OLD-AGE) AND DISABILITY BENEFIT AMOUNTS

The average monthly wage for computing the monthly old-age benefit amounts is determined by dividing the total taxable wages paid to the worker by the total number of months elapsing after 1936 (or after the worker attained age 22, if that was later) up to the quarter he attained age 65 or died. (Thus, the average monthly wage is reduced for periods in which the worker is not in covered employment.)

The average monthly wage for computing the monthly old-age and disability benefit amounts is based on the taxable wages, including self-employment income after 1936, 1949, or the year in which the worker attained age 21, whichever produces the higher amount. The average monthly wage is the quotient obtained by dividing the total of the aforementioned wages of self-employment income of the worker during the years of coverage by 12 times the number of such years or by the number 60, whichever is greater. (Thus, the average monthly wage is not reduced for periods in which the worker is out of covered employment unless he has less than 5 years of coverage.) For a year of coverage, earnings from covered employment of at least \$200 a year are required for the period 1937-1949, and \$400 for 1950 and thereafter.

EXISTING LAW

CHANGES IN H. R. 6000

Monthly amount of primary benefit is 40 percent of the first \$50 of the average monthly wage plus 10 percent of next \$200, plus 1 percent of the sum thus obtained for each year of coverage.

Monthly amount of primary and disability benefits is 50 percent of first \$100 of average monthly wage, plus 10 percent of next \$200, plus ½ percent of the sum thus obtained for each year of coverage. For the worker who dies, becomes disabled, or attains the age of 65 years after 1955, the benefit amounts are reduced by the percentage of time the worker is out of covered employment since 1936, 1949, or the year worker attained age 21, whichever results in smaller reduction.

Minimum primary benefit is \$10, and maximum family benefit is \$85 or 80 percent of average monthly wage or twice the primary benefit, whichever is less.

Minimum primary benefit is \$25, and maximum family benefit is \$150 or 80 percent of average monthly wage, if less.

The new benefit formula and method of computing average monthly wage are not used for present beneficiaries but the benefits they are now receiving are increased by means of a conversion table. (See Table 1.)

TABLE 1. Comparison of monthly primary (old-age) benefit amounts for present beneficiaries under existing law with benefit amounts under H. R. 6000.

Present primary benefit	Primary benefit under H. R. 6000
\$10	\$25
15	31
20	36
25	44
30	51
35	55
40	60
45	64

VIII. PRIMARY BENEFIT AMOUNTS UNDER EXISTING LAW AND UNDER H. R. 6000 FOR FUTURE BENEFICIARIES.

TABLE 2. Worker with 10 years of coverage, no period of noncoverage.

Level monthly wage	Monthly Benefit	
	Existing Law	H. R. 6000
\$100	\$27. 50	\$52. 50
150	33. 00	57. 80
200	38. 50	63. 00
250	44. 00	68. 30
300	44. 00	73. 50

TABLE 3. *Worker with 40 years of coverage, no period of noncoverage.*

Level monthly wage	Monthly Benefit	
	Existing Law	H. R. 6000
\$100	\$35. 00	\$60. 00
150	42. 00	66. 00
200	49. 00	72. 00
250	56. 00	78. 00
300	56. 00	84. 00

TABLE 4. *Worker with 5 years of coverage, 5 years of noncoverage, all after 1936 (or alternatively for H. R. 6000, all after 1949).*

Level monthly wage	Monthly Benefit	
	Existing Law	H. R. 6000
\$100	\$21. 00	\$26. 30
150	23. 63	28. 90
200	26. 25	31. 50
250	28. 88	34. 20
300	31. 50	36. 80

TABLE 5. *Worker with 20 years of coverage, 20 years of noncoverage, all after 1949 (or alternatively all after 1936).*

Level monthly wage	Monthly Benefit	
	Existing Law	H. R. 6000
\$100	\$24. 00	\$30. 00
150	27. 00	33. 00
200	30. 00	36. 00
250	33. 00	39. 00
300	33. 00	42. 00

TABLE 6. *Worker with 10 years of coverage, 30 years of noncoverage, all after 1949 (or alternatively all after 1936).*

Level monthly wage	Monthly Benefit	
	Existing Law	H. R. 6000
\$100	\$11. 00	\$25. 00
150	16. 50	25. 00
200	22. 00	25. 00
250	23. 38	25. 00
300	23. 38	25. 00

## IX. BENEFIT AMOUNTS FOR DEPENDENTS AND SURVIVORS OF INSURED WORKERS

- |   |  |
|---|--|
| (1) Wife, one-half of primary insurance benefit.                | (1) No change.   |
| (2) Widow, three-fourths of primary insurance benefit.          | (2) No change.   |
| (3) Child, one-half of primary insurance benefit.               | (3) No change, except for deceased worker's family, the first child gets three-fourths of the primary insurance benefit. |
| (4) Parent, one-half of primary insurance benefit.              | (4) Three-fourths of primary insurance benefit.  |
| (5) Lump-sum death payments, 6 times primary insurance benefit. | (5) Three times primary insurance benefit.   |

TABLE 7. Monthly benefit amounts for survivors of insured workers under existing law and under H. R. 6000.

(All figures rounded to nearest dollar)

Average monthly wage	Aged widow <sup>1</sup>		Aged parent <sup>1</sup> or 1 child alone		Widow and 1 child		Widow and 2 children		Widow and 3 children	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
Insured worker covered for 5 years										
\$50.....	\$16	\$19	\$10	\$19	\$26	\$38	\$37	\$40	\$40	\$40
\$100.....	20	38	13	38	33	77	46	80	52	80
\$150.....	24	42	16	42	39	85	55	113	63	120
\$200.....	28	46	18	46	46	92	64	123	74	150
\$250.....	32	50	21	50	52	100	74	133	84	150
\$300.....	( <sup>2</sup> )	54	( <sup>2</sup> )	54	( <sup>2</sup> )	108	( <sup>2</sup> )	144	( <sup>2</sup> )	150
Insured worker covered for 10 years										
\$50.....	\$16	\$20	\$11	\$20	\$28	\$39	\$38	\$40	\$40	\$40
\$100.....	21	39	14	39	34	79	48	80	55	80
\$150.....	25	43	16	43	41	87	58	116	66	120
\$200.....	29	47	19	47	48	94	67	126	77	150
\$250.....	33	51	22	51	55	102	77	137	85	150
\$300.....	( <sup>2</sup> )	55	( <sup>2</sup> )	55	( <sup>2</sup> )	110	( <sup>2</sup> )	147	( <sup>2</sup> )	150
Insured worker covered for 20 years										
\$50.....	\$18	\$21	\$12	\$21	\$30	\$40	\$40	\$40	\$40	\$40
\$100.....	22	41	15	41	38	80	52	80	60	80
\$150.....	27	45	18	45	45	91	63	120	72	120
\$200.....	32	50	21	50	52	99	74	132	84	150
\$250.....	36	54	24	54	60	107	84	143	85	150
\$300.....	( <sup>2</sup> )	58	( <sup>2</sup> )	58	( <sup>2</sup> )	116	( <sup>2</sup> )	150	( <sup>2</sup> )	150
Insured worker covered for 40 years										
\$50.....	\$21	\$22	\$14	\$22	\$35	\$40	\$40	\$40	\$40	\$40
\$100.....	26	45	18	45	44	80	61	80	70	80
\$150.....	32	50	21	50	52	99	74	120	84	120
\$200.....	37	54	24	54	61	108	85	144	85	150
\$250.....	42	58	28	58	70	117	85	150	85	150
\$300.....	( <sup>2</sup> )	63	( <sup>2</sup> )	63	( <sup>2</sup> )	126	( <sup>2</sup> )	150	( <sup>2</sup> )	150

<sup>1</sup> Age 65 or over.<sup>2</sup> Present law includes wages only up to \$250 per month.

NOTE.—"Average wage" is computed differently under the two plans. (See VII, above.) These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

### X. EMPLOYMENT INCOME LIMITATION FOR BENEFICIARIES

No benefits are payable for month in which earnings in covered employment exceed \$14.99.

For old-age and survivors benefits the \$14.99 limitation is increased to \$50, and no limitation is imposed for beneficiaries age 75 and over. Special provision for earnings from self-employment so that benefits may be paid for all months in a taxable year if the net earnings from self-employment are \$600 or less for the year. If the net earnings exceed \$600, the beneficiary would be deprived of a monthly benefit for each \$50 or fraction of \$50 of income in excess of \$600. Beneficiaries under the permanent and total disability insurance program are subject to the employment income limitation of \$50 per month (\$600 per year from self-employment) but the limitation applies to earnings from noncovered as well as covered employment or self-employment.

### XI. MAXIMUM ANNUAL WAGE AND SELF-EMPLOYMENT INCOME FOR TAX AND BENEFIT PURPOSES

\$3,000.

\$3,600 after 1949.

### XII. TAX (OR CONTRIBUTION) RATES

One percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.

One and one-half percent on employer and 1½ percent on employee for 1950, 2 percent for 1951-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3½ percent thereafter, except—

- (1) for self-employed, one and one-half times rates for employees. Self-employment income would be, in general, income from trade or business; and
- (2) for nonprofit employment, no tax is imposed on employer, but employer may elect to pay employer's tax by waiving the tax exemption. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.

### XIII. AUTHORIZATION FOR APPROPRIATIONS BY CONGRESS FROM GENERAL REVENUES

Congress is authorized to appropriate such sums from general revenues to the Old-Age and Survivors Trust Fund that may be required to finance the program.

Provision is repealed.

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES

(NOTE.—All changes effective October 1, 1949, unless otherwise noted)

### EXISTING LAW

### CHANGES IN H. R. 6000

### I. GROUPS ELIGIBLE FOR AID

Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children 16 to 18 years of age, if they are regularly attending school.

Fourth category provided for permanently and totally disabled individuals who are in need. In aid to dependent children the mother or other relative with whom a dependent child is living is included as a recipient for Federal matching purposes.

### II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

Federal share for old-age assistance and aid to blind is three-fourths of first \$20 of a State's average monthly payment plus one-half of the remainder within individual maximums of \$50; for aid to dependent children, three-fourths of the first \$12 of the average monthly payment per child, plus one-half the remainder within individual maximums of \$27 for the first child and \$18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States.

Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is four-fifths of the first \$25 of a State's average monthly payment, plus one-half of the next \$10, plus one-third of the remainder within individual maximums of \$50; for aid to dependent children, four-fifths of the first \$15 of the average monthly payment per recipient, plus one-half of the next \$6, plus one-third of the next \$6 within individual maximums of \$27 for the relative with whom the children are living, \$27 for the first child, and \$18 for each additional child in a family. (See tables below for illustrations of the effect of these changes.) Administrative costs shared 50 percent by Federal Government and 50 percent by States for all categories.

**TABLE 1. Old-age assistance and aid to the blind: Amount and percent of Federal funds in average monthly payments of specified size under present law and under H. R. 6000**

Average monthly payment <sup>1</sup>	Present law		H. R. 6000 <sup>2</sup>	
	Federal funds	Percent of total	Federal funds	Percent of total
\$20-----	\$15. 00	75	\$16. 00	80
25-----	17. 50	70	20. 00	80
30-----	20. 00	67	22. 50	75
35-----	22. 50	64	25. 00	71
40-----	25. 00	62	26. 67	67
45-----	27. 50	61	28. 33	63
50-----	30. 00	60	30. 00	60
60-----	30. 00	50	30. 00	50
70-----	30. 00	43	30. 00	43

<sup>1</sup> Average for Federal matching purposes includes all payments of \$50 or less, and in the case of larger payments only the first \$50.  
<sup>2</sup> Also applies to permanently and totally disabled.

TABLE 2.—Old-age assistance and aid to the blind: Amount to which average monthly payments of specified size under present provisions could be increased under H. R. 6000, assuming the same average expenditure per recipient from State and local funds

Average monthly payments <sup>1</sup>	Present law		H. R. 6000 <sup>2</sup>			
	Federal funds	State and local funds	Average monthly payments <sup>1</sup>	Federal funds	State and local funds	Increase in Federal funds
\$20.....	\$15. 00	\$5. 00	\$25. 00	\$20. 00	\$5. 00	\$5. 00
25.....	17. 50	7. 50	30. 00	22. 50	7. 50	5. 00
30.....	20. 00	10. 00	35. 00	25. 00	10. 00	5. 00
35.....	22. 50	12. 50	38. 75	26. 25	12. 50	3. 75
40.....	25. 00	15. 00	42. 50	27. 50	15. 00	2. 50
45.....	27. 50	17. 50	46. 25	28. 75	17. 50	1. 25
50.....	30. 00	20. 00	50. 00	30. 00	20. 00	.....
60.....	30. 00	30. 00	60. 00	30. 00	30. 00	.....
70.....	30. 00	40. 00	70. 00	30. 00	40. 00	.....

<sup>1</sup> Average for Federal matching purposes includes all payments of \$50 or less, and in the case of larger payments only the first \$50.  
<sup>2</sup> Also applies to permanently and totally disabled.

TABLE 3.—Aid to dependent children: Amount and percent of Federal funds in average monthly payments to families of specified size, under present law and under H. R. 6000

Average monthly payments <sup>1</sup>	Present law		H. R. 6000	
	Federal funds	Percent of total	Federal funds	Percent of total
1-child family				
\$25.....	\$15. 50	62	\$20. 00	80
35.....	16. 50	47	26. 50	76
45.....	16. 50	37	31. 00	69
55.....	16. 50	30	34. 00	62
75.....	16. 50	22	34. 00	45
90.....	16. 50	18	34. 00	38
3-child family				
\$25.....	\$18. 75	75	\$20. 00	80
35.....	26. 25	75	28. 00	80
45.....	31. 50	70	36. 00	80
55.....	36. 50	66	44. 00	80
75.....	40. 50	54	55. 50	74
90.....	40. 50	45	62. 00	69
110.....	40. 50	37	62. 00	56

<sup>1</sup> Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of larger payments, the amounts of such maximums.

TABLE 4.—Aid to dependent children: Amount to which average monthly payments to families of specified size under present provisions could be increased under H. R. 6000 assuming the same average expenditure per family from State and local funds

Average monthly payments <sup>1</sup>	Present law		H. R. 6000			
	Federal funds	State and local funds	Average monthly payments <sup>1</sup>	Federal funds	State and local funds	Increase in Federal funds
1-child family						
\$25.....	\$15. 50	\$9. 50	\$37. 00	\$27. 50	\$9. 50	\$12. 00
35.....	16. 50	18. 50	51. 75	33. 25	18. 50	16. 75
45.....	16. 50	28. 50	62. 50	34. 00	28. 50	17. 50
55.....	16. 50	38. 50	72. 50	34. 00	38. 50	17. 50
75.....	16. 50	58. 50	92. 50	34. 00	58. 50	17. 50
90.....	16. 50	73. 50	107. 50	34. 00	73. 50	17. 50
3-child family						
25.....	\$18. 75	\$6. 25	\$31. 25	\$25. 00	\$6. 25	\$6. 25
35.....	26. 25	8. 75	43. 75	35. 00	8. 75	8. 75
45.....	31. 50	13. 50	63. 00	49. 50	13. 50	18. 00
55.....	36. 50	18. 50	73. 00	54. 50	18. 50	18. 00
75.....	40. 50	34. 50	96. 50	62. 00	34. 50	21. 50
90.....	40. 50	49. 50	111. 50	62. 00	49. 50	21. 50
110.....	40. 50	69. 50	131. 50	62. 00	69. 50	21. 50

<sup>1</sup> Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of large payments, the amounts of such maximums.

EXISTING LAW

CHANGES IN H. R. 6000

III. MEDICAL CARE

Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments of \$50 for aged and blind, and \$27 for first child and \$18 for each additional child in an aid-to-dependent-children family. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.

Federal Government will share in cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above. Federal Government shares in the cost of payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis.

## IV. CHANGES IN REQUIREMENTS FOR STATE PUBLIC-ASSISTANCE PLANS

## A. RESIDENCE

For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and one continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.

No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than one continuous year prior to filing of the application for aid. For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid. (All other requirements for aid to the permanently and totally disabled are the same as for old-age assistance.)

## B. INCOME AND RESOURCES

For the three categories, a State must in determining need, take into consideration the income and resources of an individual claiming assistance.

Provision in existing law is made applicable to aid to the permanently and totally disabled. For aid to the blind, effective October 1, 1949, a State may disregard such amount of earned income, up to \$50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or actually not available to the individual and take into consideration the special expenses arising from blindness.

## C. TEMPORARY APPROVAL OF STATE PLANS FOR AID TO THE BLIND

No provision.

For the period October 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the aforementioned income and resources requirement of the act.

**D. EXAMINATION TO DETERMINE BLINDNESS**

No provision.

A State aid to the blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.

**E. ASSISTANCE TO BE FURNISHED PROMPTLY**

No specific provision relating to opportunity to apply for assistance promptly.

Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals.

**F. FAIR HEARING**

Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.

Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time.

**G. STANDARDS FOR INSTITUTIONS**

No provision.

If a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions. (Effective July 1, 1953.)

**H. TRAINING PROGRAM FOR PERSONNEL**

No specific provision.

States must provide a training program for the personnel necessary to the administration of the plan.

**I. NOTIFICATION TO LAW ENFORCEMENT OFFICIALS**

No provision.

In aid to dependent children the States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent.

## V. PUERTO RICO AND VIRGIN ISLANDS

Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.

The four categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half of the total sums expended under an approved plan up to a maximum payment for any individual of \$30 per month. For aid to dependent children the Federal share is limited to one-half of the expenditures under an approved plan up to individual maximums of \$27 for the first child and \$18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50-50 basis.

## VI. CHILD WELFARE SERVICES

Authorizes an annual appropriation of \$3,500,000 for grants to the States for child welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: \$20,000 to each State and remainder on basis of rural population of the respective States.

Authorization for annual appropriation increased to \$7,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. (Effective for fiscal years beginning after June 30, 1951.)

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

**Walter F. George, *Chairman***

**JANUARY 12, 1950**

**(Compiled by F. F. Fauri, Specialist in Social Legislation, Legislative Reference Service, Library of Congress,  
at the direction of the Chairman and printed for the use of the Committee on Finance)**

**THE MAJOR DIFFERENCES IN THE PRESENT SOCIAL SECURITY LAW,  
THE RECOMMENDATIONS OF THE ADVISORY COUNCIL, AND  
H. R. 6000<sup>1</sup>**

**Relating to**

**Old-Age and Survivors Insurance  
Permanent and Total Disability Insurance, and  
Public Assistance and Child Welfare Services**

<sup>1</sup> The Advisory Council on Social Security to the Senate Committee on Finance was appointed under authority of S. Res. 141, 80th Cong., 1st sess. The Council's recommendations are stated in S. Doc. No. 208, 80th Cong., 2d sess. H. R. 6000 was passed by the House of Representatives October 5, 1949, and is now pending in the Senate Committee on Finance. The Committee on Ways and Means report on the bill is H. Rept. No. 1300, 81st Cong., 1st sess.

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**The major differences in the present social-security law, the recommendations of the Advisory Council, and H. R. 6000**

**OLD-AGE AND SURVIVORS INSURANCE**

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>I. COVERAGE</b>			
A. Self-employed:			
1. Nonfarm self-employed.	Not covered.....	Cover, if self-employment yields annual gross income of at least \$500, and a net income of at least \$200 (Council report, pp. 15-16).	Covered, if self-employment yields annual net income of at least \$400, except for services performed by an individual as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, publisher, and aeronautical, chemical, civil, electrical, mechanical, metallurgical or mining engineer (Ways and Means report, pp. 9-10, 91, 135-143).
2. Farmers.....	do.....	Cover in same manner as nonfarm self-employed (Council report, pp. 15-16).	Not covered. (For definition of farm, see B-1 below.) (Ways and Means report, p. 9.)
B. Agricultural workers..	<p>Not covered. Certain borderline agricultural services also excluded, even though not performed on a farm, as follows:</p> <p>(1) Services in connection with the production or harvesting of maple sirup or maple sugar;</p> <p>(2) services in connection with raising or harvesting of mushrooms, hatching of poultry, ginning of cotton; or irrigation;</p> <p>(3) postharvesting services (packing, processing, etc., of any agricultural or horticultural commodity) performed for farmers or farmers' cooperatives and for commercial handlers of fruits and vegetables (but not commercial canning or commercial freezing or in connection with a commodity after delivery to terminal market for distribution for consumption); and</p>	<p>Full coverage (Council report, p. 17).</p>	<p>General agricultural labor not covered, but some of the borderline agricultural services excluded under present law are covered, as follows:</p> <p>(1) Services performed on or off the farm in connection with the processing of maple sap into maple sirup or maple sugar (but not the gathering of maple sap on a farm);</p> <p>(2) services performed off the farm in connection with the raising or harvesting of mushrooms, hatching of poultry; or irrigation (but not ginning of cotton);</p> <p>(3) postharvesting services performed for farmers' cooperatives or for commercial handlers of fruits and vegetables (but not for a farmer or for an informal group of farmers).</p>

**OLD-AGE AND SURVIVORS INSURANCE—Continued**

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>I. COVERAGE—continued</b>			
<b>B. Agricultural workers—Continued</b>	(4) services in connection with the production of crude gum from a living tree or the processing of such crude gum into gum spirits of turpentine and gum rosin if processing is carried on by the original producer.	-----	No change in item (4) under present law (Ways and Means report, pp. 13, 77-79, 132-134).
1. Definition of farm.	The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.	-----	Same as under present law (Ways and Means report, pp. 79, 134).
<b>C. Domestic workers-----</b>	Not covered if services are performed in a private home, local college club or local chapter of a college fraternity or sorority.	Full coverage (Council report, pp. 17-18).	Services in private home (but not on a farm operated for profit) are covered if the worker is employed 26 days or more in calendar quarter by 1 employe and is paid cash wages of at least \$25 for the services rendered in the quarter. Services in local college club or local chapter of a college fraternity or sorority performed by nonstudent worker are covered if remuneration is at least \$100 in a calendar quarter (Ways and Means report, pp. 11-12, 72, 76, 127, 131).
<b>D. Employees of non-profit organizations.</b>	In general, not covered. The services excluded are those performed by— (1) employees of non-profit organizations organized and operated exclusively for religious, charitable, scientific, literary, educational, or humane purposes, if the organization does not engage substantially in propaganda or other activities designed to influence legislation; (2) employees of organizations exempt from income tax under sec. 101 of the Internal Revenue Code if the employee (a) receives \$45 or less in a calendar	Cover services excluded under present law, except services performed by clergymen and members of religious orders. Levy tax on employer and on employee but "Congress should indicate its intent that taxation of nonprofit organizations for old-age and survivors insurance in no way implies a departure from the principle of promoting the function of these organizations through tax exemption, and that a major reason for extending protection to this area of employment is to assist these institutions in fulfilling their purpose"	All services excluded under present law are covered except services performed by— (1) ministers and members of religious orders; (2) employees of organizations exempt from Federal income tax under sec. 101 of the Internal Revenue Code if the remuneration for service rendered in a calendar quarter is less than \$100; (3) students employed by a school, college, or university whether or not exempt from income tax, if the student is regularly attending classes at such institution; and (4) student nurses and inter (same as under present law).

**OLD-AGE AND SURVIVORS INSURANCE—Continued**

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p><b>I. COVERAGE—continued</b></p> <p><b>D. Employees of non-profit organizations—Continued</b></p>	<p>quarter for such services, or (b) is employed by a fraternal beneficiary society, order, or association, and is either employed collecting dues or premiums away from the home office, or is performing ritualistic service, or (c) is a student who is regularly attending classes at a school, college, or university;</p> <p>(3) employees of agricultural or horticultural organizations exempt from income tax under sec. 101 (1) of the Internal Revenue Code;</p> <p>(4) employees of non-profit voluntary employees' beneficiary associations providing benefits for members if 85 percent or more of the income of the association consists of amounts collected from members for the purpose of paying such benefits and meeting expenses, or membership is limited to officers and employees of the United States;</p> <p>(5) employees of a school, college, or university which is not exempt from Federal income tax if the employee is a regular student at such institution and receives less than \$45 in a calendar quarter;</p> <p>(6) student nurses employed by a hospital or a nurses' training school if the student nurse is regularly attending classes in an approved nurses' training school; and</p> <p>(7) Interns employed by a hospital if the intern has completed a 4 years' course in an approved medical school.</p>	<p>(Council report, pp. 18-20; for minority views, p. 63).</p>	<p>Contributions by employees are compulsory; contributions by employer are voluntary. If the employer does not elect to pay the employer's contribution by waiving his tax exemption, only <math>\frac{1}{2}</math> of the employee's wages would be credited toward benefits (Ways and Means report pp. 12-13, 75-76, 117-118, 130-131).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p>I. COVERAGE—continued</p> <p>E. Federal civilian employees.</p>	<p>Services are not covered if performed—</p> <p>(1) in the employ of the United States; or</p> <p>(2) for an instrumentality of the United States which is either wholly owned by the United States or exempt from the employer's tax for old-age and survivors insurance imposed by sec. 1410 of the Internal Revenue code by virtue of any other provision of law.</p>	<p>Immediately cover all employees of Federal Government and its instrumentalities (except foreign nationals) who are not covered by an existing retirement system, and the wage credits of employees who die or leave Federal employment with less than 5 years of service should be transferred to old-age and survivors insurance.</p> <p>Congress should direct the Social Security Administration and the agencies administering the various Federal retirement programs to develop a permanent plan for extending old-age and survivors insurance to all Federal civilian employees (except foreign nationals) whereby the civil service and other special retirement systems would become supplementary to old-age and survivors insurance and provide combined benefits at least equal to those now payable under special retirement systems. (Council report, pp. 20-23).</p>	<p>Coverage extended to about 100,000 employees. In general, the services covered are those performed for the United States or for instrumentalities wholly or partly owned by the United States (unless excluded from the employer tax for old-age and survivors insurance under provisions of law which refer specifically to sec. 1410 of the Internal Revenue code) but only if—</p> <p>(1) the service is not covered under a retirement system established by Federal law, or</p> <p>(2) the service is not of the character described in any of the 13 special classes of excepted services. (These special classes are enumerated on pp. 128 and 129 of the Ways and Means report and pp. 37-39 of the bill.) (Ways and Means report, pp. 13 73-74, 118-120, 128-129.)</p>
<p>F. Employees of State and local governments.</p>	<p>Not covered.....</p>	<p>Compulsory coverage of employees of State and local governments engaged in proprietary functions (State liquor stores, publicly owned utilities, etc.).</p> <p>Voluntary coverage of other State and local employees (including those under existing retirement systems) by Federal-State agreements. (Council report, pp. 25-27.)</p>	<p>Compulsory coverage of certain employees of publicly owned transit companies as follows:</p> <p>(1) if a transit company was acquired by a governmental unit after 1936 but before 1950, individuals working for the company on the date it was taken over would be covered beginning in 1950, unless the employing governmental unit elects against such coverage; and</p> <p>(2) if a transit company is acquired after 1949, individuals working for the company on the date it is taken over would continue to be covered by old-age and survivors insurance.</p> <p>Voluntary coverage of other State and local governmental employees by Federal-State agreements except that such agreements cannot include—</p> <p>(1) employees on work relief projects;</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>I. COVERAGE—continued</b> <b>F. Employees of State and local governments—Continued</b>			<p>(2) patients and inmates of institutions who are employed by such institutions; and</p> <p>(3) employees covered by an existing retirement system unless such employees and beneficiaries of the existing system elect to be covered by old-age and survivors insurance by a two-thirds majority of those participating in a written referendum (Ways and Means report, pp. 10-11, 74-75, 100-104, 129-130).</p>
<b>G. Employees outside the United States.</b>	<p>Not covered, except for employment on or in connection with an American vessel under a contract of service entered into within the United States or employment on and in connection with an American vessel that touches at a port in the United States.</p>	<p>No specific recommendation, but attention called to the lack of coverage for American citizens employed outside the United States by American firms (Council report, p. 5).</p>	<p>Services performed outside the United States by citizens of the United States for an American employer are covered, and the provision under present law relating to American vessels made applicable to American aircraft (Ways and Means report, pp. 13, 71, 77, 126-127, 132, 135).</p>
<b>H. Railroad employees—</b>	<p>Not covered. Survivorship protection for railroad workers is based on combined earnings in railroad and old-age and survivors insurance employment under eligibility and benefit provisions closely resembling those of old-age and survivors insurance.</p>	<p>No recommendation for immediate coverage, but the Congress should direct the Social Security Administration and the Railroad Retirement Board to undertake a study to determine the most practicable method of making railroad retirement supplementary to old-age and survivors insurance. Combined protection of both systems should at least equal that provided under the Railroad Retirement Act (Council report, pp. 23-24).</p>	<p>Not covered. Present survivorship provisions unchanged.</p>
<b>I. Members of the armed forces.</b>	<p>Not covered. (Special temporary survivorship protection for veterans of World War II, see item VI below.)</p>	<p>Cover, including members of the armed forces stationed outside the United States. Service retirement systems should be adjusted so that combined protection is at least equal that afforded servicemen at present. (Council report, pp. 24-25).</p>	<p>Not covered. (Wage credits granted for service in World War II, see item VI below.)</p>
<b>J. Casual labor—</b>	<p>Casual labor not in the course of the employer's trade or business is excluded from coverage.</p>	<p>No recommendation—</p>	<p>Casual labor not in the course of the employer's trade or business is covered if the worker is employed 26 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$25 for the services rendered in the quarter (Ways and Means report, pp. 12, 72, 127).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
I. COVERAGE—continued			
K. Employment in Puerto Rico and the Virgin Islands.	Not covered-----	No recommendation for immediate coverage, but a commission should be established to determine the kind of social-security protection appropriate to Puerto Rico, Virgin Islands, Guam, and other possessions of the United States (Council report, p. 28).	Employment and self-employment in Virgin Islands covered, and also in Puerto Rico if requested by the legislature (Ways and Means report, pp. 13-14, 80, 110, 131, 145).
L. Tips and gratuities-----	Not included as wages-----	Include as wages all tips and gratuities customarily received by an employee from a customer of an employer either as reported by the employee or as estimated by the employer (Council report, pp. 28-29).	Includes cash tips and other cash remuneration customarily received by an employee in the course of his employment but only in the amount the employee reports in writing to his employer (Ways and Means report, pp. 70, 124).
M. Definition of employee.	<p>The term includes an officer of a corporation but does not include—</p> <p>(1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor; or</p> <p>(2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.</p>	No recommendation.	<p>The term includes—</p> <p>(1) officers of corporations;</p> <p>(2) individuals who are employees under the usual common-law rules, and individuals performing services under a contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of the service and that the individual in the performance of the service (either alone or as a member of the group) is an employee;</p> <p>(3) individuals in the following occupational groups who perform services under <i>prescribed circumstances</i>:</p> <p>(a) outside salesmen in manufacturing or wholesale trade,</p> <p>(b) full-time life-insurance salesmen,</p> <p>(c) driver-lessees of taxicabs,</p> <p>(d) homeworkers,</p> <p>(e) contract loggers,</p> <p>(f) mining lessees,</p> <p>(g) house-to-house salesmen;</p> <p>or</p> <p>(4) individuals who are determined to have the status of employees under the combined effect of the following 7 factors:</p> <p>(a) control over the individual,</p> <p>(b) permanency of the relationship,</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p>I. COVERAGE—continued</p> <p>M. Definition of employee—Continued</p>			<p>(c) regularity and frequency of performance of the service,</p> <p>(d) integration of the individual's work in the business to which he renders service,</p> <p>(e) lack of skill required of the individual,</p> <p>(f) lack of investment by the individual in facilities for work, and</p> <p>(g) lack of opportunities of the individual for profit and loss (Ways and Means report, pp. 14-15, 80-91, 135).</p>
<p>II. INSURED STATUS</p> <p>A. Fully insured (eligible for all old-age, dependents and survivor benefits).</p>	<p>One quarter of coverage for each 2 calendar quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of retirement age, but in no case more than 40 quarters nor less than 6 quarters.</p>	<p>"New start" provision requiring 1 quarter of coverage for each 2 calendar quarters elapsing after 1948 (or after attainment of age 21, if later) and before death or attainment of retirement age, but in no case less than 6 quarters nor more than 40 quarters. Quarters of coverage earned any time after 1936 count toward meeting the requirement. The new start provision not applicable if worker died prior to 1949. (Council report, pp. 29-31).</p> <p>(NOTE.—Under the Council's recommendation the year 1948 is substituted for the year 1936 in present law to provide the "new start" for insured status requirements. However, had the recommendation been made in 1950 instead of in 1948, the new starting date would be 1950.)</p>	<p>Provisions of present law are retained and in addition a fully insured status may be acquired by obtaining 20 quarters of coverage within the 40-quarter period ending with the quarter in which the worker attained age 65, any subsequent quarter, or the quarter in which he died (Ways and Means report, pp. 25-26, 93-94).</p> <p>(See C below for effect of periods of disability on insured status.)</p>
<p>B. Currently insured (for survivor and lump-sum death benefits).</p>	<p>6 quarters of coverage out of the 13-quarter period ending with the quarter of death.</p>	<p>Same as present law except if worker has been permanently and totally disabled. (See C below.)</p>	<p>Same as present law except if worker has been permanently and totally disabled. (See C below.)</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>II. INSURED STATUS—con.</b>			
<b>C. Effect of periods of disability.</b>	No provision-----	Quarters included in a period of disability under the permanent and total disability program recommended by the Council are excluded from the count of quarters in the elapsed periods used for determining currently insured status in B above (Council report, p. 79).	Quarters included in a period of disability under the permanent and total disability program provided for in the bill are excluded from the count of quarters in the elapsed periods used for determining insured status in A and B above (Ways and Means report, pp. 31, 93-94).
<b>D. Quarter of coverage defined.</b>	Wages of \$50 or more during a calendar quarter.	Same as present law-----	After 1949, \$100 in wages or \$200 in self-employment income; for prior years, same as present law (Ways and Means report, pp. 26, 92).
<b>III. BENEFIT CATEGORIES</b>			
<b>A. Retired worker-----</b>	Age 65-----	Age 65 for men, 60 for women (Council report, p. 44).	Age 65 (Ways and Means report, pp. 23-24).
<b>B. Wife of retired worker.</b>	Age 65-----	Age 60-----	Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of husband's wage record (Ways and Means report, p. 56).
<b>C. Widow of worker-----</b>	Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of her husband's wage record. (Adopted child not entitled to benefits unless adoption has been in effect for at least 12 calendar months before the month in which worker died.)	Reduce age 65 requirement of present law to age 60.	Same as under present law, except (1) payments are provided for divorced wife of deceased insured worker if she has been receiving at least half her support from the worker and has in her care a child entitled to benefits on the basis of the worker's wage record, and (2) payments are provided for widow when adopted child is a survivor regardless of period of time the adoption has been in effect (Ways and Means report, pp. 22, 57, 98).
<b>D. Child of deceased or retired worker.</b>	Unmarried child under 18 years of age is entitled to benefits if he was dependent upon the individual on whose wage record benefits are claimed. The following restriction, in present law, on the finding of dependency of a child on the insured worker would be modified by H. R. 6000 and recommendations of the Advisory Council: a child is not dependent upon his mother if the father is present in the household or has contributed to the support of the child.	Benefits payable to children of any currently insured woman upon her death. Benefits also payable to children of any retired woman who was currently insured upon becoming eligible for primary insurance benefits. (In case both husband and wife have the required insured status, the child receives only the benefit amount based on the larger of the two wage records.) (Council report, p. 38.)	The restrictions on finding of dependency of a child on the insured worker cited under present law are modified as follows: (1) child benefits are payable on the mother's (including adoptive) wage record if she was fully and currently insured when she died regardless of presence of or support furnished by the father, and child benefits are also payable on the mother's (including adoptive and stepmother) wage record when the mother dies receives old-age benefits if she has been furnishing at least 1/2 of child's support or if she has been living with or contributing to the

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>III. BENEFIT CATEGORIES—continued</b>			
D. Child of deceased or retired worker—Con.	<p>The following restriction would be modified by H. R. 6000 only: a child is deemed dependent upon a stepfather only if no parent other than the stepparent was contributing to the support of the child and the child was not living with its father.</p> <p>Adopted child of a deceased worker does not qualify for benefits unless adoption has been in effect for at least 12 calendar months before the month in which the worker died.</p>		<p>child's support and the child has not been living with or receiving support from the father; and</p> <p>(2) a child is deemed dependent upon his stepfather if the child was living with or receiving at least ½ of his support from the stepfather (Ways and Means report, pp. 22, 57).</p> <p>Adopted child of a deceased worker qualifies for benefits without regard to length of time elapsing after the adoption (Ways and Means report, p. 98).</p>
F. Dependent parent of deceased worker.	Age 65.....	Reduce age 65 to age 60 for dependent mother of deceased worker (Council report, p. 44).	Age 65.
F. Dependent husband of deceased or retired woman worker.	Not eligible for benefits.....	Benefits payable to aged dependent husband of a woman worker who was currently and fully insured at the time of her death or when she became eligible for old-age benefits. (Council report, p. 38).	Not eligible for benefits.
G. Lump-sum death payment to widow or widower or person paying funeral expenses.	Payable only when no survivor of currently or fully insured deceased worker is immediately eligible for monthly benefits.	Payable at the death of every insured worker (Council report, p. 45).	Payable at the death of every insured worker (Ways and Means report, pp. 22-23, 58).
<b>IV. BENEFIT AMOUNTS</b>			
A. Average monthly wage.	Computed by dividing the total taxable wages paid to the worker by the total number of months elapsing after 1936 (excluding months in any quarter before the one in which the worker reached age 22 unless he received wages of at least \$50 in such quarter) up to the quarter he attained age 65 or died. Wages earned after age 65 are included only if the result is to increase the average monthly wage.	Compute as under present law except that any worker who has wage credits of \$50 or more in each of 6 or more quarters after 1948 would have his average wage based either on the wages and elapsed time counted as under present law or on the wages and elapsed time after 1948, whichever gives the higher result (Council report, pp. 33-34).	Based on taxable wages (including self-employment income) after 1936, 1949, or the year in which the worker attained age 21, whichever produces the higher amount. Computed by dividing the total taxable wages during the years of coverage by 12 times the number of such years or by the number 60, whichever is greater. <p>For a year of coverage, earnings from covered employment of at least \$200 a year are required for the period 1937-49, and \$400 for 1950 and thereafter (Ways and Means report, pp. 17-18, 95-96).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p>IV. BENEFIT AMOUNTS— continued</p> <p>B. Worker's primary benefit amount.</p>	<p>Monthly amount is 40 percent of the first \$50 of the average monthly wage plus 10 percent of the next \$200, plus 1 percent of the sum thus obtained for each year of coverage.</p>	<p>Monthly amount is 50 percent of the first \$75 of the average monthly wage plus 15 percent of the next \$275 (Council report, pp. 34-37; for minority views, pp. 64-66).</p>	<p>Benefit amounts being received by present beneficiaries are increased by means of a conversion table. (See table p. 115, Ways and Means report.)</p> <p>For individuals retiring after 1949, monthly amount is 50 percent of the first \$100 of the average monthly wage plus 10 percent of the next \$200, plus <math>\frac{1}{2}</math> percent of the sum thus obtained for each year of coverage.</p> <p>For the worker who attains the age of 65 or dies after 1955, the benefit amount is reduced by the percentage of time the worker is out of covered employment since 1936, 1949, or the year worker attained age 21, whichever results in smaller reduction (Ways and Means report, pp. 18-20, 94-95).</p> <p>Example of reduction in benefit.</p> <p>Assume worker retires with 20 years of coverage out of an elapsed period of 25 years and an average monthly wage of \$200 per month over the years of coverage. The base amount is \$60 (50 percent of first \$100, plus 10 percent of \$100). The continuation factor is 80 percent (20 years of coverage out of a possible 25 years). The product of the continuation factor and the base amount is \$48 (80 percent of \$60). To the \$48 is added the amount of the increment of <math>\frac{1}{2}</math> percent of the base amount for each year of coverage, in this instance 10 percent of \$60 (<math>\frac{1}{2}</math> percent for each 20 years of coverage). Thus, \$6 is added to \$48, providing a monthly benefit of \$54. If this worker had the full 25 years of coverage with no change in his average monthly wage, his base amount would be \$60, his increment amount \$7.50 (12<math>\frac{1}{2}</math> percent of \$60), and there would be no reduction on account of the continuation factor, making a monthly benefit payment of \$67.50.</p>
<p>C. Minimum primary benefit.</p>	<p>\$10.....</p>	<p>\$20 (Council report, pp. 41-42)</p>	<p>\$25 (Ways and Means report, pp. 16, 94).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
IV. BENEFIT AMOUNTS— continued			
D. Maximum family benefit.	\$85, or 80 percent of average monthly wage, or twice the primary benefit amount, whichever is less. Except that the limitation does not operate to reduce family benefits below \$20.	80 percent of the average monthly wage, or 3 times the primary benefit amount, whichever is less, except that the limitation does not operate to reduce family benefits below \$40 (Council report, pp. 39-41).	\$150, or 80 percent of the average monthly wage, whichever is less, except that limitation does not operate to reduce family benefits below \$40 (Ways and Means report, pp. 21, 60).
E. Dependents and survivors benefits (as related to primary benefit)			
1. Wife of retired worker.	50 percent.....	50 percent.....	50 percent.
2. Widow.....	75 percent.....	75 percent.....	75 percent.
3. Child of retired or deceased worker.	50 percent.....	50 percent, except for deceased worker's family, 75 percent for first child.	50 percent, except for deceased worker's family, 75 percent for first child.
4. Parent of deceased worker.	50 percent.....	75 percent.....	75 percent.
5. Lump-sum death payment.	6 times.....	4 times (Council report, pp. 37, 45).	3 times (Ways and Means report pp. 20, 22-23, 56-58).
V. EMPLOYMENT INCOME LIMITATION FOR BENEFICIARIES (WORK CLAUSE)			
A. Earnings permitted...	Monthly benefit forfeited if earnings in covered employment exceed \$14.99.	No limitation for individuals aged 70 and over. At lower ages, the benefit to which an individual is entitled for any month would be reduced by the amount in excess of \$35 which he earns in that month (Council report, pp. 42-44).	The \$14.99 limitation in present law is increased to \$50 and no limitation is imposed for individuals aged 75 years and over. Special provisions for earnings from self-employment so that benefits may be paid for all months in a taxable year if the net earnings from self-employment are \$600 or less for the year. If net earnings exceed \$600, the beneficiary would be deprived of a monthly benefit for each \$50 or fraction of \$50 of income in excess of \$600 (Ways and Means report, pp. 24-25, 61-67).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>VI. BENEFITS FOR WORLD WAR II VETERANS</b>			
A. Definition of veteran.	Served in the active military or naval service for 90 days or more between Sept. 16, 1940, and July 24, 1947 (or regardless of length of service if discharged for service connected disability), and discharged (other than dishonorably) prior to July 27, 1951.	(See B below)-----	Same as present law except that for wage credits granted for military-naval service (see B below) no limitation on date of discharge.
Wage credits for veterans.	A veteran who dies within 3 years of discharge is deemed to have been fully insured with average monthly wage of not less than \$160. No benefits payable under this provision if Veterans' Administration pays a pension or compensation by reason of death of the veteran.	Extend provision in present law temporarily so as to protect veterans during the period elapsing before the general recommendations of the Council become fully operative (Council report, p. 5).	Provision of present law relating to survivor benefits is retained and in addition veterans, including those who died in service, are granted wage credits of \$160 for each month of military or naval service in World War II. These additional wage credits are to be used in meeting the insured status requirements and for computing benefit amounts as if the veteran's military or naval service had been covered employment at wages of \$160 per month, except that wage credits are not granted for (1) lump-sum death payments if the veteran died prior to 1950, and (2) any individual who died in service if his death was inflicted as lawful punishment for a military or naval offense (Ways and Means report, pp. 15-16, 99-100).
C. Financing of benefits paid to veterans.	Additional costs for survivor benefits (as in B) met by appropriations from general revenues.	Same as present law (Council report, p. 5).	Cost of survivor benefits under present law and additional benefits resulting from the wage credits (as in B) met by appropriations from general revenues (Ways and Means report, pp. 16, 100).
<b>VII. FINANCING</b>			
A. Maximum taxable amount.	Wages of \$3,000-----	Wages and self-employment income of \$4,200 (Council report, pp. 31-33; for minority views, pp. 64-67).	Wages and self-employment income of \$3,600 (Ways and Means report, pp. 17, 67-70, 91, 120-126, 135-143).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>VII. FINANCING—CON.</b>			
<b>B. Tax rates.....</b>	1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee, and self-employed to pay 1½ times the employee rate. These to be imposed when benefits are liberalized with no further increase in rates until the current receipts of the trust fund, including interest, no longer equal current benefit payments plus administrative costs. At that time rate for employers and employees would rise to 2 percent. (Council report, pp. 45-47).	1½ percent on employer and 1½ percent on employee for 1950, 2 percent for 1951-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3½ percent thereafter, except—(1) for self-employed, 1½ times rates for employees; and (2) for nonprofit employment, no tax is imposed on employer, but employer may elect to pay employer's tax by waiving the tax exemption. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages (Ways and Means report, pp. 31-32, 117-120, 135).
<b>C. Appropriations from general revenues.</b>	The Congress is authorized to appropriate such sums from general revenues that may be required to finance the program.	Government contribution from general revenues should be considered when a 2-percent rate for employer and employee plus interest on the investments of the trust fund are insufficient to meet current costs. The program should be planned on the assumption that general taxation will eventually share more or less equally with employer and employee contribution in financing future benefit and administrative costs (Council rept., pp. 45-47).	Provision in present law is repealed (Ways and Means report, pp. 31, 114).
<b>D. Refund of overpayments, etc.</b>	Refund of taxes made from general revenues.	No recommendation.....	Refund of taxes made from trust fund (Ways and Means report, p. 114).

PERMANENT AND TOTAL DISABILITY INSURANCE<sup>1</sup>

Item	Recommendations of Advisory Council <sup>2</sup>	H. R. 6000
I. Coverage-----	Same as old-age and survivors insurance-----	Same as old-age and survivors insurance.
II. Benefits-----	Benefit amount based on the same average wage and benefit formula as for retired worker (see Old-Age and Survivors Insurance, Item IV, A and B) but no benefit payments for dependents of worker. Benefits payable only to permanently and totally disabled worker (as in III below) who meets the insured status requirements (as in IV below) following a waiting period of 6 consecutive calendar months (Council report, pp. 74-76).	Benefit amounts based on the same average wage and benefit formula as for retired worker (see Old-Age and Survivors Insurance, Item IV, A and B) but no benefit payments for dependents of worker. Benefits payable only to permanently and totally disabled worker (as in III below) who meets the insured status requirements (as in IV below) following a waiting period of 6 consecutive calendar months. (Actually from 7 to 8 months would elapse between the date a worker became disabled and the date he received the first benefit payment because of the manner in which the bill is drafted.) (Ways and Means report, pp. 27-30, 94-96, 104-107.)
III. Definition of disability.	Inability to engage in any substantially gainful activity by reason of an impairment that is medically demonstrable by objective medical tests and which is likely to be of long-continued and indefinite duration (Council report, pp. 74-75.)	Inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent. Also a medical finding of blindness (as defined in the bill) is sufficient proof that a claimant is permanently and totally disabled (Ways and Means report, pp. 29-30 107).
IV. Insured status-----	To be eligible for benefits the worker must have— (1) a minimum of 40 quarters of coverage; (2) 1 quarter of coverage for every 2 calendar quarters elapsing after 1948 (or after attainment of age 21, if that was later) and prior to the first quarter of total disability; (3) 6 quarters of coverage within the 12 quarters preceding his disability; and (4) 2 quarters of coverage within the 4 quarters preceding his disability. (Council report, pp. 72-73).	To be eligible for benefits the worker must have— (1) 20 quarters of coverage within the 40-calendar quarter period ending with the quarter of disablement; and (2) 6 quarters of coverage within the 13-quarter period ending with the quarter of disablement. (An individual disabled before July 1948, and without quarters of coverage after that date, would not meet the insured status requirements and would not be eligible for benefits.) (Ways and Means report, pp. 28-29, 105.)
V. Employment income limitation for beneficiaries (work clause).	No recommendation-----	No benefit payable for any month in which the individual renders service for remuneration of more than \$50, or is credited with net earnings of a like amount from self-employment. Unlike the provision for old-age and survivors insurance, the income limitation applies to non-covered as well as covered employment and self-employment (Ways and Means report, pp. 30, 108-109).
VI. Examinations-----	Provide periodic and special medical examinations, but the frequency of the examinations should be adapted to the needs of the individual cases (Council report, p. 76).	Federal Security Administrator authorized to provide by regulations for such examinations as he deems necessary to determine or redetermine periodically an individual's entitlement to benefits (Ways and Means report, pp. 30, 105-106).

See footnotes at end of table, p. 16.

PERMANENT AND TOTAL DISABILITY INSURANCE <sup>1</sup>—Continued

Item	Recommendations of Advisory Council <sup>2</sup>	H. R. 6000
VII. Rehabilitation services.	Furnish services through existing facilities with contributions toward the expense of the services to be made from the old-age, survivors, and disability trust fund, if it appears that the services will assist the beneficiary to return to gainful work (Council report, pp. 80-81).	No provision for financing rehabilitation services out of the trust fund. In appropriate cases, however, the Federal Security Administrator may direct the individual to accept services provided by a State plan approved under the Federal Vocational Rehabilitation Act, and may suspend or modify the income limitation (in V above) with respect to any individual receiving such services (Ways and Means report, pp. 106-108).
VIII. Disqualifications-----	(1) Disallow claims if claimant refuses to submit to medical examination; (2) terminate benefits if beneficiary refuses to submit to re-examination; and (3) suspend benefits if beneficiary refuses rehabilitation services without reasonable cause (Council report, pp. 76-77, 81).	Benefits maybe denied, terminated, or suspended, if the claimant— (1) refuses to accept rehabilitation services (as indicated in VII above) without good cause; (2) refuses to submit to examination or re-examination; or (3) is outside the United States and no adequate arrangements have been made for determining or redetermining his disability. (See V above for employment income limitation (Ways and Means report, pp. 106, 108).)
IX. Adjustment of duplicate benefits:	Suspend disability insurance benefits for any period for which workmen's compensation cash benefits are payable under State or Federal programs.	If an individual is entitled to cash workmen's compensation and social-security disability insurance benefits on account of the same disability for the same period of time, his disability insurance benefit is reduced by $\frac{1}{2}$ of the workmen's compensation benefit or $\frac{1}{2}$ the disability insurance benefit, whichever is smaller (Ways and Means report, pp. 30, 106).
1. Workmen's compensation.		No provision.
2. Other Federal disability programs.	Disabled worker eligible for benefits under both the permanent and total disability insurance program and another Federal disability program (other than Federal workmen's compensation) should receive only the larger benefit. Congress should direct that a study be made by the various Federal agencies administering disability programs to draft a plan for cooperative administrative procedures, equitable financing of benefits, and other recommendations for effective coordination of disability payments under the various Federal programs (Council report, pp. 77-78).	
X. Retroactive determination of disability.	Limit to a period of 6 months before date of filing application (Council report, p. 73).	Up to a 2-year period permitted for a claimant who files an application prior to 1953. For a claimant filing an application after 1952, a 10-month period is permitted. Benefit payments, however, are paid retroactively for only 3 months (Ways and Means report, pp. 104-105).
XI. Effective date-----	First benefit payments should be made 1 year after the effective date for the extension of coverage under old-age and survivors insurance (Council report, p. 79).	First benefit payments authorized as of January 1951, 1 year after effective date provided in the bill for extension of coverage (Ways and Means report, pp. 28, 104-105).

See footnotes at end of table, p. 16.

PERMANENT AND TOTAL DISABILITY INSURANCE<sup>1</sup>—Continued

Item	Recommendations of Advisory Council <sup>2</sup>	H. R. 6000
XII. Integration with old-age and survivors insurance.	Permanent and total disability and old-age and survivors insurance should be administered as a single system. Provisions of the 2 programs should be integrated and the rights of disabled persons to retirement and survivorship protection should be maintained during periods of disability (Council report, pp. 78-79).	Provides for a single administrative system and maintenance of retirement and survivorship protection of disabled persons during periods of disability. (Periods of disability are not to be taken into account in determining insured status for subsequent old-age and survivors benefits and there would be no loss or reduction of these benefits because of years of disability which are not years of coverage.) (Ways and Means report, pp. 31, 93-96.)
XIII. Financing-----	Permanent and total disability insurance and old-age and survivors insurance should be financed as a single system. Estimated cost of disability insurance on level premium basis ranges from $\frac{1}{10}$ to $\frac{1}{4}$ percent of pay rolls. (For maximum taxable amount, tax rate, etc., see Old-Age and Survivors Insurance, Item VII.) (Council report, pp. 78, 83-84.)	Old-age and survivors insurance and permanent and total disability insurance financed as a single system. Estimated cost of disability insurance on level premium basis is $\frac{1}{4}$ percent of pay rolls. (For maximum taxable amount, tax rate, etc., see Old-Age and Survivors Insurance, Item VII.) (Ways and Means report, pp. 31-33.)

<sup>1</sup> Program not provided for by present law.

<sup>2</sup> 2 members of the Council opposed establishment of permanent and total disability insurance; see Advisory Council report, pp. 85-92.

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES

Item	Present law	Recommendations of Advisory Council	H. R. 6000
I. GROUPS ELIGIBLE FOR AID	Federal grants-in-aid to the States for 3 categories of assistance for needy persons— (1) old-age assistance, for individuals 65 years of age and over; (2) aid to the blind; and (3) aid to dependent children, for children under 16 years of age or from 16 to 18 years of age, if they are regularly attending school.	Provide Federal grants-in-aid to States for 4 categories of assistance for needy persons— (1) same as present law; (2) same as present law; (3) same as present law, and in addition include the adult relatives in the family—essential to the well-being of the children—as recipients for Federal matching purposes; and (4) general assistance, for needy persons not eligible for assistance under the existing programs (Council report, pp. 105-112; for minority views, p. 135 and footnote p. 108).	Provides Federal grants-in-aid to the States for 4 categories of assistance for needy persons— (1) same as present law; (2) same as present law; (3) same as present law, and in addition includes 1 adult in each aid-to-dependent-children family as a recipient for Federal matching purposes; and (4) aid to the permanently and totally disabled (Ways and Means report, pp. 45-46, 53-54, 151, 153).

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES</b>			
<b>A. Old-age assistance and aid-to-the-blind payments.</b>	Federal share is $\frac{1}{4}$ of first \$20 of a State's average monthly payment per recipient plus $\frac{1}{4}$ of the remainder within individual maximums of \$50.	Same as present law except for medical care (see III below) (Council report, p. 103).	Federal share is $\frac{1}{4}$ of the first \$25 of a State's average monthly payment per recipient, plus $\frac{1}{4}$ of the next \$10, plus $\frac{1}{4}$ of the remainder within individual maximums of \$50 (Ways and Means report, pp. 30-41, 49-50, 150-151).
<b>B. Aid to dependent children payments.</b>	Federal share is $\frac{1}{4}$ of the first \$12 of a State's average monthly payment per child, plus $\frac{1}{4}$ of the remainder within individual maximums of \$27 for the first child and \$18 for each additional child in a family.	Federal share should be $\frac{1}{4}$ of the first \$20 of a State's average monthly payment per recipient, plus $\frac{1}{2}$ of the remainder within individual maximums of \$50 for each of 2 eligible persons in a family and \$15 for each additional person beyond the second. Eligible persons include the children and adult relatives essential to the well-being of the children. (For medical care, see III below.) (Council report, pp. 105-106.)	Federal share is $\frac{1}{4}$ of the first \$15 of a State's average monthly payment per recipient, plus $\frac{1}{4}$ of the next \$6, plus $\frac{1}{4}$ of the next \$6 within individual maximums of \$27 for the relative with whom the children are living, \$27 for the first child, and \$18 for each additional child (Ways and Means report, pp. 46-47, 151).
<b>C. Aid to the permanently and totally disabled payments.</b>	No provision-----	Included in general assistance category. (See D below.)	Same as for old-age assistance and aid to the blind. (See A above.) (Ways and Means report, pp. 54, 153.)
<b>D. General assistance payments.</b>	No provision-----	Federal share should be $\frac{1}{4}$ of the expenditures for monthly payments to recipients but Federal participation should not apply to that part of such payments in excess of \$30 for each of two eligible persons in a family and \$15 for each additional person (Council report, p. 108).	No provision.
<b>E. Administrative costs</b>	Federal share is $\frac{1}{4}$ of expenditures for administration of the three categories.	Provisions of present law for Federal sharing in administrative expenditures should be made applicable to general assistance (Council report, pp. 108, 111).	Provisions in present law for Federal sharing in administrative expenditures made applicable to aid to the permanently and totally disabled (Ways and Means report, pp. 153-154).

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>III. MEDICAL CARE</b>			
A. Direct payments to medical practitioners, etc.	Federal sharing in costs of medical care limited to amounts paid directly to recipients that can be included within the monthly maximums on individual payments of \$50 for aged and blind, and \$27 for first child and \$18 for each additional child in an aid to dependent children family.	In old-age assistance, aid to the blind and aid to dependent children the Federal Government should participate in payments made directly to agencies and individuals providing medical care, as well as in money payments to recipients (Council report, pp. 112-113).	In old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled the Federal Government participates in the cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above (Ways and Means report, pp. 41-42, 48, 51, 54, 152, 153).
B. Federal participation in costs in excess of regular maximums.	No provision-----	The Federal Government should pay $\frac{1}{2}$ of the medical care costs incurred by the States above the regular maximums specified in item II, A and B, above, but should not participate in medical costs above such maximums which exceed for each of the 3 programs amounts equal to— (1) \$6 per month times the number of persons receiving old-age assistance; (2) \$6 per month times the number of persons receiving aid to the blind; and (3) \$3 per month times the number of persons receiving aid to dependent children. (For State plan requirements for medical care, see item IV C below.) (Council report, pp. 112-114.)	No provision.
C. Persons in public institutions.	No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.	Federal Government should participate in payments made to or for the care of old-age assistance recipients living in public medical institutions other than mental hospitals. Payments in excess of the regular \$50 monthly maximum should be included as part of medical care expenditures under B above. (For State plan requirements for institutions, see item IV C below.) (Council report, pp. 114-116.)	Federal Government participates in payments to or for the care of recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis, but only within the regular maximums specified in item II A and C above. (For State plan requirements for institutions, see item IV C below.) (Ways and Means report, pp. 42, 51, 54, 152, 153.)

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>IV. CHANGES IN REQUIREMENTS FOR STATE PLANS</b>			
A. General assistance and aid to the permanently and totally disabled.	No provision for either program.	Requirements for general assistance should be similar to those for the three existing categories of assistance (Council report, p. 111).	Requirements for aid to permanently and totally disabled same as for old-age assistance except for residence (see B below) (Ways and Means report, pp. 54, 153-154).
B. Residence.....	<p>For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and 1 continuous year before filing the application.</p> <p>For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.</p>	A State should not be permitted to impose a residence requirement as a condition of eligibility in aid to the blind, aid to dependent children, and general assistance, but may impose a maximum residence requirement of 1 year in old-age assistance (Council report, pp. 116-118).	<p>No change in requirements for old-age assistance and aid to dependent children.</p> <p>For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than 1 continuous year prior to filing of the application for aid.</p> <p>For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid (Ways and Means report, pp. 52, 54, 150).</p>
C. Standards for medical care and for institutions.	No provision.....	<p>State plans for old-age assistance, aid to the blind, and aid to dependent children submitted to the Social Security Administration for approval should set forth the conditions under which medical needs will be met, the scope and standards of care, the methods of payments, and the amount of compensation for such care.</p> <p>To receive Federal funds for old-age assistance recipients in public or private medical institutions, a State should be required to establish and maintain adequate minimum standards for the facilities and for the care of persons living in these facilities. (For Federal share of medical care expenditures, see item III above.) (Council report, pp. 112-114, 116.)</p>	No requirement except as to public medical and private medical or nonmedical institutions as follows: Effective July 1, 1953, if a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions (Ways and Means report, pp. 43, 51, 149, 153).

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>IV. CHANGES IN REQUIREMENTS FOR STATE PLANS—continued</b>			
<b>D. Assistance to be furnished promptly.</b>	No specific provision.....	No recommendation.....	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals (Ways and Means report pp. 43, 48, 51-52, 148, 153).
<b>E. Fair hearing.....</b>	Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	No recommendation.....	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time (Ways and Means report, pp. 43, 48, 52, 148, 153).
<b>F. Training program for personnel.</b>	No specific provision.....	No recommendation.....	States must provide a training program for the personnel necessary for the administration of the programs (Ways and Means report, pp. 43-44, 48, 52, 148, 153).
<b>G. Special requirements for aid to the blind:</b> 1. Income and resources.	For the 3 categories, a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Should continue to administer all public assistance programs on the basis of a strict needs test with all income being taken in account in determining both eligibility and the amount of the assistance payment (Council report, p. 96).	Effective Oct. 1, 1949, a State may disregard such amount of earned income, up to \$50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or which are not actually available to the individual and take into consideration the special expenses arising from blindness. (Same income and resources provisions as in present law for the other categories.)

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<b>IV. CHANGES IN REQUIREMENTS FOR STATE PLANS—continued</b>			
<b>G. Special requirements for aid to the blind—Continued</b> 2. Temporary approval of State plans for aid to the blind.	No provision-----	See 1 above-----	For the period Oct. 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on Jan. 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of sec. 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the afore-mentioned income and resources requirement of the act. (Alaska, Missouri, Nevada, and Pennsylvania had no approved plan for aid to the blind on Jan. 1, 1949.)
3. Examination to determine blindness:	No specific provision but the Social Security Administration requires that a State plan must provide for an examination of claimants of aid to the blind by a physician skilled in the diseases of the eye.	No recommendation-----	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist (Ways and Means report, pp. 50, 52-53, 149-150, 153).
<b>H. Special requirement for aid to dependent children: 1. Notification to law-enforcement officials.</b>	No provision-----	do-----	States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent (Ways and Means report, pp. 48, 149).

## PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p>V. PUERTO RICO AND VIRGIN ISLANDS</p>	<p>Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.</p>	<p>No recommendation for immediate extension of public assistance categories but a commission should be established to determine the kind of social-security protection (including public assistance) that is appropriate to Puerto Rico, Virgin Islands, Guam, and other possessions of the United States (Council report, p. 28).</p>	<p>The 4 categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to <math>\frac{1}{4}</math> of the total sums expended under an approved plan up to a maximum payment for any individual of \$30 per month. For aid to dependent children the Federal share is limited to <math>\frac{1}{2}</math> of the expenditures under an approved plan up to individual maximums of \$27 for the first child, and \$18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50-50 basis (Ways and Means report, pp. 55, 151, 153).</p>
<p>VI. CHILD-WELFARE SERVICES</p>	<p>Authorizes an annual appropriation of \$3,500,000 for grants to the States for child-welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: \$20,000 to each State and remainder on basis of rural population of the respective States.</p>	<p>A commission should be appointed to study current child health and welfare needs and to review the programs operating under title V of the Social Security Act relating to maternal and child-health services, services for crippled children, and child-welfare services (Council report, p. 118).</p>	<p>Authorization for annual appropriation increased to \$7,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any run-away child under age 18 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met (Ways and Means report, pp. 54-55, 154).</p>
<p>VII. ADDITIONAL COST TO FEDERAL GOVERNMENT</p>	<p>-----</p>	<p>Estimated annual increase in costs for public assistance ranges between \$270,000,000 and \$340,000,000 (Council report, p. 102).</p>	<p>Estimated annual increase in costs for public assistance and child-welfare services is \$256,000,000 (Ways and Means report, p. 38).</p>

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

**Walter F. George, *Chairman***

**JUNE 1, 1950**

**THE MAJOR DIFFERENCES IN THE PRESENT SOCIAL SECURITY LAW  
AND H. R. 6000 AS PASSED BY THE HOUSE OF REPRESENTATIVES  
AND AS REPORTED BY THE SENATE COMMITTEE ON FINANCE**

**UNITED STATES  
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**The major differences in the present social-security law and H. R. 6000 as passed by the House of Representatives and as reported by the Senate Committee on Finance**

**OLD-AGE AND SURVIVORS INSURANCE**

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>I. COVERAGE</b>			
A. Self-employed:			
1. Nonfarm self-employed.	Not covered.....	Covered, if self-employment yields annual net income of at least \$400, except for services performed by an individual as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, publisher, and aeronautical, chemical, civil, electrical, mechanical, metallurgical or mining engineer (Ways and Means report, pp. 9-10, 91, 135-143).	Covered, if self-employment yields annual net income of at least \$400 except for services performed by an individual as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, professional engineer, architect, naturopath, or certified public accountant. (Senate Finance Committee report, pp. 11-12, 97-98, 153-162.)
2. Farmers.....	Not covered.....	Not covered. (For definition of farm, see B-1 below.) (Ways and Means report, p. 9.)	Not covered. (For definition of farm, see B-1 below.) (Senate Finance Committee report, pp. 10-11.)
B. Agricultural workers..	Not covered. Certain borderline agricultural services also excluded, even though not performed on a farm, as follows: (1) Services in connection with the production or harvesting of maple sirup or maple sugar; (2) services in connection with raising or harvesting of mushrooms, hatching of poultry, ginning of cotton, or irrigation; (3) postharvesting services (packing, processing, etc., of any agricultural or horticultural commodity) performed for farmers or farmers' cooperatives and for commercial handlers of fruits and vegetables (but not commercial canning or commercial freezing or in connection with a commodity after delivery to terminal market for distribution for consumption); and	General agricultural labor not covered, but some of the borderline agricultural services excluded under present law are covered, as follows: (1) Services performed on or off the farm in connection with the processing of maple sap into maple sirup or maple sugar (but not the gathering of maple sap on a farm); (2) services performed off the farm in connection with the raising or harvesting of mushrooms, hatching of poultry, or irrigation (but not ginning of cotton); and (3) postharvesting services performed for farmers' cooperatives (any group of 20 or more farmers) or for commercial handlers of fruits and vegetables (but not if the services are performed for a farmer who produced more than one-half of the commodity processed or for an informal group of farmers which produced all of the commodity processed).	Regularly employed agricultural workers are covered if employed by a single employer for at least 60 days in a calendar quarter and earn cash wages of at least \$50 for services in the quarter except that the following services continue to be excluded from coverage as in present law: (1) Services in connection with the ginning of cotton; and (2) services in connection with the production of crude gum from a living tree or the processing of such crude gum into gum spirits of turpentine and gum rosin if processing is carried on by the original producer. Some of the other borderline agricultural services excluded under present law are covered without regard to the period of time the individual performing the service is employed or the amount of wages earned. These included services are: (1) Services performed on or off the farm in connection with

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
I. COVERAGE—continued			
B. Agricultural workers— Continued	(4) services in connection with the production of crude gum from a living tree or the processing of such crude gum into gum spirits of turpentine and gum rosin if processing is carried on by the original producer.	No change in item (4) under present law (Ways and Means report, pp. 13, 77-79, 132-134).	<p>the processing of maple sap into maple sirup or maple sugar (but not the gathering of maple sap on a farm);</p> <p>(2) services performed off the farm in connection with the raising or harvesting of mushrooms, hatching of poultry; or irrigation (except if the services are performed in connection with the operation or maintenance of an irrigation system not owned or operated for profit and such system is used exclusively for supplying and storing water for farming purposes); and</p> <p>(3) postharvesting services performed for farmers' co-operatives (any group of 20 or more farmers) or for commercial handlers of fruits and vegetables (but not if the services are performed for a farmer who produced more than one-half of the commodity processed or for an informal group of farmers which produced all of the commodity processed) (Senate Finance Committee report, pp. 12-13, 84-85, 91-94, 133, 141-143).</p>
1. Definition of farm.	The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.	Same as under present law (Ways and Means report, pp. 79, 134).	Same as present law (Senate Finance Committee report, pp. 94, 133).
C. Domestic workers-----	Not covered if services are performed in a private home, local college club, or local chapter of a college fraternity or sorority.	Services in private home (but not on a farm operated for profit) are covered if the worker is employed 26 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$25 for the services rendered in the quarter. Services in local college club or local chapter of a college fraternity or sorority performed by nonstudent worker are covered if remuneration is	Services in private home (but not on a farm operated for profit) are covered if the worker is employed 24 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$50 for the services rendered in the quarter. Services in local college club or local chapter of a college fraternity or sorority performed by nonstudent worker are covered if remuneration is at least \$50 in

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
I. COVERAGE—continued			
C. Domestic workers— Continued		at least \$100 in a calendar quarter (Ways and Means report, pp. 11-12, 72, 76, 127, 131).	a calendar quarter. (Domestic services if performed on a farm operated for profit are covered as agricultural employment—see B above.) (Senate Finance Committee report, pp. 14-15, 85-86, 133-134).
D. Employees of non-profit organizations.	<p>In general, not covered. The services excluded are those performed by—</p> <p>(1) employees of non-profit organizations organized and operated exclusively for religious, charitable, scientific, literary, educational, or humane purposes, if the organization does not engage substantially in propaganda or other activities designed to influence legislation;</p> <p>(2) employees of organizations exempt from income tax under sec. 101 of the Internal Revenue Code if the employee (a) receives \$45 or less in a calendar quarter for such services, or (b) is employed by a fraternal beneficiary society, order, or association, and is either employed collecting dues or premiums away from the home office, or is performing ritualistic service, or (c) is a student who is regularly attending classes at a school, college, or university;</p> <p>(3) employees of agricultural or horticultural organizations exempt from income tax under sec. 101 (1) of the Internal Revenue Code;</p> <p>(4) employees of non-profit voluntary employees' beneficiary associations providing benefits for members if 85 percent or more of the income of the association consists of amounts collected from members for the purpose of paying such benefits and meeting expenses,</p>	<p>All services excluded under present law are covered except services performed by—</p> <p>(1) ministers and members of religious orders;</p> <p>(2) employees of organizations exempt from Federal income tax under sec. 101 of the Internal Revenue Code if the remuneration for service rendered in a calendar quarter is less than \$100;</p> <p>(3) students employed by a school, college, or university whether or not exempt from income tax, if the student is regularly attending classes at such institution; and</p> <p>(4) student nurses and interns (same as under present law).</p> <p>Contributions by employees are compulsory; contributions by employer are voluntary. If the employer does not elect to pay the employer's contribution by waiving his tax exemption, only ½ of the employee's wages would be credited toward benefits (Ways and Means report pp. 12-13, 75-76, 117-118, 130-131).</p>	<p>All services excluded under present law are covered on a compulsory basis except services performed by—</p> <p>(1) employees of religious denominations and of organizations owned and operated by religious denominations;</p> <p>(2) ministers and members of religious orders;</p> <p>(3) employees of organizations exempt from Federal income tax under section 101 of the Internal Revenue Code if the remuneration for service rendered in a calendar quarter is less than \$50.</p> <p>(4) students employed by a school, college, or university whether or not exempt from income tax, if the student is regularly attending classes at such institution;</p> <p>(5) student nurses and interns (same as under present law).</p> <p>Voluntary coverage is provided for employees (other than ministers and members of religious orders) of religious denominations and of organizations owned and operated by religious denominations at the option of the employer. If the employer elects coverage for its employees, the regular contribution rates would apply to employees and to the employer in the same manner as if the employees were covered on a compulsory basis (Senate Finance Committee report, pp. 15-16, 89-90, 138-139).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
I. COVERAGE—continued			
D. Employees of non-profit organizations—Continued	<p>or membership is limited to officers and employees of the United States;</p> <p>(5) employees of a school, college, or university which is not exempt from Federal income tax if the employee is a regular student at such institution and receives less than \$45 in a calendar quarter;</p> <p>(6) Student nurses employed by a hospital or a nurses' training school if the student nurse is regularly attending classes in an approved nurses' training school; and</p> <p>(7) interns employed by a hospital if the intern has completed a 4 years' course in an approved medical school.</p>		
E. Federal civilian employees.	<p>Services are not covered if performed—</p> <p>(1) in the employ of the United States; or</p> <p>(2) for an instrumentality of the United States which is either wholly owned by the United States or exempt from the employer's tax for old-age and survivors insurance imposed by sec. 1410 of the Internal Revenue code by virtue of any other provision of law.</p>	<p>Services in the employ of the United States Government, not under a retirement system established by Federal law, and, not named as 1 of the 13 special classes of excepted services (enumerated on pp. 128 and 129 of the Ways and Means report) are covered. These provisions result in bringing under coverage services of</p> <p>(1) short-duration employees of the United States other than:</p> <p>(a) Those in the field service of the Post Office Department,</p> <p>(b) Those employed for the taking of a census, and</p> <p>(c) Those occupying positions pending permanent or indefinite appointment; and</p> <p>(2) Those employees of the Board of Governors of the Federal Reserve System who are not covered by civil service retirement even though such employees are covered by the retirement plan of the Federal Reserve System.</p>	<p>Services in the employ of the United States Government, not under a retirement system established by Federal law or by the employing agency and, not named as 1 of the 12 special classes of excepted services (enumerated on pp. 87 and 88 of Senate Finance Committee report) are covered. These provisions result in bringing under coverage services of</p> <p>(1) short-duration employees of the United States other than</p> <p>(a) Those in the field service of the Post Office Department who are not occupying positions pending permanent or indefinite appointment, and</p> <p>(b) Those employed for the taking of a census.</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<p>I. COVERAGE—continued</p> <p>E. Federal civilian employees—Continued</p>		<p>Services in the employ of a partly or wholly owned instrumentality of the United States, not under a retirement system established by Federal law and not named as 1 of the 13 special classes of excepted services, are covered. Moreover, services in the employ of any other instrumentality of the United States are also covered.</p> <p>These provisions result in bringing under coverage services performed in the employ of:</p> <p>The Tennessee Valley Authority, unless under the TVA retirement system.</p> <p>County and Community Committees under the Production and Marketing Administration.</p> <p>Production Credit Associations partly owned by United States.</p> <p>Army Post Exchanges and similar organizations.</p> <p>National Farm Loan Association.</p> <p>Federal Credit Unions.</p> <p>Federal Land Banks.</p> <p>Federal Reserve Banks.</p> <p>Federal Home Loan Banks, etc.</p> <p>No provision for specific exclusion from coverage of services performed by committeemen, directors, and members of advisory councils in such instrumentalities as the following: Farmers Home Administration, Federal Crop Insurance Corporation, National Farm Loan Associations, County and Community</p>	<p>Services in the employ of a wholly owned instrumentality of the United States or one exempt from tax as of Dec. 31, 1950, by virtue of any other provision of law, not under a retirement system established by Federal law and not named as 1 of the 12 special classes of excepted services, are covered if the instrumentality is listed as one to be covered. (If the instrumentality is not so listed the services are not covered.) Moreover, services in the employ of any other instrumentality of the United States are also covered if they are not under a retirement system established by Federal law and not named in 1 of the 12 classes of excepted services.</p> <p>These provisions result in bringing under coverage services performed in the employ of:</p> <p>The Tennessee Valley Authority, unless under the TVA retirement system.</p> <p>County and Community Committees under the Production and Marketing Administration.</p> <p>Production Credit Associations partly owned by United States.</p> <p>Army Post Exchanges and similar organizations.</p> <p>National Farm Loan Associations.</p> <p>Federal Credit Unions.</p> <p>Services performed by committeemen, directors, and members of advisory councils are specifically excluded from coverage (Senate Finance Committee report, pp. 16, 86-89, 123-125, 134-137).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
I. COVERAGE—continued			
E. Federal civilian employees—Continued		<p>Committees under the Production and Marketing Administration, and Advisory Councils in the Public Health Service.</p>	
F. Employees of State and local governments.	Not covered.....	<p>(Ways and Means Report, pp. 13, 73-74, 118-120, 128-129.)</p> <p>Compulsory coverage of certain employees of publicly owned transit companies as follows:</p> <p>(1) if a transit company was acquired by a governmental unit after 1936 but before 1950, individuals working for the company on the date it was taken over would be covered beginning in 1950, unless the employing governmental unit elects against such coverage; and</p> <p>(2) if a transit company is acquired after 1949, individuals working for the company on the date it is taken over would continue to be covered by old-age and survivors insurance.</p> <p>Voluntary coverage of other State and local governmental employees by Federal-State agreements except that such agreements cannot include—</p> <p>(1) employees on work relief projects;</p> <p>(2) patients and inmates of institutions who are employed by such institutions; and</p> <p>(3) employees covered by an existing retirement system unless such employees and beneficiaries of the existing system elect to be covered by old-age and survivors insurance by a two-thirds majority of those participating in a written referendum.</p> <p>Agreement applicable at option of State to specified coverage group or groups. (Ways and Means report, pp. 10-11, 74-75, 100-104, 129-130.)</p>	<p>No State or local employees covered on a compulsory basis. State and local governmental employees are covered on a voluntary basis by means of Federal-State agreements except that such agreements cannot include—</p> <p>(1) employees on work relief projects;</p> <p>(2) patients and inmates of institutions who are employed by such institutions; and</p> <p>(3) employees covered by a retirement system at the time the agreement is made applicable to the coverage group.</p> <p>Agreement applicable at option of State to specified coverage group or groups (employees performing any proprietary function are separate coverage group). (Senate Finance Committee report, pp. 13-14, 89, 112-116, 137.)</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>I. COVERAGE—continued</b>			
G. Employees outside the United States.	Not covered, except for employment on or in connection with an American vessel under a contract of service entered into within the United States or employment on and in connection with an American vessel that touches at a port in the United States.	Services performed outside the United States by citizens of the United States for an American employer are covered, and the provision under present law relating to American vessels made applicable to American aircraft (Ways and Means report, pp. 13, 71, 77, 126-127, 132, 135).	Same as House-passed bill (Senate Finance Committee report, pp. 16-17, 83-84, 91, 132, 140, 144).
H. Casual labor-----	Casual labor not in the course of the employer's trade or business is excluded from coverage.	Casual labor not in the course of the employer's trade or business is covered if the worker is employed 26 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$25 for the services rendered in the quarter (Ways and Means report, pp. 12, 72, 127).	Casual labor not in the course of the employer's trade or business is covered if the worker is employed 24 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$50 for the services rendered in the quarter (Senate Finance Committee report, pp. 15, 85-86, 134).
I. Employment in Puerto Rico and the Virgin Islands.	Not covered-----	Employment and self-employment in Virgin Islands covered, and also in Puerto Rico if requested by the legislature (Ways and Means report, pp. 13-14, 80, 110, 131, 145).	Same as House-passed bill (Senate Finance Committee report, pp. 17, 95, 116, 140, 163-164).
J. Tips and gratuities----	Not included as wages-----	Includes cash tips and other cash remuneration customarily received by an employee in the course of his employment but only in the amount the employee reports in writing to his employer (Ways and Means report, pp. 70, 124).	Same as present law (Senate Finance Committee report, p. 17).
K. Definition of employee	<p>The term includes an officer of a corporation but does not include—</p> <p>(1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor; or</p> <p>(2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.</p>	<p>The term includes—</p> <p>(1) officers of corporations;</p> <p>(2) individuals who are employees under the usual common-law rules, and individuals performing services under a contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of the service and that the individual in the performance of the service (either alone or as a member of the group) is an employee;</p> <p>(3) individuals in the following occupational groups who perform services under <i>prescribed circumstances</i>:</p>	<p>The term includes—</p> <p>(1) officers of corporations;</p> <p>(2) individuals who are employees under the usual common-law rules;</p> <p>(3) individuals in the following occupational groups who perform services under <i>prescribed circumstances</i>:</p> <p>(a) full-time life insurance salesmen,</p> <p>(b) agent-drivers and commission-drivers engaged in distributing meat products, bakery products, or laundry or dry cleaning services (Senate Finance Committee report, pp. 17-18, 95-97, 144-147).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<p>I. COVERAGE—continued</p> <p>K. Definition of employee—Continued</p>		<p>(a) outside salesmen in manufacturing or wholesale trade,</p> <p>(b) full-time life-insurance salesmen,</p> <p>(c) driver-lessees of taxicabs,</p> <p>(d) homeworkers,</p> <p>(e) contract loggers,</p> <p>(f) mining lessees,</p> <p>(g) house-to-house salesmen; or</p> <p>(4) individuals who are determined to have the status of employees under the combined effect of the following 7 factors:</p> <p>(a) control over the individual,</p> <p>(b) permanency of the relationship,</p> <p>(c) regularity and frequency of performance of the service,</p> <p>(d) integration of the individual's work in the business to which he renders service,</p> <p>(e) lack of skill required of the individual,</p> <p>(f) lack of investment by the individual in facilities for work, and</p> <p>(g) lack of opportunities of the individual for profit and loss (Ways and Means report, pp. 14-15, 80-91, 135).</p>	
<p>II. INSURED STATUS</p> <p>A. Fully insured (eligible for all old-age, dependents and survivor benefits and for lump-sum death payments).</p>	<p>1 quarter of coverage for each 2 calendar quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of age 65, but in no case more than 40 quarters nor less than 6 quarters.</p>	<p>Provisions of present law are retained and in addition a fully insured status may be acquired by obtaining 20 quarters of coverage within the 40-quarter period ending with the quarter in which the worker attained age 65, any subsequent quarter, or the quarter in which he died (Ways and Means report, pp. 25-26, 93-94). (See C below for effect of periods of disability on insured status.)</p>	<p>"New start" provision requiring 1 quarter of coverage for each 2 calendar quarters elapsing after 1950 (or after attainment of age 21, if later) and before death or attainment of age 65, but in no case less than 6 quarters nor more than 40 quarters. Quarters of coverage earned any time after 1936 count toward meeting the requirement. "New start" provision not applicable if the worker dies prior to the first day of the second calendar month following the month of enactment of the bill (Senate Finance Committee report, pp. 31-33, 99-100).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>II. INSURED STATUS—CON.</b>			
B. Currently insured (eligible for certain survivor benefits and for lump-sum death payments).	6 quarters of coverage out of the 13-quarter period ending with the quarter of death.	Same as present law except if worker has been permanently and totally disabled. (See C below.)	Same as present law (except for technical change on account of new benefits for dependent widowers) (Senate Finance Committee report, p. 100).
C. Effect of periods of disability.	No provision.....	Quarters included in a period of disability under the permanent and total disability program provided for in the bill are excluded from the count of quarters in the elapsed periods used for determining insured status in A and B above (Ways and Means report, 31, 93-94).	No provision.
D. Quarter of coverage defined.	Wages of \$50 or more during a calendar quarter.	After 1949, \$100 in wages or \$200 in self-employment income; for prior years, same as present law (Ways and Means report, pp. 26, 92).	Same as present law as to wages; for self-employment income \$100 (Senate Finance Committee report, pp. 32, 98-99).
<b>III. BENEFIT CATEGORIES</b>			
A. Retired worker.....	Age 65.....	Age 65 (Ways and Means report, pp. 23-24, 97).	Age 65 (Senate Finance Committee report, pp. 29, 108).
B. Wife of retired worker..	Age 65.....	Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of her husband's wage record (Ways and Means report, p. 56).	Age 65 (Senate Finance Committee report, pp. 29, 108).
C. Widow of worker.....	Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of her husband's wage record. (Adopted child not entitled to benefits unless adoption has been in effect for at least 12 calendar months before the month in which worker died.)	Same as under present law, except (1) payments are provided for divorced wife of deceased insured worker if she has been receiving at least half her support from the worker and has in her care a child entitled to benefits on the basis of the worker's wage record, and (2) payments are provided for widow when adopted child is a survivor regardless of period of time the adoption has been in effect (Ways and Means report, pp. 22, 57, 98).	Same as House-passed bill (Senate Finance Committee report, pp. 28, 64-65, 108-109).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<p>III. BENEFIT CATEGORIES—continued</p>			
<p>D. Child of deceased or retired worker.</p>	<p>Unmarried child under 18 years of age is entitled to benefits if he was dependent upon the individual on whose wage record benefits are claimed. The following restrictions, in present law, on the finding of dependency of a child on the insured worker would be modified by H. R. 6000 as passed by the House of Representatives and as reported by the Senate Committee on Finance.</p> <p>(1) a child is not dependent upon his mother if the father is present in the household or has contributed to the support of the child, and</p> <p>(2) a child is deemed dependent upon a stepfather only if no parent other than the stepparent was contributing to the support of the child and the child was not living with its father.</p> <p>Adopted child of a deceased worker does not qualify for benefits unless adoption has been in effect for at least 12 calendar months before the month in which the worker died.</p>	<p>The restrictions on finding of dependency of a child on the insured worker cited under present law are modified as follows:</p> <p>(1) child benefits are payable on the mother's (including adoptive) wage record if she was <i>fully</i> and <i>currently</i> insured when she died regardless of presence of or support furnished by the father, and child benefits are also payable on the mother's (including adoptive and stepmother) wage record when the mother dies or receives old-age benefits if she has been furnishing at least ½ of child's support or if she has been living with or contributing to the child's support and the child has not been living with or receiving support from the father; and</p> <p>(2) a child is deemed dependent upon his stepfather if the child was living with or receiving at least ½ of his support from the stepfather (Ways and Means report, pp. 22, 57).</p> <p>Adopted child of a deceased worker qualifies for benefits without regard to length of time elapsing after the adoption (Ways and Means report, p. 98).</p>	<p>The restrictions on finding of dependency of a child on the insured worker cited under present law are modified as follows:</p> <p>(1) child benefits are payable on the mother's (including adoptive) wage record if she was <i>currently</i> insured when she died or when she became eligible for old-age benefits regardless of presence of or support furnished by the father, and child benefits are also payable on the mother's (including adoptive and stepmother) wage record when the mother dies or receives old-age benefits if she has been furnishing at least ½ of child's support or if she has been living with or contributing to the child's support and the child has not been living with or receiving support from the father; and</p> <p>(2) a child is deemed dependent upon his stepfather as under House-passed bill (Senate Finance Committee report, pp. 28, 63-64).</p> <p>Adopted child of a deceased worker qualifies for benefits as under House-passed bill (Senate Finance Committee report, p. 109).</p>
<p>E. Dependent parent of deceased worker.</p>	<p>Age 65.....</p>	<p>Age 65 (Ways and Means report, p. 58).</p>	<p>Age 65 (Senate Finance Committee report, p. 66).</p>
<p>F. Dependent husband of deceased or retired woman worker.</p>	<p>Not eligible for benefits.....</p>	<p>Not eligible for benefits.....</p>	<p>Benefits payable to aged dependent husband of a woman worker who was currently and fully insured at the time of her death or when she became eligible for old-age benefits (Senate Finance Committee report, pp. 28, 63, 65, 109).</p>
<p>G. Lump-sum death payment to widow or widower or person paying burial expenses.</p>	<p>Payable only when no survivor of currently or fully insured deceased worker could immediately become entitled to monthly benefits.</p>	<p>Payable at the death of every insured worker (Ways and Means report, pp. 22-23, 58).</p>	<p>Same as present law except that if survivors are paid less in monthly benefits during the year following the death than the amount of the lump sum, then the difference is payable as a lump-sum death payment (Senate Finance Committee report, pp. 28-29, 66).</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>IV. BENEFIT AMOUNTS</b>			
<b>A. Average monthly wage.</b>	<p>Computed by dividing the total taxable wages paid to the worker by the total number of months elapsing after 1936 (excluding months in any quarter before the one in which the worker reached age 22 unless he received wages of at least \$50 in such quarter) up to the quarter he attained age 65 or died. Wages earned after age 65 are included only if the result is to increase the average monthly wage.</p>	<p>Based on taxable wages (including self-employment income) after 1936, 1949, or the year in which the worker attained age 21, whichever produces the higher amount. Computed by dividing the total taxable wages during the years of coverage by 12 times the number of such years or by the number 60, whichever is greater.</p> <p>For a year of coverage, earnings from covered employment of at least \$200 a year are required for the period 1937-49, and \$400 for 1950 and thereafter (Ways and Means report, pp. 17-18, 95-96).</p>	<p>Computed as under present law except that any worker who has 6 or more quarters of coverage after 1950 (see II D), would have his average wage based either on the wages and elapsed time counted as under present law or on the wages and elapsed time after 1950, whichever gives the higher benefit (Senate Finance Committee report, pp. 21-22, 101-105).</p>
<b>B. Worker's primary benefit amount.</b>	<p>Monthly amount is 40 percent of the first \$50 of the average monthly wage plus 10 percent of the next \$200, plus 1 percent of the sum thus obtained for each year of coverage.</p>	<p>Benefit amounts being received by present beneficiaries are increased about 70 percent on the average by means of a conversion table. (Ways and Means report, pp. 23, 114-117.)</p> <p>For individuals retiring after 1949, monthly amount is 50 percent of the first \$100 of the average monthly wage plus 10 percent of the next \$200, plus ½ percent of the sum thus obtained for each year of coverage.</p> <p>For the worker who attains the age of 65 or dies after 1955, the benefit amount is reduced by the percentage of time the worker is out of covered employment since 1936, 1949, or the year worker attained age 21, whichever results in smaller reduction (Ways and Means report, pp. 18-20, 94-95).</p> <p>Example of reduction in benefit: Assume worker retires with 20 years of coverage out of an elapsed period of 25 years and an average monthly wage of \$200 per month over the years of coverage. The base amount is \$60 (50 percent of first \$100, plus 10 percent of \$100). The continuation fac-</p>	<p>Benefit amounts being received by present beneficiaries are increased by about 85 to 90 percent on the average by means of a conversion table. This table also applicable to those retiring in the future if (1) they do not have at least 6 quarters of coverage after 1950; or (2) they are over age 22 in 1950, and a higher benefit results from the use of the benefit formula in present law coupled with the conversion table than would result by use of the new benefit formula (Senate Finance Committee report, pp. 20-21, 101-105).</p> <p>Under new benefit formula monthly amount is 50 percent of the first \$100 of the average monthly wage plus 15 percent of the next \$150 (Senate Finance Committee report, pp. 22-24, 101).</p> <p>For the worker who is not in covered employment on a full-time basis the benefit amount is decreased because of the reduction in average wage.</p> <p>Example of reduction in average wage and in benefit: Assume worker retires with 20 years of coverage out of an elapsed period of 25 years and that he earned a level wage of \$200 per</p>

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
IV. BENEFIT AMOUNTS— continued			
B. Worker's primary benefit amount—Con.		tor is 80 percent (20 years of coverage out of a possible 25 years). The product of the continuation factor and the base amount is \$48 (80 percent of \$60). To the \$48 is added the amount of the increment of $\frac{1}{2}$ percent of the base amount for each year of coverage, in this instance 10 percent of \$60 ( $\frac{1}{2}$ percent for each of the 20 years of coverage). Thus, \$6 is added to \$48, providing a monthly benefit of \$54. If this worker had the full 25 years of coverage with no change in his average monthly wage, his base amount would be \$60, his increment amount \$7.50 ( $12\frac{1}{2}$ percent of \$60), and there would be no reduction on account of the continuation factor, making a monthly benefit payment of \$67.50.	month in each of the 20 years. His total wages would be \$48,000. The elapsed period is 25 years or 300 months. Dividing the \$48,000 total wages by 300 months in the elapsed period results in an average monthly wage of \$160. Applying the benefit formula of 50 percent of the first \$100 plus 15 percent of the next \$60 to this average wage results in a monthly benefit of \$59. If this worker had the full 25 years of coverage and earned \$200 per month in each of the months he was employed, his average wage would be \$200 and his monthly benefit, \$65.
C. Minimum primary benefit.	\$10.....	\$25 (Ways and Means report, pp. 16, 94).	\$25, except for individuals with wages averaging under \$34 per month for whom a \$20 minimum is provided (Senate Finance Committee report, pp. 27-28, 101).
D. Maximum family benefit.	\$85, or 80 percent of average monthly wage, or twice the primary benefit amount, whichever is less, except that the limitation does not operate to reduce family benefits below \$20.	\$150, or 80 percent of the average monthly wage, whichever is less, except that limitation does not operate to reduce family benefits below \$40 (Ways and Means report, pp. 21, 60).	Same as House-passed bill (Senate Finance Committee report, pp. 27-28, 70-71).
E. Dependents and survivors benefits (as related to primary benefit)			
1. Wife of retired worker	50 percent.....	50 percent.....	50 percent.
2. Widow.....	75 percent.....	75 percent.....	75 percent.
3. Child of retired or deceased worker.	50 percent.....	50 percent, except for deceased worker's family, 75 percent for first child.	50 percent, except for deceased worker's family, 75 percent for first child.
4. Parent of deceased worker.	50 percent.....	75 percent.....	50 percent.
5. Lump-sum death payment.	6 times.....	3 times (Ways and Means report pp. 20, 22-23, 56-58).	3 times (Senate Finance Committee report, pp. 26, 28-29, 62-66).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>V. EMPLOYMENT INCOME LIMITATION FOR BENEFICIARIES (WORK CLAUSE)</b>			
A. Earnings permitted...	Monthly benefit forfeited if earnings in covered employment exceed \$14.99 in the month.	The \$14.99 limitation in present law is increased to \$50 and no limitation is imposed for individuals aged 75 years and over. Special provisions for earnings from self-employment so that benefits may be paid for all months in a taxable year if the net earnings from self-employment are \$600 or less for the year. If net earnings exceed \$600, the beneficiary would be deprived of a monthly benefit for each \$50 or fraction of \$50 of income in excess of \$600 (Ways and Means report, pp. 24-25, 61-67).	Same as House-passed bill (Senate Finance Committee report, pp. 29-31, 71-79).
<b>VI. BENEFITS FOR WORLD WAR II VETERANS</b>			
A. Definition of veteran...	Served in the active military or naval service for 90 days or more between Sept. 16, 1940, and July 24, 1947 (or regardless of length of service if discharged for service connected disability), and discharged (other than dishonorably) prior to July 27, 1951.	Same as present law except that for wage credits granted for military-naval service (see B below) no limitation on date of discharge.	Same as House-passed bill.
B. Wage credits for veterans.	A veteran who dies within 3 years of discharge is deemed to have been fully insured with average monthly wage of not less than \$160. No benefits payable under this provision if Veterans' Administration pays a pension or compensation by reason of death of the veteran.	Provision of present law relating to survivor benefits is retained and in addition veterans, including those who died in service, are granted wage credits of \$160 for each month of military or naval service in World War II. These additional wage credits are to be used in meeting the insured status requirements and for computing benefit amounts as if the veteran's military or naval service had been covered employment at wages of \$160 per month, except that wage credits are not granted for (1) lump-sum death payments if the veteran died prior to 1950, and (2) any individual who died in service if his death was inflicted as lawful punishment for a mili-	Same as House-passed bill except that service credits are not provided if the period of service in the armed forces is credited for civil service, military, railroad, or any other Federal retirement system (Senate Finance Committee report, pp. 18-19, 110-112).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
VI. BENEFITS FOR WORLD WAR II VETERANS—CON.			
B. Wage credits for veterans—Continued		tary or naval offense (Ways and Means report, pp. 15-16, 99-100).	
C. Financing of benefits paid to veterans.	Additional costs for survivor benefits (as in B) met by appropriations from general revenues.	Cost of survivor benefits under present law and additional benefits resulting from the wage credits (as in B) met by appropriations from general revenues (Ways and Means report, pp. 16, 100).	Cost of survivor benefits under present law and additional benefits resulting from the wage credits (as in B) borne by the trust fund (Senate Finance Committee report, pp. 19-20, 112).
VII. FINANCING			
A. Maximum taxable amount.	Wages of \$3,000-----	Wages and self-employment income of \$3,600 (Ways and Means report, pp. 17, 67-70, 91, 120-126, 135-143).	Wages and self-employment income of \$3,000 (Senate Finance Committee report, pp. 24, 80-83, 97-98, 125-131, 153-160).
B. Tax rates-----	1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee for 1950, 2 percent for 1951-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3¼ percent thereafter, except—(1) for self-employed, 1½ times rates for employees; and (2) for nonprofit employment, no tax is imposed on employer, but employer may elect to pay employer's tax by waiving the tax exemption. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages (Ways and Means report, pp. 31-32, 117-120, 135).	1½ percent on employer and 1½ percent on employee for 1950-55, 2 percent for 1956-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3¼ percent thereafter. Rates for self-employed 1½ times rates for employees (Senate Finance Committee report, pp. 43, 123, 154).
C. Appropriations from general revenues.	The Congress is authorized to appropriate such sums from general revenues that may be required to finance the program.	Provision in present law is repealed (Ways and Means report, pp. 31, 114).	Same as House-passed bill (Senate Finance Committee report, pp. 33-34, 121).
D. Combined withholding of income and employee social-security taxes.	No provision-----	No provision-----	Single combined withholding of income tax and employee social-security tax applicable generally in those cases in which wages paid to the employee are subject to withholding for both classes of taxes. If the employee's wages are not subject to withholding for income-tax purposes—such as in the case of wages paid for domestic services in a private home—combined withholding will not apply (Senate Finance Committee report, pp. 51-52, 147-152).

## OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<p>VII. FINANCING—CON.</p> <p>E. Refund of overpayments, etc.</p>	Refund of taxes made from general revenues.	Refund of taxes made from trust fund (Ways and Means report, p. 114).	Refund of taxes made from general revenues but in lieu thereof may be credited against the income tax of the individual in those cases in which there has been joint withholding (Senate Finance Committee report, pp. 51-52, 147-152).

## PERMANENT AND TOTAL DISABILITY INSURANCE

<p>I. ESTABLISHMENT OF PROGRAM</p>	No provision.....	<p>Program established as of January 1951 for the payment of benefits to permanently and totally disabled workers (but not their dependents) after a minimum waiting period of 6 months provided they meet the following insured status requirements:</p> <p>(1) 20 quarters of coverage within the 40-quarter period ending with the quarter of disablement; and</p> <p>(2) 6 quarters of coverage within the 13-quarter period ending with the quarter of disablement (Ways and Means report, pp. 27-31, 94-96, 104-109).</p>	No provision.
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## PUBLIC ASSISTANCE

<p>I. GROUPS ELIGIBLE FOR AID</p>	<p>Federal grants-in-aid to the States for 3 categories of assistance for needy persons—</p> <p>(1) old-age assistance, for individuals 65 years of age and over;</p> <p>(2) aid to the blind; and</p> <p>(3) aid to dependent children, for children under 16 years of age or from 16 to 18 years of age, if they are regularly attending school.</p>	<p>Provides Federal grants-in-aid to the States for 4 categories of assistance for needy persons—</p> <p>(1) same as present law;</p> <p>(2) same as present law;</p> <p>(3) same as present law, and in addition includes 1 adult in each aid-to-dependent-children family as a recipient for Federal matching purposes; and</p> <p>(4) aid to the permanently and totally disabled (Ways and Means report, pp. 45-46, 53-54, 151, 153).</p>	Same as present law (Senate Finance Committee report, pp. 52-59).
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## PUBLIC ASSISTANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES</b>			
A. Old-age assistance and aid-to-the-blind payments.	Federal share is $\frac{3}{4}$ of first \$20 of a State's average monthly payment per recipient plus $\frac{1}{2}$ of the remainder within individual maximums of \$50.	Federal share is $\frac{1}{2}$ of the first \$25 of a State's average monthly payment per recipient, plus $\frac{1}{2}$ of the next \$10, plus $\frac{1}{3}$ of the remainder within individual maximums of \$50 (Ways and Means report, pp. 39-41, 49-50, 150-151).	Same as present law except that State old-age assistance payments supplementing old-age insurance benefits are shared in by the Federal Government on a 50-50 basis in those cases where retired workers become primary insurance beneficiaries after the effective date (Senate Finance Committee report, pp. 57, 173-174).
B. Aid-to-dependent-children payments.	Federal share is $\frac{3}{4}$ of the first \$12 of a State's average monthly payment per child, plus $\frac{1}{2}$ of the remainder within individual maximums of \$27 for the first child and \$18 for each additional child in a family.	Federal share is $\frac{1}{2}$ of the first \$15 of a State's average monthly payment per recipient, plus $\frac{1}{2}$ of the next \$6, plus $\frac{1}{3}$ of the remainder within individual maximums of \$27 for the relative with whom the children are living, \$27 for the first child, and \$18 for each additional child (Ways and Means report, pp. 46-47, 151).	Federal share is $\frac{3}{4}$ of the first \$12 of a State's average monthly payment per child, plus $\frac{1}{2}$ of the remainder within individual maximums of \$30 for the first child and \$20 for each additional child in a family (Senate Finance Committee report, pp. 56, 174).
C. Aid to the permanently and totally disabled payments.	No provision-----	Same as for old-age assistance and aid to the blind. (See A above.) (Ways and Means report, pp. 54, 153.)	No provision.
D. Administrative costs--	Federal share is $\frac{1}{2}$ of expenditures for administration of the three categories.	Provisions in present law for Federal sharing in administrative expenditures made applicable to aid to the permanently and totally disabled (Ways and Means report, pp. 153-154).	Same as present law.
<b>III. MEDICAL CARE</b>			
A. Direct payments to medical practitioners, etc.	Federal sharing in costs of medical care limited to amounts paid directly to recipients that can be included within the monthly payments of \$50 for aged and blind, and \$27 for first child and \$18 for each additional child in an aid-to-dependent-children family.	In old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled the Federal Government participates in the cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above (Ways and Means report, pp. 41-42, 48, 51, 54, 152, 153).	In old-age assistance, aid to the blind, and aid to dependent children, the Federal Government participates in the cost of payments made directly to medical practitioners and other suppliers of medical or other remedial services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above (Senate Finance Committee report, pp. 58, 174-175).

## PUBLIC ASSISTANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<b>III. MEDICAL CARE—CON.</b>			
B. Persons in public institutions.	No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.	Federal Government participates in payments to or for the care of recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis, but only within the regular maximums specified in item II A and C above. (For State plan requirements for institutions, see item IV C below.) (Ways and Means report, pp. 42, 51, 54, 152, 153.)	Same as House-passed bill as to the existing programs of old-age assistance and aid to the blind. (Senate Finance Committee report, pp. 58, 175).
<b>IV. CHANGES IN REQUIREMENTS FOR STATE PLANS</b>			
A. Aid to the permanently and totally disabled.	No provision-----	Requirements for aid to permanently and totally disabled same as for old-age assistance except for residence. (See B below.) (Ways and Means report, pp. 54, 153-154.)	No provision.
B. Residence-----	For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and 1 continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.	No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than 1 continuous year prior to filing of the application for aid. For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid (Ways and Means report, pp. 52, 54, 150).	No change in requirements in present law except for the adding of a provision relating to aid to dependent children so as to prohibit approval of a State plan which imposes a residence requirement under which aid is denied to a dependent child who has resided in the State for one year preceding his application or who was born (whether in or out of the State) within 1 year preceding the application if his parent or other relative with whom he is living resided in the State for 1 year preceding the birth (Senate Finance Committee report, p. 172).

## PUBLIC ASSISTANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
IV. CHANGES IN REQUIREMENTS FOR STATE PLANS— continued			
C. Standards for medical care and for institutions.	No provision-----	No requirement except as to public medical and private medical or nonmedical institutions as follows: Effective July 1, 1953, if a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions (Ways and Means report, pp. 43, 51, 149, 153).	Same as House-passed bill. (Senate Finance Committee report, p. 172).
D. Assistance to be furnished promptly.	No specific provision-----	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals (Ways and Means report, pp. 43, 48, 51-52, 148, 153).	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished with reasonable promptness to all eligible individuals. (Senate Finance Committee report, pp. 170-171).
E. Fair hearing-----	Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time (Ways and Means report, pp. 43, 48, 52, 148, 153).	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon with reasonable promptness. (Senate Finance Committee report, pp. 170-171).
F. Training program for personnel.	No specific provision-----	States must provide a training program for the personnel necessary for the administration of the programs (Ways and Means report, pp. 43-44, 48, 52, 148, 153).	No specific provision.
G. Special requirements for aid to the blind: 1. Income and resources.	For the 3 categories, a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Effective Oct. 1, 1949, a State may disregard such amount of earned income, up to \$50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or which are not actually available to the	Effective July 1, 1952, a State must disregard earned income, up to \$50 per month, of an individual claiming aid to the blind; prior to July 1, 1952, the exemption of earned income, up to \$50 per month, is discretionary with each State. (Same income and resources provisions as in present law for the other categories).

## PUBLIC ASSISTANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
IV. CHANGES IN REQUIREMENTS FOR STATE PLANS— continued			
G. Special requirements for aid to the blind—Continued			
2. Temporary approval of State plans for aid to the blind.	No provision-----	individual and take into consideration the special expenses arising from blindness. (Same income and resources provisions as in present law for the other categories.)  For the period Oct. 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on Jan. 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of sec. 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the afore-mentioned income and resources requirement of the act. (Alaska, Missouri, Nevada, and Pennsylvania had no approved plan for aid to the blind on Jan. 1, 1949.)	For the period Oct. 1, 1950, to June 30, 1953, any State which did not have an approved plan for aid to the blind on Jan. 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of sec. 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the afore-mentioned income and resources requirement of the act. (Alaska, Missouri, Nevada, and Pennsylvania had no approved plan for aid to the blind on Jan. 1, 1949.)
3. Examination to determine blindness.	No specific provision but the Social Security Administration requires that a State plan must provide for an examination of claimants of aid to the blind by a physician skilled in the diseases of the eye.	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist (Ways and Means report, pp. 50, 52-53, 149-150, 153).	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye. Also the plan must provide that the services of optometrists within the scope of their practice as prescribed by State law shall be available to individuals already determined to be eligible for aid to the blind (if desired and needed by them), as well as to recipients of any grant-in-aid program for improvement or conservation of vision (Senate Finance Committee report, pp. 56-57, 173, 175-176).
H. Special requirement for aid to dependent children: 1. Notification to law-enforcement officials.	No provision-----	States most provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent (Ways and Means report, pp. 48, 149).	Same as House-passed bill (Senate Finance Committee report, pp. 56, 172).

## PUBLIC ASSISTANCE—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
V. PUERTO RICO AND VIRGIN ISLANDS	Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.	The 4 categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to ½ of the total sums expended under an approved plan up to a maximum payment for any individual of \$30 per month. For aid to dependent children the Federal share is limited to ½ of the expenditures under an approved plan up to individual maximums of \$27 for the first child, and \$18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50-50 basis (Ways and Means report, pp. 55, 151, 153).	Same as present law.

## CHILD HEALTH AND WELFARE SERVICES

I. CHILD WELFARE SERVICES			
A. Authorization for appropriations.	Authorizes an annual appropriation of \$3,500,000 for grants to the States for child-welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: \$20,000 to each State and remainder on basis of rural population of the respective States.	Authorization for annual appropriation increased to \$7,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population of the respective States (Ways and Means report, pp. 54-55, 154).	Authorization for annual appropriation increased to \$12,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population under age 18 in the respective States (Senate Finance Committee report, pp. 60-61, 177).
B. Return of run-away children.	No specific provision-----	Specific provision is made for the payment of the cost of returning any run-away child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met (Ways and Means report, pp. 54-55, 154).	Same as House-passed bill (Senate Finance Committee report, pp. 61, 177).

## CHILD HEALTH AND WELFARE SERVICES—Continued

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
<p><b>I. CHILD WELFARE SERVICES—continued</b></p> <p>C. Use of facilities of voluntary agencies.</p>	No specific provision-----	No specific provision-----	In developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements (Senate Finance Committee report, pp. 61, 177).
<p><b>II. MATERNAL AND CHILD HEALTH SERVICES</b></p> <p>A. Authorization for appropriations.</p>	<p>Authorize an annual appropriation of \$11,000,000. One-half of this amount is distributed among the States as follows: \$35,000 to each State, and the remainder of the one-half on the basis of the relative number of live births in the State. The second one-half is distributed among the States on the basis of the financial need of each State after consideration of the number of live births in the State.</p>	Same as present law-----	<p>Authorization for annual appropriation increased to \$20,000,000 and the \$35,000 uniform allotment to each State is increased to \$60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged (Senate Finance Committee report, pp. 59-60, 176).</p>
<p><b>III. SERVICES FOR CRIPPLED CHILDREN</b></p> <p>A. Authorization for appropriations.</p>	<p>Authorizes an annual appropriation of \$7,500,000. One-half of this amount is distributed among the States as follows: \$30,000 to each State, and the remainder of the one-half on the basis of need after consideration of the number of crippled children in the State needing services and the cost of such services. The second one-half is distributed on the same basis of need.</p>	Same as present law-----	<p>Authorization for annual appropriation increased to \$15,000,000 and the \$30,000 annual allotment to each State is increased to \$60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged (Senate Finance Committee report, pp. 60, 176-177).</p>

## UNEMPLOYMENT INSURANCE

Item	Present law	H. R. 6000 as passed by House of Representatives	H. R. 6000 as reported by Senate Committee on Finance
I. ADVANCES TO STATES	Title XII of the act, allowing advances to the accounts of States in the unemployment trust fund expired Jan. 1, 1950.	No provision-----	Title XII is made operative until Dec. 31, 1951 (Senate Finance Committee report, pp. 61, 182).

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